

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

The Carlyle Group L.P.

(Exact name of Registrant as specified in its charter)

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

6282
*(Primary Standard Industrial
Classification Code Number)*

45-2832612
*(I.R.S. Employer
Identification Number)*

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Washington, D.C. 20004-2505
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(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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

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

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act of 1933, check the following box and list the Securities Act of 1933 registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

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

SUBJECT TO COMPLETION, DATED NOVEMBER 7, 2011

PRELIMINARY PROSPECTUS

**Common Units
Representing Limited Partner Interests**

THE CARLYLE GROUP

This is the initial public offering of common units representing limited partner interests in The Carlyle Group L.P. No public market currently exists for our common units. We are offering all of the common units representing limited partner interests in this offering. We anticipate that the initial public offering price will be between \$ _____ and \$ _____ per common unit. We intend to apply to list the common units on _____ under the symbol "_____."

Investing in our common units involves risks. See "Risk Factors" beginning on page 26. These risks include the following:

We are managed by our general partner, which is owned by our senior Carlyle professionals. Our common unitholders will have only limited voting rights and will have no right to remove our general partner or, except in limited circumstances, elect the directors of our general partner. Moreover, immediately following this offering, our senior Carlyle professionals generally will have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of our limited partners. In addition, our partnership agreement limits the liability of, and reduces or eliminates the duties (including fiduciary duties) owed by, our general partner to our common unitholders and restricts the remedies available to our common unitholders for actions that might otherwise constitute breaches of our general partner's duties. As a limited partnership, we will qualify for and intend to rely on exceptions from certain corporate governance and other requirements under the rules of _____. For example, we will not be required to comply with the requirements that a majority of the board of directors of our general partner consist of independent directors and that we have a nominating/corporate governance committee and a compensation committee that are each composed entirely of independent directors.

Our business is subject to many risks, including those associated with:

- adverse economic and market conditions, which can affect our business and liquidity position in many ways, including by reducing the value or performance of the investments made by our investment funds and reducing the ability of our investment funds to raise or deploy capital;
- changes in the debt financing markets, which could negatively impact the ability of our funds and their portfolio companies to obtain attractive financing or refinancing for their investments and operations, and could increase the cost of such financing if it is obtained, leading to lower-yielding investments;
- the potential volatility of our revenue, income and cash flow;
- our dependence on our founders and other key personnel and our ability to attract, retain and motivate high quality employees who will bring value to our operations;
- business and regulatory impediments to our efforts to expand into new investment strategies, markets and businesses;
- the fact that most of our investment funds invest in illiquid, long-term investments that are not marketable securities, and such investments may lose significant value during an economic downturn;
- the potential for poor performance of our investment funds; and
- the possibility that we will not be able to continue to raise capital from third-party investors on advantageous terms.

As discussed in "Material U.S. Federal Tax Considerations," The Carlyle Group L.P. will be treated as a partnership for U.S. federal income tax purposes, and our common unitholders therefore will be required to take into account their allocable share of items of income, gain, loss and deduction of The Carlyle Group L.P. in computing their U.S. federal income tax liability. Although we currently intend to make annual distributions in an amount sufficient to cover the anticipated U.S. federal, state and local income tax liabilities of holders of common units in respect of their allocable share of our net taxable income, it is possible that such tax liabilities will exceed the cash distributions that holders of common units receive from us. Although not enacted, the U.S. Congress has considered legislation that would have precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations for taxable years after a ten-year transition period and would have taxed individual holders of common units with respect to certain income and gains at increased rates. Similar legislation could be enacted in the future.

	Price to Public	Underwriting Discount	Proceeds, Before Expenses, to The Carlyle Group L.P.
Per Common Unit	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____

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

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

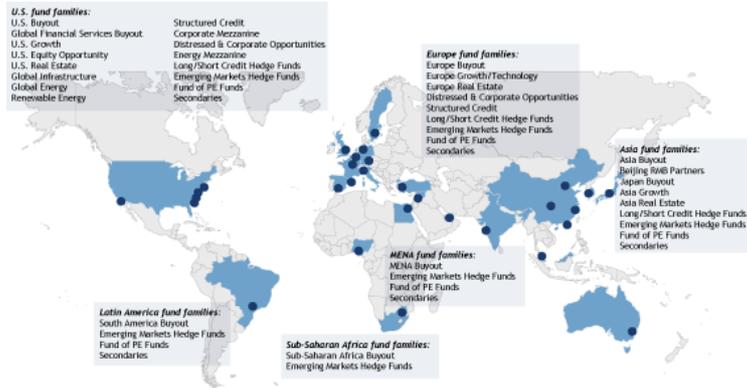
The underwriters expect to deliver the common units to purchasers on or about _____, 2012.

J.P. Morgan

Citigroup
_____, 2012

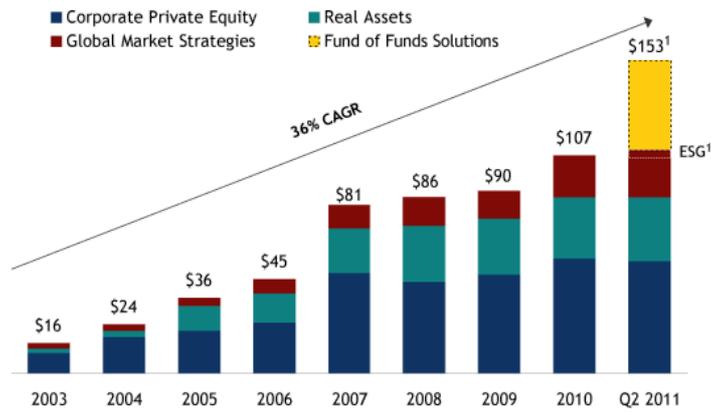
Credit Suisse

Global Presence



As of June 30, 2011 after giving effect to our acquisitions of AlInvest Partners B.V. and Emerging Sovereign Group LLC on July 1, 2011.

Assets Under Management (dollars in billions, 2003 — Q2 2011)



(1) As of June 30, 2011 after giving effect to our acquisitions of AlInvest Partners B.V. and Emerging Sovereign Group LLC on July 1, 2011.

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. We and the underwriters are offering to sell, and seeking offers to buy, our common units only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common units.

Through and including _____, 2012 (25 days after the date of this prospectus), all dealers that effect transactions in our common units, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Our business is currently owned by four holding entities: TC Group, L.L.C., TC Group Cayman, L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. We refer to these four holding entities collectively as the “Parent Entities.” The Parent Entities are under the common ownership and control of our senior Carlyle professionals and two strategic investors that own minority interests in our business — entities affiliated with Mubadala Development Company, an Abu-Dhabi based strategic development and investment company (“Mubadala”), and California Public Employees’ Retirement System (“CalPERS”). Unless the context suggests otherwise, references in this prospectus to “Carlyle,” the “Company,” “we,” “us” and “our” refer (1) prior to the consummation of our reorganization into a holding partnership structure as described under “Organizational Structure,” to **Carlyle Group**, which is comprised of the Parent Entities and their consolidated subsidiaries and (2) after our reorganization into a holding partnership structure, to **The Carlyle Group L.P.** and its consolidated subsidiaries. In addition, certain individuals engaged in our businesses own interests in the general partners of our existing carry funds. Certain of these individuals will contribute a portion of these interests to us as part of the reorganization. We refer to these individuals, together with the owners of the Parent Entities prior to this offering, collectively as our “existing owners.” Completion of our reorganization will occur prior to this offering. See “Organizational Structure.”

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 partners of our firm who are, together with CalPERS and Mubadala, the owners of our Parent Entities prior to the reorganization. References in this prospectus to the ownership of the senior Carlyle professionals include the ownership of personal planning vehicles of these individuals.

“Carlyle funds,” “our funds” and “our investment funds” refer to the investment funds and vehicles advised by Carlyle. Our “carry funds” refers to those investment funds that we advise, including the buyout funds, growth capital funds, real asset funds and distressed debt and mezzanine funds (but excluding our structured credit funds, hedge funds and fund of funds vehicles), where we receive a special residual allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund. Our “fund of funds vehicles” refer to those funds, accounts and vehicles advised by Alpinvest Partners B.V. (“Alpinvest”).

“Fee-earning assets under management” or “Fee-earning AUM” refers to the assets we manage from which we derive recurring fund management fees. Our fee-earning AUM generally equals the sum of:

- (a) for carry funds and certain co-investment vehicles where the investment period has not expired, the amount of limited partner capital commitments;
- (b) for carry funds and certain co-investment vehicles where the investment period has expired, the remaining amount of limited partner invested capital;
- (c) the gross amount of aggregate collateral balance at par, adjusted for defaulted or discounted collateral, of our collateralized loan obligations (“CLOs”) and the reference portfolio notional amount of our synthetic collateralized loan obligations (“synthetic CLOs”);
- (d) the external investor portion of the net asset value (pre-redemptions and subscriptions) of our long/short credit, emerging markets, multi-product macroeconomic and other hedge funds and certain structured credit funds; and
- (e) for fund of funds vehicles, the amount of external investor capital commitments during the commitment period, and the lower of cost or fair value of invested capital thereafter.

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

(a) the fair value of the capital invested in our carry funds, co-investment vehicles and fund of funds vehicles plus the capital that we are entitled to call from investors in those funds and vehicles (including our 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 at par of our CLOs and the reference portfolio notional amount of our synthetic CLOs; and

(c) the net asset value (pre-redemptions and subscriptions) of our long/short credit, emerging markets, multi-product macroeconomic and other hedge funds and certain structured credit funds.

We include in our calculation of AUM and fee-earning AUM certain energy and renewable resources funds that we jointly advise with Riverstone Investment Group L.L.C. (“Riverstone”).

Our calculations of AUM and fee-earning AUM may differ from the calculations of other alternative asset managers. As a result, these measures may not be comparable to similar measures presented by other alternative 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 fees. Our definitions 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 advise. See “Business — Structure and Operation of Our Investment Funds — Incentive Arrangements/Fee Structure.”

For our carry funds, co-investment vehicles and fund of funds vehicles, 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 at cost, depending on whether the 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.

Unless indicated otherwise, the information included in this prospectus assumes:

- no exercise by the underwriters of the option to purchase up to an additional common units from us;
- the common units to be sold in this offering are sold at \$ per common unit, which is the midpoint of the price range indicated on the front cover of this prospectus; and
- the conversion of the convertible notes held by Mubadala, as further described below under “Organizational Structure — Reorganization.”

Unless indicated otherwise, non-financial operational and statistical data in this prospectus is as of June 30, 2011, and the presentation of AUM and non-financial operational and statistical data as of June 30, 2011 in this prospectus is presented on an “as adjusted basis” to give effect to our acquisitions on July 1, 2011 of a 60% equity interest in AlplInvest and a 55% equity interest in Emerging Sovereign Group LLC (“ESG”) as if these acquisitions had occurred on June 30, 2011. Compound annual growth in AUM is presented since December 31, 2003, the first period for which comparable information is available. For additional information concerning our recent acquisitions, including our acquisitions of controlling interests in AlplInvest and ESG, our December 2010 acquisition of a controlling interest in Claren Road Asset Management, LLC (“Claren Road”), our acquisition of a CLO management contract for Foothill CLO I, Ltd. (“Foothill CLO”) and our acquisition of CLO management contracts for Mizuho Alternative Investments LLC (“Mizuho”) and Stanfield Capital Partners LLC (“Stanfield”) in August 2011, December 2010 and August 2010,

respectively, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Recent Transactions.”

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. For our Real Assets segment, our first fund was formed in 1997.

Until an investment fund (i) has distributed substantially all expected investment proceeds to its fund investors, (ii) is not expected to generate further investment proceeds (e.g., earn-outs), (iii) is no longer paying management fees or accruing performance fees, and (iv) in the case of our structured credit vehicles, has made a final redemption distribution, we consider such investment fund to be “active.” The fund performance data presented herein includes the performance of all of our carry funds, including those that are no longer active. All other fund data presented in this prospectus, and all other references to our investment funds, are to our “active” investment funds.

References herein to “active investments” are to investments that have not yet been fully realized, meaning that the investment fund continues to own an interest in, and has not yet completely exited, the investment.

In addition, for purposes of aggregation, investment funds that report in foreign currencies have been converted to U.S. dollars at the spot rate as of the end of the reporting period and the average spot rate for the period has been utilized when presenting multiple periods. With respect to capital commitments raised in foreign currencies, the conversion to U.S. dollars is based on the exchange rate as of the date of closing of such capital commitment.

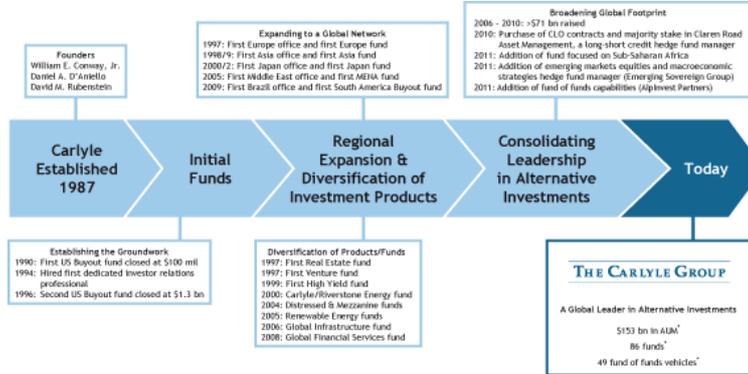
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SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all the information you should consider before investing in our common units. You should read this entire prospectus carefully, including the section entitled "Risk Factors" and the financial statements and the related notes, before you decide to invest in our common units.

The Carlyle Group

We are one of the world's largest and most diversified multi-product global alternative asset management firms. We advise an array of specialized investment funds and other investment vehicles that invest across a range of industries, geographies, asset classes and investment strategies and seek to deliver attractive returns for our fund investors. Since our firm was founded in Washington, D.C. in 1987, we have grown to become a leading global alternative asset manager with approximately \$153 billion in AUM across 86 funds and 49 fund of funds vehicles.* We have more than 1,100 employees, including more than 500 investment professionals, in 34 offices across six continents, and we serve over 1,400 carry fund investors from 73 countries. Across our Corporate Private Equity and Real Assets segments, we have investments in over 200 portfolio companies that employ more than 600,000 people.



* As of June 30, 2011 after giving effect to our acquisitions of AlpInvest Partners B.V. and Emerging Sovereign Group LLC on July 1, 2011.

The growth and development of our firm has been guided by several fundamental tenets:

- **Excellence in Investing.** Our primary goal is to invest wisely and create value for our fund investors. We strive to generate superior investment returns by combining deep industry expertise, a global network of local investment teams who can leverage extensive firm-wide resources and a consistent and disciplined investment process.
- **Commitment to our Fund Investors.** Our fund investors come first. This commitment is a core component of our firm culture and informs every aspect of our business. We believe this philosophy is in the long-term best interests of Carlyle and its owners, including our prospective common unitholders.
- **Investment in the Firm.** We have invested, and intend to continue to invest, significant resources in hiring and retaining a deep talent pool of investment professionals and in building the infrastructure of the firm, including our expansive local office network and our comprehensive investor support team, which provides finance, legal and compliance and tax services in addition to other corporate services.

- *Expansion of our Platform.* We innovate continuously to expand our investment capabilities through the creation or acquisition of new asset-, sector- and regionally-focused strategies in order to provide our fund investors a variety of investment options.
- *Unified Culture.* We seek to leverage the local market insights and operational capabilities that we have developed across our global platform through a unified culture we call “One Carlyle.” Our culture emphasizes collaboration and sharing of knowledge and expertise across the firm to create value.

We believe that this offering will enable us to continue to develop and grow our firm; strengthen our infrastructure; create attractive investment products, strategies and funds for the benefit of our fund investors; and attract and retain top quality professionals. We manage our business for the long-term, through economic cycles, leveraging investment and exit opportunities in different parts of the world and across asset classes. We believe it is an opportune time to capitalize on the additional resources and growth prospects that we expect a public offering will provide.

Our Business

We operate our business across four segments: (1) Corporate Private Equity, (2) Real Assets, (3) Global Market Strategies and (4) Fund of Funds Solutions. We established our Fund of Funds Solutions segment on July 1, 2011 at the time we completed our acquisition of a 60% equity interest in, and began to consolidate, AlpInvest.

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 a performance fee from an investment fund, which may be either an incentive fee or a special residual allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund. Our ability to generate carried interest is an important element of our business and carried interest has historically accounted for a significant portion of our revenue. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures” for a discussion of the composition of our revenues and expenses, including additional information regarding how our management fees and performance fees are structured and calculated.

The following tables set forth information regarding our segment revenues, economic net income (“ENI”) and Distributable Earnings by segment for the six months ended June 30, 2011 and the year ended December 31, 2010. Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures” for a discussion of the composition of our revenues and expenses and “— Segment Analysis” for discussion and analysis of our segment results. On a GAAP basis for the year ended December 31, 2010 and the six months ended June 30, 2011, our total revenues were \$2,798.9 million and \$2,073.1 million, respectively, and our income before provision for income taxes was \$1,479.7 million and \$1,089.6 million, respectively.

	For the Six Months Ended June 30, 2011				
	Corporate Private Equity	Real Assets	Global Market Strategies (In millions)	Fund of Funds Solutions	Total
Segment Revenues(1)	\$ 1,314.3	\$ 218.0	\$ 264.0	n/a	\$ 1,796.3
ENI(1)(2)	\$ 537.4	\$ 127.7	\$ 105.1	n/a	\$ 770.2
Distributable Earnings(1)(3)	\$ 259.1	\$ 43.5	\$ 70.6	n/a	\$ 373.2

	For the Year Ended December 31, 2010				
	Corporate Private Equity	Real Assets	Global Market Strategies (In millions)	Fund of Funds Solutions	Total
Segment Revenues(1)	\$ 1,897.2	\$ 235.0	\$ 253.6	n/a	\$ 2,385.8
ENI(1)(2)	\$ 819.3	\$ 90.7	\$ 104.0	n/a	\$ 1,014.0
Distributable Earnings(1)(3)	\$ 307.2	\$ 12.7	\$ 22.6	n/a	\$ 342.5

- (1) Under GAAP, we are required to consolidate certain of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these funds.
- (2) ENI, a non-GAAP measure, represents segment net income excluding the impact of income taxes, acquisition-related items including amortization of acquired intangibles and earn-outs, charges associated with equity-based compensation, corporate actions and infrequently occurring or unusual events (e.g., acquisition related costs, gains and losses on mark to market adjustments on contingent consideration, gains and losses from the retirement of our debt, charges associated with lease terminations and employee severance and settlements of legal claims). For a further discussion about ENI and a reconciliation to Income (Loss) Before Provision for Taxes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures — Non-GAAP Financial Measures — Economic Net Income" and "— Non-GAAP Financial Measures," and Note 14 to our combined and consolidated financial statements appearing elsewhere in this prospectus.
- (3) Distributable Earnings, a non-GAAP measure, is a component of ENI representing total ENI less unrealized performance fees and unrealized investment income plus unrealized performance fee compensation expense. For a further discussion about Distributable Earnings and a reconciliation to Income (Loss) Before Provision for Taxes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures — Non-GAAP Financial Measures — Distributable Earnings," "— Non-GAAP Financial Measures" and Note 14 to our combined and consolidated financial statements appearing elsewhere in this prospectus.

Corporate Private Equity. Our Corporate Private Equity segment, established in 1990 with our first U.S. buyout fund, advises our buyout and growth capital funds, which pursue a wide variety of corporate investments of different sizes and growth potentials. Our 25 active Corporate Private Equity funds are organized and operated by geography or industry and are advised by separate teams of local professionals who live and work in the markets where they invest. We believe this diversity of funds allows us to deploy more targeted and specialized investment expertise and strategies and offers our fund investors the ability to tailor their investment choices.

Our Corporate Private Equity teams have two primary areas of focus:

- **Buyout Funds.** Our buyout teams advise a diverse group of 16 active funds that invest in transactions that focus either on a particular geography (United States, Europe, Asia, Japan, South America or the Middle East and North Africa ("MENA")) or a particular industry (e.g., financial services). As of June 30, 2011, our buyout funds had, in the aggregate, approximately \$51 billion in AUM.
- **Growth Capital Funds.** Our nine active growth capital funds are advised by three regionally-focused teams in the United States, Europe and Asia, with each team generally focused on middle-market and growth companies consistent with specific regional investment considerations. As of June 30, 2011, our growth capital funds had, in the aggregate, approximately \$4 billion in AUM.

The following table presents certain data about our Corporate Private Equity segment as of June 30, 2011 (dollar amounts in billions; compound annual growth is presented since December 31, 2003; amounts invested include co-investments).

AUM	% of Total AUM	AUM CAGR	Fee-Earning AUM	Active Investments	Active Funds	Available Capital	Investment Professionals	Amount Invested Since Inception	Investments Since Inception
\$55	36%	25%	\$39	152	25	\$15	243	\$47	405

Real Assets. Our Real Assets segment, established in 1997 with our first U.S. real estate fund, advises our 18 active real estate, infrastructure and energy and renewable resources funds.

Our Real Assets teams have three primary areas of focus:

- *Real Estate.* Our 11 active real estate funds pursue real estate investment opportunities in Asia, Europe and the United States and generally focus on acquiring single-property opportunities rather than large-cap companies with real estate portfolios. As of June 30, 2011, our real estate funds had, in the aggregate, approximately \$12 billion in AUM.
- *Infrastructure.* Our infrastructure investment team focuses on investments in infrastructure companies and assets. As of June 30, 2011, we advised one infrastructure fund with approximately \$1 billion in AUM.
- *Energy & Renewable Resources.* Our energy and renewable resources activities focus on buyouts, growth capital investments and strategic joint ventures in the midstream, upstream, power and oilfield services sectors, as well as the renewable and alternative sectors of the energy industry. We currently conduct these activities with Riverstone, jointly advising six funds with approximately \$18 billion in AUM as of June 30, 2011. We and Riverstone have mutually decided not to pursue additional jointly managed funds (although we will continue to advise jointly with Riverstone the six existing energy and renewable resources funds). We are actively exploring new approaches through which to expand our energy capabilities and intend to augment our significant in-house expertise in this sector.

The following table presents certain data about our Real Assets segment as of June 30, 2011 (dollar amounts in billions; compound annual growth is presented since December 31, 2003; amounts invested include co-investments; investment professionals excludes Riverstone employees).

AUM	% of Total AUM	AUM CAGR	Fee-Earning AUM	Active Investments	Active Funds	Available Capital	Investment Professionals	Amount Invested Since Inception	Investments Since Inception
\$31	21%	41%	\$23	323	18	\$ 9	133	\$25	530

Global Market Strategies. Our Global Market Strategies segment, established in 1999 with our first high yield fund, advises a group of 43 active funds that pursue investment opportunities across various types of credit, equities and alternative instruments, and (with regards to certain macroeconomic strategies) currencies, commodities and interest rate products and their derivatives. These funds include:

Carry Funds. We advise five carry funds, with an aggregate of \$3 billion in AUM, in three different strategies: distressed and corporate opportunities (including liquid trading portfolios and control investments); corporate mezzanine (targeting middle market companies); and energy mezzanine opportunities (targeting debt investments in energy and power projects and companies).

Hedge Funds. Through our 55% stake in Claren Road Asset Management, we advise two long/short credit hedge funds focusing on the global high grade and high yield markets totaling, in the aggregate, \$5 billion in AUM. Additionally, through our 55% stake in ESG, we advise six emerging markets equities and macroeconomic hedge funds with an aggregate AUM of \$1.7 billion.

Structured Credit. Our 30 structured credit (CLO) funds, with an aggregate AUM of \$12 billion, invest primarily in performing senior secured bank loans through structured vehicles and other investment products.

The following table presents certain data about our Global Market Strategies segment as of June 30, 2011 on an as adjusted basis, giving effect to our acquisition of ESG on July 1, 2011 (dollar amounts in billions; compound annual growth is presented since December 31, 2003).

AUM	% of Total AUM	AUM CAGR	Fee-Earning AUM	Active Funds	Investment Professionals
\$22	14%	33%	\$20	43	115

Fund of Funds Solutions. Our Fund of Funds Solutions segment was established on July 1, 2011 when we completed our acquisition of a 60% equity interest in AlInvest. AlInvest is one of the world's largest investors in private equity and advises a global private equity fund of funds program and related co-investment and secondary activities. Its anchor clients are two large Dutch pension funds, which were the founders and previous shareholders of the company. Although we maintain ultimate control over AlInvest, AlInvest's historical management team (who are our employees) will continue to exercise independent investment authority without involvement by other Carlyle personnel.

AlInvest has three primary areas of focus:

- *Fund Investments.* AlInvest funds make investment commitments directly to buyout, growth capital, venture and other alternative asset funds advised by other general partners ("portfolio funds"). As of June 30, 2011, AlInvest advised 24 fund of funds vehicles totaling, in the aggregate, approximately \$32 billion in AUM.
- *Co-investments.* AlInvest invests alongside other private equity and mezzanine funds in which it has a fund investment throughout Europe, North America and Asia. As of June 30, 2011, AlInvest co-investments programs were conducted through 14 funds totaling, in the aggregate, approximately \$7 billion in AUM.
- *Secondary Investments.* AlInvest also advises funds that acquire interests in portfolio funds in secondary market transactions. As of June 30, 2011, AlInvest's secondary investments program was conducted through 11 funds totaling, in the aggregate, approximately \$6 billion in AUM.

In addition, although customized separate accounts and co-mingled vehicles for clients other than AlInvest's anchor clients do not currently represent a significant portion of our AUM, we expect to grow our Fund of Funds Solutions segment with these two products. See "Business — Structure and Operation of Our Investment Funds — Incentive Arrangements/Fee Structure" for a discussion of the arrangements with the historical owners and management of AlInvest regarding the allocation of carried interest in respect of the historical investments of and the historical and certain future commitments to our fund of funds vehicles.

The following table presents certain data about our Fund of Funds Solutions segment as of June 30, 2011 on an as adjusted basis, giving effect to our acquisition of AlInvest on July 1, 2011 (dollar amounts in billions).

AUM	% of Total AUM	Fee-Earning AUM	Amount Invested Since Inception	Investment Professionals
\$45	29%	\$28	\$43	59

Competitive Strengths

Since our founding in 1987, Carlyle has grown to become one of the world's largest and most diversified multi-product global alternative asset management firms. We believe the following competitive strengths position us well for future growth:

Global Presence. We believe we have a greater presence around the globe and in emerging markets than any other alternative asset manager. We currently operate on six continents and sponsor funds investing in the United States, Asia, Europe, Japan, MENA, South America and Sub-Saharan Africa, with 12 carry funds and their related co-investment vehicles representing approximately \$14 billion in AUM actively investing in emerging markets. Our extensive network of investment professionals is composed primarily of local individuals with the knowledge, experience and relationships that allow them to identify and take advantage of opportunities unavailable to firms with less extensive footprints.

Diversified and Scalable Multi-Product Platform. We have created separate geographic, sector and asset specific fund groups, investing significant resources to develop this extensive network of investment professionals and offices. As a result, we benefit from having 86 different funds (including 48 carry funds) and 49 fund of funds vehicles around the world. We believe this broad fund platform and our investor services infrastructure provide us with a scalable foundation to pursue future investment opportunities in high-growth markets and to expand into new products. Our diverse platform also enhances our resilience to credit market turmoil by enabling us to invest during such times in assets and geographies that are less dependent on leverage than traditional U.S. buyout activity. We believe the breadth of our product offerings also enhances our fundraising by allowing us to offer investors greater flexibility to allocate capital across different geographies, industries and components of a company's capital structure.

Focus on Innovation. We have been at the forefront of many recognized trends within our industry, including the diversification of investment products and asset classes, geographic expansion and raising strategic capital from institutional investors. Within 10 years of the launch of our first fund in 1990 to pursue buyout opportunities in the United States, we had expanded our buyout operations to Asia and Europe and added funds focused on U.S. real estate, global energy and power, structured credit and venture and growth capital opportunities in Asia, Europe and the United States. Over the next 10 years, we developed an increasing number of new, diverse products, including funds focused on distressed opportunities, infrastructure, global financial services, mezzanine investments and real estate across Asia and Europe. We have continued to innovate in 2010 and 2011 with the expansion of our Global Markets Strategies business, the formation of our Fund of Funds Solutions segment and numerous new fund initiatives. We believe our focus on innovation will enable us to continue to identify and capitalize on new opportunities in high-growth geographies and sectors.

Proven Ability to Consistently Attract Capital from a High-Quality, Loyal Investor Base. Since inception, we have raised more than \$112 billion in capital (excluding acquisitions). We have successfully and repeatedly raised long-term, non-redeemable capital commitments to new and successor funds, with a broad and diverse base of over 1,400 carry fund investors from 73 countries. Despite the recent challenges in the fundraising markets, from December 31, 2007 through June 30, 2011, we had closings for 26 funds with commitments totaling approximately \$28 billion. We have a demonstrated history of attracting investors to multiple funds, with approximately 91% of commitments to our active carry funds (by dollar amount) coming from investors who are committed to more than one active carry fund, and 58% of commitments to our active carry funds (by dollar amount) coming from investors who are committed to more than five active carry funds (each as of June 30, 2011). We have a dedicated in-house fund investor relations function, which we refer to as our "LP relations" group, which includes 19 geographically focused investor relations professionals and 24 product and client segment specialists and support staff operating on a global basis. We believe that our constant dialogue with our fund investors and our commitment to providing them with the highest quality service inspires loyalty and aids our efforts to continue to attract investors across our investment platform.

Financial Strength. The investment performance across our broad fund base has enabled us to generate ENI of over \$1 billion in 2010 and approximately \$770 million in the first six months of 2011. This performance is also reflected in the rate of appreciation of the investments in our carry funds in recent periods, with a 34% increase in our carry fund value in 2010 and a 15% increase in the first half of 2011. Additionally, distributions to our fund investors have been robust, with more than \$8 billion distributed to fund investors in 2010 and more than \$12 billion in the first half of 2011. We believe the investment pace and available capital of our carry funds position us well for the future. Our carry funds invested approximately \$10 billion in 2010 and approximately \$6 billion in the first half of 2011, and as of June 30, 2011, these funds had approximately \$25 billion in capital commitments that had not yet been invested.

Stable and Diverse Team of Talented Investment Professionals With a Strong Alignment of Interests. We have a talented team of more than 500 investment professionals and we are assisted by a group of 25 senior advisors, with an average of over 40 years of relevant operating, financial and regulatory experience, who are a valuable resource to our portfolio companies and our firm. Our investment professionals are supported by a centralized investor services and support group, which includes more than 400 professionals. The interests of our professionals are aligned with the interests of the investors in our funds and in our firm. Since our inception through June 30, 2011, we and our senior Carlyle professionals, senior advisors and other professionals have invested or committed to invest in excess of \$4 billion in or alongside our funds. We have also sought to align the long-term incentives of our senior Carlyle professionals with our common unitholders, including through equity compensation arrangements that include certain vesting, minimum retained ownership and transfer restrictions. See “Management — Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions.”

Commitment to Responsible Global Citizenship. We believe that being a good corporate citizen is part of good business practice and creates long-term value for our fund investors. We have worked to apply the Private Equity Growth Capital Council’s Guidelines for Responsible Investment, which we helped to develop in 2008, demonstrating our commitment to environmental, social and governance standards in our investment activities. In addition, we were the first global alternative asset management firm to release a corporate citizenship report, which catalogues and describes our corporate citizenship efforts, including our responsible investment policy and practices and those of our portfolio companies.

Our Strategy for the Future

We intend to create value for our common unitholders by seeking to:

- continue to generate attractive investment returns for our fund investors across our multi-fund, multi-product global investment platform, including by increasing the value of our current portfolio and leveraging the strong capital position of our investment funds to pursue new investment opportunities;
- continue to inspire the confidence and loyalty of our more than 1,400 carry fund investors, and further expand our investor base, with a focus on client service and strong investment performance;
- continue to grow our AUM by raising follow-on investment funds across our four segments and by broadening our platform, through both organic growth and selective acquisitions, where we believe we can provide investors with differentiated products to meet their needs;
- further advance our leadership position in core non-U.S. geographic markets, including high-growth emerging markets such as China, Latin America, India, MENA and Sub-Saharan Africa; and
- continue to demonstrate principled industry leadership and to be a responsible and respected member of the global community by demonstrating our commitment to environmental, social and governance standards in our investment activities.

Investment Risks

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

- adverse economic and market conditions, which can affect our business and liquidity position in many ways, including by reducing the value or performance of the investments made by our investment funds and reducing the ability of our investment funds to raise or deploy capital;
- changes in the debt financing markets, which could negatively impact the ability of our funds and their portfolio companies to obtain attractive financing or refinancing for their investments and operations, and could increase the cost of such financing if it is obtained, leading to lower-yielding investments;
- the potential volatility of our revenue, income and cash flow, which is influenced by:
 - the fact that carried interest is only received when investments are realized and achieve a certain specified return;
 - changes in the carrying values and performance of our funds' investments; and
 - the life cycle of our carry funds, which influences the timing of our accrual and realization of carried interest;
 - the fact that the fees we receive for transaction advisory services are dependent upon the level of transactional activity during the period;
- our dependence on our founders and other key personnel and our ability to attract, retain and motivate high quality employees who will bring value to our operations;
- business and regulatory impediments to our efforts to expand into new investment strategies, markets and businesses;

- the fact that most of our investment funds invest in illiquid, long-term investments that are not marketable securities, and such investments may lose significant value during an economic downturn;
- the potential for poor performance of our investment funds; and
- the possibility that we will not be able to continue to raise capital from third-party investors on advantageous terms.

As a limited partnership, we will qualify for and intend to rely on exceptions from certain corporate governance and other requirements under the rules of . For example, we will not be required to comply with the requirements that a majority of the board of directors of our general partner consist of independent directors and that we have a nominating/corporate governance committee and a compensation committee that are each composed entirely of independent directors.

In addition, and as discussed in “Material U.S. Federal Tax Considerations”:

- The Carlyle Group L.P. will be treated as a partnership for U.S. federal income tax purposes, and our common unitholders therefore will be required to take into account their allocable share of items of income, gain, loss and deduction of The Carlyle Group L.P. in computing their U.S. federal income tax liability;
- Although we currently intend to make annual distributions in an amount sufficient to cover the anticipated U.S. federal, state and local income tax liabilities of holders of common units in respect of their allocable share of our net taxable income, it is possible that such tax liabilities will exceed the cash distributions that holders of common units receive from us; and
- Although not enacted, the U.S. Congress has considered legislation that would have precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations for taxable years after a ten-year transition period and would have taxed individual holders of common units with respect to certain income and gains now taxed at capital gains rates, including gain on disposition of units, at increased rates. Similar legislation could be enacted in the future. The Obama administration has indicated that it supports the adoption of such legislation. In its published revenue proposal for 2012, as well as in proposed legislation recently submitted to Congress in the American Jobs Act, the Obama administration proposed that the current law regarding the treatment of carried interest be changed to subject such income to ordinary income tax.

Please see “Risk Factors” for a discussion of these and other factors you should consider before making an investment in our common units.

The Carlyle Group L.P. was formed in Delaware on July 18, 2011. Our principal executive offices are located at 1001 Pennsylvania Avenue, NW, Washington, D.C. 20004-2505, and our telephone number is (202) 729-5626.

Organizational Structure

Our Current Organizational Structure

Our business is currently owned by four holding entities: TC Group, L.L.C., TC Group Cayman, L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. We refer to these four holding entities collectively as the "Parent Entities." The Parent Entities are under the common ownership and control of the partners of our firm (who we refer to as our "senior Carlyle professionals") and two strategic investors that own minority interests in our business — entities affiliated with Mubadala Development Company, an Abu-Dhabi based strategic development and investment company ("Mubadala"), and California Public Employees' Retirement System ("CalPERS"). In addition, certain individuals engaged in our businesses own interests in the general partners of our existing carry funds. Certain of these individuals will, as described below, contribute a portion of these interests to us as part of the reorganization. We refer to these individuals, together with the owners of the Parent Entities prior to this offering, collectively, as our "existing owners."

Reorganization

Prior to this offering, we will complete a series of transactions pursuant to which our business will be reorganized into a holding partnership structure as described under "Organizational Structure." Following the reorganization and this offering, The Carlyle Group L.P. will be a holding partnership and, through wholly-owned subsidiaries, will hold equity interests in three Carlyle Holdings partnerships (which we refer to collectively as "Carlyle Holdings"), which in turn will own the four Parent Entities. Through its wholly-owned subsidiaries, The Carlyle Group L.P. will be the sole general partner of each of the Carlyle Holdings partnerships. Accordingly, The Carlyle Group L.P. will operate and control all of the business and affairs of Carlyle Holdings and will consolidate the financial results of Carlyle Holdings and its consolidated subsidiaries, and the ownership interest of the limited partners of Carlyle Holdings will be reflected as a non-controlling interest in The Carlyle Group L.P.'s consolidated financial statements.

Certain existing and former owners of the Parent Entities (including CalPERS and former and current senior Carlyle professionals) have beneficial interests in investments in or alongside our funds that were funded by such persons indirectly through the Parent Entities. In order to minimize the extent of third party ownership interests in firm assets, prior to the completion of the offering the Parent Entities will (i) purchase a portion of these beneficial interests at their fair value (approximately \$ million) and (ii) restructure the remainder of these beneficial interests (approximately \$ million as of June 30, 2011) so that they are held directly by such beneficial owners. In addition, prior to the offering the Parent Entities will restructure the ownership of certain carried interest rights allocated to former owners so that such carried interest rights will be held directly by these former owners and reflected as non-controlling interests in our financial statements. Such restructured carried interest rights accounted for approximately \$ million of our performance fee revenue for the year ended December 31, 2010 and approximately \$ million of our performance fee revenue for the six months ended June 30, 2011. Prior to the date of the offering the Parent Entities will also make one or more cash distributions of previously undistributed earnings and accumulated cash to their owners totaling \$.

Our existing owners will then contribute to the Carlyle Holdings partnerships their interests in the Parent Entities and a portion of the equity interests they own in the general partners of our existing investment funds and other entities that have invested in or alongside our funds.

Accordingly, following the reorganization, subsidiaries of Carlyle Holdings generally will be entitled to:

- all management fees payable in respect of all current and future investment funds that we advise, as well as the fees for transaction advisory and oversight services that may be payable

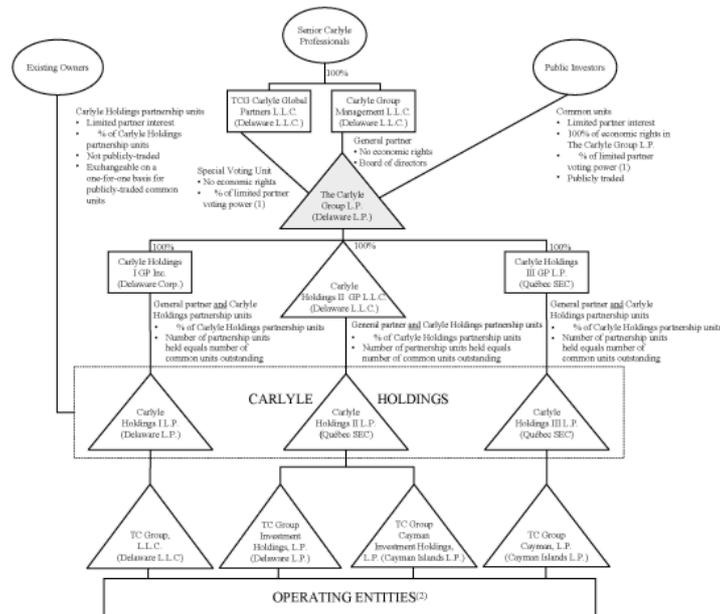
by these investment funds' portfolio companies (subject to certain third party interests, as described below);

- all carried interest earned in respect of all current and future carry funds that we advise (subject to certain third party interests, including those described below and to the allocation to our investment professionals who work in these operations of a portion of this carried interest as described below);
- all incentive fees (subject to certain interests in Claren Road and ESG and, with respect to other funds earning incentive fees, any performance-related allocations to investment professionals); and
- all returns on investments of our own balance sheet capital that we make following this offering (as well as on existing investments with an aggregate value of approximately \$ million as of June 30, 2011).

In certain cases, the entities that receive management fees from our investment funds are owned by Carlyle together with other persons. For example, management fees from our energy and renewables funds are received by an entity we own together with Riverstone, and the Claren Road, ESG and AlInvest management companies are partially owned by the respective founders and managers of these businesses. We may have similar arrangements with respect to the ownership of the entities that advise our funds in the future.

In order to better align the interests of our senior Carlyle professionals and the other individuals who manage our carry funds with our own interests and with those of the investors in these funds, such individuals are allocated directly a portion of the carried interest in our carry funds. Prior to the reorganization, the level of such allocations vary by fund, but generally are at least 50% of the carried interests in the fund. As a result of the reorganization, the allocations to these individuals will be approximately 45% of all carried interest, on a blended average basis, earned in respect of investments made prior to the date of the reorganization and approximately 45% of any carried interest that we earn in respect of investments made from and after the date of the reorganization, in each case with the exception of the Riverstone funds, where we will retain essentially all of the carry to which we are entitled under our arrangements for those funds. In addition, under our arrangements with the historical owners and management team of AlInvest, such persons are allocated all carried interest in respect of the historical investments and commitments to our fund of funds vehicles that existed as of December 31, 2010, 85% of the carried interest in respect of commitments from the historical owners of AlInvest for the period between 2011 and 2020 and 60% of the carried interest in respect of all other commitments (including all future commitments from third parties). See "Business — Structure and Operation of Our Investment Funds — Incentive Arrangements/Fee Structure."

The diagram below (which omits certain wholly-owned intermediate holding companies) depicts our organizational structure immediately following this offering.



(1) The Carlyle Group L.P. common unitholders will have only limited voting rights and will have no right to remove our general partner or, except in limited circumstances, elect the directors of our general partner. TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, will hold a special voting unit in The Carlyle Group L.P. that will entitle it, on those few matters that may be submitted for a vote of The Carlyle Group L.P. common unitholders, to participate in the vote on the same basis as the common unitholders and provide it with a number of votes that is equal to the aggregate number of vested and unvested partnership units in Carlyle Holdings held by the limited partners of Carlyle Holdings on the relevant record date. See "Material Provisions of The Carlyle Group L.P. Partnership Agreement — Withdrawal or Removal of the General Partner," "Meetings; Voting" and "Election of Directors of General Partner."

(2) Certain individuals engaged in our business will continue to own interests directly in selected operating subsidiaries, including, in certain instances, entities that receive management fees from funds that we advise. The Carlyle Holdings partnerships will also directly own interests in selected operating subsidiaries.

The Carlyle Group L.P. intends to conduct all of its material business activities through Carlyle Holdings. Each of the Carlyle Holdings partnerships was formed to hold our interests in different businesses. We expect that Carlyle Holdings I L.P. will own all of our U.S. fee-generating businesses and many of our non-U.S. fee-generating businesses, as well as our carried interests (and other investment interests) that are expected to derive income that would not be qualifying income for purposes of the U.S. federal income tax publicly-traded partnership rules and certain of our carried interests (and other investment interests) that do not relate to investments in stock of corporations or in debt, such as equity investments in entities that are pass-through for U.S. federal income tax purposes. We anticipate that Carlyle Holdings II L.P. will hold a variety of assets, including our

carried interests in many of the investments by our carry funds in entities that are treated as domestic corporations for U.S. federal income tax purposes and in certain non-U.S. entities. Certain of our non-U.S. fee-generating businesses will be held by Carlyle Holdings III L.P.

The Carlyle Group L.P. has formed wholly-owned subsidiaries to serve as the general partners of the Carlyle Holdings partnerships: Carlyle Holdings I GP Inc. (a Delaware corporation that is a domestic corporation for U.S. federal income tax purposes), Carlyle Holdings II GP L.L.C. (a Delaware limited liability company that is a disregarded entity and not an association taxable as a corporation for U.S. federal income tax purposes) and Carlyle Holdings III GP L.P. (a Québec *société en commandite* that is a foreign corporation for U.S. federal income tax purposes) will serve as the general partners of Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P., respectively. Carlyle Holdings I GP Inc. and Carlyle Holdings III GP L.P. will serve as the general partners of Carlyle Holdings I L.P. and Carlyle Holdings III L.P., respectively, either directly or indirectly through wholly-owned subsidiaries that are disregarded for federal income tax purposes. We refer to Carlyle Holdings I GP Inc., Carlyle Holdings II GP L.L.C. and Carlyle Holdings III GP L.P. collectively as the “Carlyle Holdings General Partners.”

Holding Partnership Structure

As discussed in “Material U.S. Federal Tax Considerations,” The Carlyle Group L.P. will be treated as a partnership and not as a corporation for U.S. federal income tax purposes, although our partnership agreement does not restrict our ability to take actions that may result in our being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, whether or not cash distributions are made. Investors in this offering will become limited partners of The Carlyle Group L.P. Accordingly, an investor in this offering generally will be required to pay U.S. federal income taxes with respect to the income and gain of The Carlyle Group L.P. that is allocated to such investor, even if The Carlyle Group L.P. does not make cash distributions. We believe that the Carlyle Holdings partnerships will also be treated as partnerships and not as corporations for U.S. federal income tax purposes. Accordingly, the holders of partnership units in Carlyle Holdings, including The Carlyle Group L.P.’s wholly-owned subsidiaries, will incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of Carlyle Holdings. See “Material U.S. Federal Tax Considerations” for more information about the tax treatment of The Carlyle Group L.P. and Carlyle Holdings.

Each of the Carlyle Holdings partnerships will have an identical number of partnership units outstanding, and we use the terms “Carlyle Holdings partnership unit” or “partnership unit in/of Carlyle Holdings” to refer collectively to a partnership unit in each of the Carlyle Holdings partnerships. The Carlyle Group L.P. will hold, through wholly-owned subsidiaries, a number of Carlyle Holdings partnership units equal to the number of common units that The Carlyle Group L.P. has issued. The Carlyle Holdings partnership units that will be held by The Carlyle Group L.P.’s wholly-owned subsidiaries will be economically identical to the Carlyle Holdings partnership units that will be held by our existing owners. Accordingly, the income of Carlyle Holdings will benefit The Carlyle Group L.P. to the extent of its equity interest in Carlyle Holdings. Immediately following this offering, The Carlyle Group L.P. will hold Carlyle Holdings partnership units representing % of the total number of partnership units of Carlyle Holdings, or % if the underwriters exercise in full their option to purchase additional common units, and our existing owners will hold Carlyle Holdings partnership units representing % of the total number of partnership units of Carlyle Holdings, or % if the underwriters exercise in full their option to purchase additional common units.

Under the terms of the partnership agreements of the Carlyle Holdings partnerships, all of the Carlyle Holdings partnership units received by our existing owners in the reorganization described

in “Organizational Structure” will be subject to restrictions on transfer and, with the exception of Mubadala and CalPERS, minimum retained ownership requirements. In addition, approximately % of the Carlyle Holdings partnership units received by our existing owners who are our employees will not be vested and, with specified exceptions, will be subject to forfeiture if the employee ceases to be employed by us prior to vesting. See “Management — Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions.”

The Carlyle Group L.P. is managed and operated by our general partner, Carlyle Group Management L.L.C., to whom we refer as “our general partner,” which is in turn wholly-owned by our senior Carlyle professionals. Our general partner will not have any business activities other than managing and operating us. We will reimburse our general partner and its affiliates for all costs incurred in managing and operating us, and our partnership agreement provides that our general partner will determine the expenses that are allocable to us. Although there are no ceilings on the expenses for which we will reimburse our general partner and its affiliates, the expenses to which they may be entitled to reimbursement from us, such as director fees, are not expected to be material.

Certain Corporate Governance Considerations

Unlike the holders of common stock in a corporation, our common unitholders will have only limited voting rights and will have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. In addition, TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, will hold a special voting unit that provides it with a number of votes on any matter that may be submitted for a vote of our common unitholders that is equal to the aggregate number of vested and unvested Carlyle Holdings partnership units held by the limited partners of Carlyle Holdings. Accordingly, immediately following this offering, on those few matters that may be submitted for a vote of the limited partners of The Carlyle Group L.P., investors in this offering will collectively have % of the voting power of The Carlyle Group L.P. limited partners, or % if the underwriters exercise in full their option to purchase additional common units, and our existing owners will collectively have % of the voting power of The Carlyle Group L.P. limited partners, or % if the underwriters exercise in full their option to purchase additional common units. We refer to our common units (other than those held by any person whom our general partner may from time to time with such person’s consent designate as a non-voting common unitholder) and our special voting units as “voting units.” Our common unitholders’ voting rights will be further restricted by the provision in our partnership agreement stating that any common units held by a person that beneficially owns 20% or more of any class of The Carlyle Group L.P. common units then outstanding (other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates) cannot be voted on any matter.

Our common unitholders will have no right to elect the directors of our general partner unless, as determined on January 31, of each year, the total voting power held by holders of the special voting units in The Carlyle Group L.P. (including voting units held by our general partner and its affiliates) in their capacity as such, or otherwise held by then-current or former Carlyle personnel (treating voting units deliverable to such persons pursuant to outstanding equity awards as being held by them), collectively, constitutes less than 10% of the voting power of the outstanding voting units of The Carlyle Group L.P. Unless and until the foregoing voting power condition is satisfied, our general partner’s board of directors will be elected in accordance with its limited liability company agreement, which provides that directors may be appointed and removed by members of our general partner holding a majority in interest of the voting power of the members, which voting power is allocated to each member ratably according to his or her aggregate ownership of our common units and partnership units. See “Material Provisions of The Carlyle Group L.P. Partnership Agreement — Election of Directors of General Partner.”

Although our general partner has no business activities other than the management of our business, conflicts of interest may arise in the future between us and our common unitholders, on the one hand, and our general partner and its affiliates, on the other. The resolution of these conflicts may not always be in our best interests or that of our common unitholders. In addition, we have fiduciary and contractual obligations to the investors in our investment funds and we expect to regularly take actions with respect to the purchase or sale of investments in our investment funds, the structuring of investment transactions for those funds or otherwise that are in the best interests of the limited partner investors in those funds but that might at the same time adversely affect our near-term results of operations or cash flow.

Our partnership agreement limits the liability of, and reduces or eliminates the duties (including fiduciary duties) owed by, our general partner to our common unitholders. Our partnership agreement also restricts the remedies available to common unitholders for actions that might otherwise constitute breaches of our general partner's duties (including fiduciary duties). By purchasing our common units, you are treated as having consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. For a more detailed description of the conflicts of interest and fiduciary responsibilities of our general partner, see "Conflicts of Interest and Fiduciary Responsibilities."

The Offering

Common units offered by The Carlyle Group L.P.
Common units outstanding after the offering transactions

common units.
common units (or common units if all outstanding Carlyle Holdings partnership units held by our existing owners were exchanged for newly-issued common units on a one-for-one basis).

Use of proceeds

We estimate that the net proceeds to The Carlyle Group L.P. from this offering, after deducting estimated underwriting discounts, will be approximately \$, or \$ if the underwriters exercise in full their option to purchase additional common units.

The Carlyle Group L.P. intends to use all of these proceeds to purchase newly issued Carlyle Holdings partnership units from Carlyle Holdings, as described under “Organizational Structure — Offering Transactions.” We intend to cause Carlyle Holdings to use approximately \$ of these proceeds to repay outstanding indebtedness and the remainder for general corporate purposes, including general operational needs, growth initiatives, acquisitions and strategic investments and to fund capital commitments to, and other investments in and alongside of, our investment funds. We anticipate that the acquisitions we may pursue will be those that would broaden our platform where we believe we can provide investors with differentiated products to meet their needs. Carlyle Holdings will also bear or reimburse The Carlyle Group L.P. for all of the expenses of this offering, which we estimate will be approximately \$.

Voting rights

Our general partner, Carlyle Group Management L.L.C., will manage all of our operations and activities. You will not hold an interest in our general partner, which is wholly-owned by our senior Carlyle professionals. Unlike the holders of common stock in a corporation, you will have only limited voting rights and will have no right to remove our general partner or, except in limited circumstances, elect the directors of our general partner.

In addition, TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, will hold a special voting unit that provides it with a number of votes on any matter that may be submitted for a vote of our common unitholders that is equal to the aggregate number of vested and unvested Carlyle Holdings partnership units held by the limited partners of Carlyle Holdings. Accordingly, immediately following this offering our existing owners generally will have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of the limited partners of The Carlyle Group L.P. Our common unitholders’ voting rights will be further restricted by the provision in our partnership agreement stating that any common units held by a person that beneficially owns 20% or more of any class of The Carlyle Group L.P. common units then outstanding (other than our general partner and its

Cash distribution policy

affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates) cannot be voted on any matter. See “Material Provisions of The Carlyle Group L.P. Partnership Agreement — Withdrawal or Removal of the General Partner,” “— Meetings; Voting” and “— Election of Directors of General Partner.”

Our general partner currently intends to cause The Carlyle Group L.P. to make quarterly distributions to our common unitholders of its share of distributions from Carlyle Holdings, net of taxes and amounts payable under the tax receivable agreement as described below. We currently anticipate that we will 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 \$ per common unit. In addition, we currently anticipate that we will cause Carlyle Holdings to make annual distributions to its partners, including The Carlyle Group L.P.’s wholly owned subsidiaries, in an amount that, taken together with the other above-described quarterly distributions, represents substantially all of our Distributable Earnings in excess of the amount determined by our general partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds or to comply with applicable law or any of our financing agreements. We anticipate that the aggregate amount of our distributions for most years will be less than our Distributable Earnings for that year due to these funding requirements.

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.

The Carlyle Group L.P. will be a holding partnership and will have no material assets other than its ownership of partnership units in Carlyle Holdings held through wholly-owned subsidiaries. We intend to cause Carlyle Holdings to make distributions to its partners, including the wholly-owned subsidiaries of The Carlyle Group L.P., in order to fund any distributions we may declare on the common units. 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. Because Carlyle Holdings I GP Inc. must pay taxes and make payments under the tax receivable agreement,

the amounts ultimately distributed by The Carlyle Group L.P. to common unitholders are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership 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 our wholly-owned subsidiaries that 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.

For limitations on our ability to make distributions, see “Cash Distribution Policy.”

Exchange rights of holders of Carlyle Holdings partnership units

Prior to this offering we will enter into an exchange agreement with our senior Carlyle professionals and the other limited partners of the Carlyle Holdings partnerships so that these holders, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Carlyle Holdings partnerships, may on a quarterly basis, from and after the first anniversary of the date of the closing of this offering (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, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. 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. As the number of Carlyle Holdings partnership units held by the limited partners of the Carlyle Holdings partnerships declines, the number of votes to which TCG Carlyle Global Partners L.L.C. is entitled as a result of its ownership of the special voting unit will be correspondingly reduced. For information

concerning transfer restrictions that will apply to holders of Carlyle Holdings partnership units, including our senior Carlyle professionals, see “Management — Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions.” Investors in this offering will experience significant dilution in the net tangible book value of their common units. Assuming that all of the holders of partnership units in Carlyle Holdings (other than The Carlyle Group L.P.’s wholly-owned subsidiaries) exchanged their Carlyle Holdings partnership units for our common units on a one-for-one basis, the initial public offering price per common unit will be substantially higher than our pro forma net tangible book value per common unit immediately after this offering. See “Risk Factors — Risks Related to our Common Units and this Offering — You will suffer dilution in the net tangible book value of the common units you purchase” and “Dilution.”

Tax receivable agreement

Future exchanges of Carlyle Holdings partnership units are expected to result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, primarily attributable to a portion of the goodwill inherent in our business. These increases in tax basis will increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that certain of our subsidiaries, including Carlyle Holdings I GP Inc., which we refer 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. We will enter into a tax receivable agreement with our existing owners whereby the corporate taxpayers will agree to pay to our existing owners 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax that they realize as a result of these increases in tax basis. The corporate taxpayers will have the right to terminate the tax receivable agreement by making payments to our existing owners calculated by reference to the value of all future payments that our existing owners would have been entitled to receive under the tax receivable agreement using certain valuation assumptions, including that any Carlyle Holdings partnership units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination, and that the corporate taxpayers will have sufficient taxable income in each future taxable year to fully realize all potential tax savings. Based upon certain assumptions described in greater detail under “Certain Relationships and Related Person Transactions — Tax Receivable Agreement,” we estimate that if the corporate taxpayers were to exercise their termination right immediately following this offering, the aggregate amount of these termination payments would be approximately \$ million. See “Certain Relationships and Related Person Transactions — Tax Receivable Agreement.”

Risk factors

See “Risk Factors” for a discussion of risks you should carefully consider before deciding to invest in our common units.

Proposed trading symbol

“ .”

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

- common units issuable upon exercise of the underwriters’ option to purchase additional common units from us;
 - common units issuable upon exchange of Carlyle Holdings partnership units that will be held by our existing owners immediately following the offering transactions;
- or
- interests that may be granted under the 2012 Carlyle Group Equity Incentive Plan, or our “Equity Incentive Plan,” consisting of:
 - deferred restricted units that we expect to grant to our employees at the time of this offering;
 - phantom deferred restricted units that we expect to grant to our employees at the time of this offering, which are settleable in cash; and
 - additional common units or Carlyle Holdings partnership units available for future grant under our Equity Incentive Plan, which are subject to automatic annual increases.

See “Management — Equity Incentive Plan” and “— IPO Date Equity Awards.”

See “Pricing Sensitivity Analysis” to see how some of the information presented above would be affected by an initial public offering price per common unit at the low-, mid- and high-points of the price range indicated on the front cover of this prospectus.

Summary Financial and Other Data

The following summary financial and other data of Carlyle Group, which comprises TC Group, L.L.C., TC Group Cayman L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P., as well as their controlled subsidiaries, which are under common ownership and control by our individual senior Carlyle professionals, entities affiliated with Mubadala and CalPERS, should be read together with “Organizational Structure,” “Unaudited Pro Forma Financial Information,” “Selected Historical Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical financial statements and related notes included elsewhere in this prospectus. Carlyle Group is considered our predecessor for accounting purposes, and its combined and consolidated financial statements will be our historical financial statements following this offering.

We derived the summary historical combined and consolidated statements of operations data of Carlyle Group for each of the years ended December 31, 2010, 2009 and 2008 and the summary historical combined and consolidated balance sheet data as of December 31, 2010 and 2009 from our audited combined and consolidated financial statements which are included elsewhere in this prospectus. We derived the summary historical condensed combined and consolidated statements of operations data of Carlyle Group for the six months ended June 30, 2011 and 2010 and the summary historical condensed combined and consolidated balance sheet data as of June 30, 2011 from our unaudited condensed combined and consolidated financial statements which are included elsewhere in this prospectus. We derived the summary historical combined and consolidated balance sheet data of Carlyle Group as of December 31, 2008 from our audited combined and consolidated financial statements which are not included in this prospectus. The combined and consolidated financial statements of Carlyle Group 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.

Net income (loss) is determined in accordance with U.S. GAAP for partnerships and is not comparable to net income of a corporation. All distributions and compensation for services rendered by Carlyle’s individual partners have been reflected as distributions from equity rather than compensation expense in the historical combined and consolidated financial statements. Our non-GAAP presentation of Economic Net Income and Distributable Earnings reflects, among other adjustments, pro forma compensation expense for compensation to our senior Carlyle professionals, which we have historically accounted for as distributions from equity rather than as employee compensation. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures — Non-GAAP Financial Measures.”

The summary historical combined and consolidated financial and other data is not indicative of the expected future operating results of The Carlyle Group L.P. following the Reorganization and the Offering Transactions (as defined below). Prior to this offering, we will complete a series of transactions pursuant to which our business will be reorganized into a holding partnership structure as described in “Organizational Structure.” See “Organizational Structure” and “Unaudited Pro Forma Financial Information.”

The summary unaudited pro forma consolidated statement of operations data for the year ended December 31, 2010 and the six months ended June 30, 2011 present our consolidated results of operations giving pro forma effect to the Reorganization and Offering Transactions described under “Organizational Structure,” and the other transactions described in “Unaudited Pro Forma Financial Information,” as if such transactions had occurred on January 1, 2010. The summary unaudited pro forma consolidated balance sheet data as of June 30, 2011 presents our consolidated financial position giving pro forma effect to the Reorganization and Offering Transactions described under “Organizational Structure,” and the other transactions described in “Unaudited Pro Forma Financial Information,” as if such transactions had occurred on June 30, 2011. The pro forma adjustments are based on available information and upon assumptions that our management believes are reasonable

in order to reflect, on a pro forma basis, the impact of these transactions on the historical combined and consolidated financial information of Carlyle Group. The unaudited condensed consolidated pro forma financial information is included for informational purposes only and does not purport to reflect the results of operations or financial position of Carlyle Group that would have occurred had the transactions described above occurred on the dates indicated or had we operated as a public company during the periods presented or for any future period or date. The unaudited condensed consolidated pro forma financial information should not be relied upon as being indicative of our results of operations or financial position had the transactions described under "Organizational Structure" and the use of the estimated net proceeds from this offering as described under "Use of Proceeds" occurred on the dates assumed. The unaudited pro forma consolidated financial information also does not project our results of operations or financial position for any future period or date.

	Pro Forma(4) for the Six Months Ended June 30,	Six Months Ended June 30,		Pro Forma(4) for Year Ended December 31,	Year Ended December 31,		
	2011	2011	2010	2010	2010	2009	2008
(Dollars in millions)							
Statement of Operations Data							
Revenues							
Fund management fees	\$	\$ 447.2	\$ 386.7	\$	\$ 770.3	\$ 788.1	\$ 811.4
Performance fees							
Realized		494.9	81.0		266.4	11.1	59.3
Unrealized		725.5	32.9		1,215.6	485.6	(944.0)
Total performance fees		1,220.4	113.9		1,482.0	496.7	(884.7)
Investment income (loss)		62.0	22.0		72.6	5.0	(104.9)
Interest and other income		13.1	8.9		21.4	27.3	38.2
Interest and other income of Consolidated Funds		330.4	231.0		452.6	0.7	18.7
Total Revenues		2,073.1	762.5		2,798.9	1,317.8	(121.3)
Expenses							
Compensation and benefits		317.9	153.8		429.0	348.4	97.4
General, administrative and other expenses		144.3	77.1		177.2	236.6	245.1
Interest		32.8	9.0		17.8	30.6	46.1
Interest and other expenses of Consolidated Funds		190.9	115.4		233.3	0.7	6.8
Other non-operating expenses		20.6	—		—	—	—
Loss (gain) from early extinguishment of debt, net of related expenses		—	—		2.5	(10.7)	—
Equity issued for affiliate debt financing		—	—		214.0	—	—
Loss on CCC liquidation		—	—		—	—	147.0
Total Expenses		706.5	355.3		1,073.8	605.6	542.4
Other Income (Loss)							
Net investment gains (losses) of Consolidated Funds		(277.0)	314.6		(245.4)	(33.8)	162.5
Income (loss) before provision for income taxes		1,089.6	721.8		1,479.7	678.4	(501.2)
Provision for income taxes		12.8	7.4		20.3	14.8	12.5
Net income (loss)		1,076.8	714.4		1,459.4	663.6	(513.7)
Net income (loss) attributable to non-controlling interests in consolidated entities		(191.1)	410.1		(66.2)	(30.5)	94.5
Net income (loss) attributable to Carlyle Group	\$	\$ 1,267.9	\$ 304.3	\$	\$ 1,525.6	\$ 694.1	\$ (608.2)
Other Data							
Economic Net Income (Loss)(1)(2)	\$	\$ 770.2	\$ 190.4	\$	\$ 1,014.0	\$ 416.3	\$ (259.6)
Distributable Earnings(1)(3)	\$	\$ 373.2	\$ 148.7	\$	\$ 342.5	\$ 165.3	\$ 251.9
Fee-Earning Assets Under Management (at period end)	\$	\$ 80,433.0	\$ 72,954.5	\$	\$ 80,796.5	\$ 75,410.5	\$ 76,326.4
Total Assets Under Management (at period end)	\$	\$ 107,979.3	\$ 90,220.1	\$	\$ 107,511.8	\$ 89,831.5	\$ 86,339.5

	Pro Forma ⁽⁴⁾ As of June 30, 2011	As of June 30, 2011	As of December 31,		
			(Dollars in millions)		
			2010	2009	2008
Balance Sheet Data					
Cash and cash equivalents	\$	\$ 485.3	\$ 616.9	\$ 488.1	\$ 680.8
Investments and accrued performance fees	\$	\$ 3,183.2	\$ 2,594.3	\$ 1,279.2	\$ 702.4
Investments of Consolidated Funds ⁽⁵⁾	\$	\$ 12,191.6	\$ 11,864.6	\$ 163.9	\$ 187.0
Total assets	\$	\$ 17,690.2	\$ 17,062.6	\$ 2,509.4	\$ 2,095.8
Loans payable	\$	\$ 580.5	\$ 597.5	\$ 412.2	\$ 765.5
Subordinated loan payable to affiliate	\$	\$ 511.7	\$ 494.0	\$ —	\$ —
Loans payable of Consolidated Funds	\$	\$ 10,427.1	\$ 10,433.5	\$ —	\$ —
Total liabilities	\$	\$ 14,468.6	\$ 14,170.0	\$ 1,795.8	\$ 1,733.3
Redeemable non-controlling interests in consolidated entities	\$	\$ 1,011.2	\$ 694.0	\$ —	\$ —
Total members' equity	\$	\$ 1,201.0	\$ 895.2	\$ 437.5	\$ 59.6
Equity appropriated for Consolidated Funds	\$	\$ 645.4	\$ 938.5	\$ —	\$ —
Non-controlling interests in consolidated entities	\$	\$ 364.0	\$ 364.9	\$ 276.1	\$ 302.9
Total equity	\$	\$ 2,210.4	\$ 2,198.6	\$ 713.6	\$ 362.5

- (1) Under GAAP, we are required to consolidate certain 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.
- (2) ENI, a non-GAAP measure, represents segment net income excluding the impact of income taxes, acquisition-related items including amortization of acquired intangibles and earn-outs, charges associated with equity-based compensation, corporate actions and infrequently occurring or unusual events (e.g., acquisition related costs and gains and losses on mark to market adjustments on contingent consideration, gains and losses from the retirement of our debt, charges associated with lease terminations and employee severance and settlements of legal claims). For discussion about the purposes for which our management uses ENI and the reasons why we believe our presentation of ENI provides useful information to investors regarding our results of operations as well as a reconciliation of Economic Net Income to Income (Loss) Before Provision for Taxes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures — Non-GAAP Financial Measures — Economic Net Income" and "— Non-GAAP Financial Measures" and Note 14 to our combined and consolidated financial statements appearing elsewhere in this prospectus.
- (3) Distributable Earnings, a non-GAAP measure, is a component of ENI representing total ENI less unrealized performance fees and unrealized investment income plus unrealized performance fee compensation expense. For a discussion about the purposes for which our management uses Distributable Earnings and the reasons why we believe our presentation of Distributable Earnings provides useful information to investors regarding our results of operations as well as a reconciliation of Distributable Earnings to Income (Loss) Before Provision for Taxes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Measures — Non-GAAP Financial Measures — Distributable Earnings" and "— Non-GAAP Financial Measures" and Note 14 to our combined and consolidated financial statements appearing elsewhere in this prospectus.
- (4) Refer to "Unaudited Pro Forma Financial Information."
- (5) The entities comprising our consolidated funds are not the same entities for all periods presented. Pursuant to revised consolidation guidance that became effective January 1, 2010, we consolidated the existing and any subsequently acquired CLOs where we hold a controlling financial interest. The consolidation of funds during the periods presented generally has the effect of grossing up reported assets, liabilities, and cash flows, and has no effect on net income attributable to Carlyle Group or members' equity.

RISK FACTORS

An investment in our common units involves risks. You should carefully consider the following information about these risks, together with the other information contained in this prospectus, before investing in our common units.

Risks Related to Our Company

Adverse economic and market conditions could negatively impact our business in many ways, including by reducing the value or performance of the investments made by our investment funds, reducing the ability of our investment funds to raise or deploy capital, and impacting our liquidity position, any of which could materially reduce our revenue and cash flow and adversely affect our financial condition.

Our business may be materially affected by conditions in the global financial markets and economic conditions or events throughout the world that are outside of our control, including but not limited to changes in interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of securities prices and the liquidity and the value of investments, and we may not be able to or may choose not to manage our exposure to these market conditions and/or other events. In the event of a market downturn, each of our businesses could be affected in different ways.

For example, the unprecedented turmoil in the global financial markets during 2008 and 2009 provoked significant volatility of securities prices, contraction in the availability of credit and the failure of a number of companies, including leading financing institutions, and had a significant material adverse effect on our Corporate Private Equity, Real Assets and Global Market Strategies businesses. During that period, many economies around the world, including the U.S. economy, experienced significant declines in employment, household wealth and lending. In addition, the recent speculation regarding the inability of Greece and certain other European countries to pay their national debt has created some uncertainty in the credit markets and potential strain on banks and other financial services participants that could adversely affect our ability to obtain credit on favorable terms or at all. Those events led to a significantly diminished availability of credit and an increase in the cost of financing. The lack of credit in 2008 and 2009 materially hindered the initiation of new, large-sized transactions for our Corporate Private Equity and Real Assets segments and adversely impacted our operating results in those periods. While the adverse effects of that period have abated to a degree, global financial markets have experienced significant volatility following the downgrade by Standard & Poor's on August 5, 2011 of the long-term credit rating of U.S. Treasury debt from AAA to AA+. There continue to be signs of economic weakness such as relatively high levels of unemployment in major markets including the United States and Europe. Further, financial institutions have not yet provided debt financing in amounts and on the terms commensurate with what they provided prior to 2008.

Our funds may be affected by reduced opportunities to exit and realize value from their investments, by lower than expected returns on investments made prior to the deterioration of the credit markets and by the fact that we may not be able to find suitable investments for the funds to effectively deploy capital, all of which could adversely affect the timing of new funds and our ability to raise new funds. During periods of difficult market conditions or slowdowns (which may be across one or more industries or geographies), our funds' portfolio companies may experience adverse operating performance, decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. Negative financial results in our funds' portfolio companies may result in lower investment returns for our investment funds, which could materially and adversely affect our ability to raise new funds as well as our operating results and cash flow. During such periods of weakness, our funds' portfolio companies may also have difficulty expanding their

businesses and operations or meeting their debt service obligations or other expenses as they become due, including expenses payable to us. Furthermore, such negative market conditions could potentially result in a portfolio company entering bankruptcy proceedings, or in the case of our Real Assets funds, the abandonment or foreclosure of investments, thereby potentially resulting in a complete loss of the fund's investment in such portfolio company or real assets and a significant negative impact to the fund's performance and consequently our operating results and cash flow, as well as to our reputation. In addition, negative market conditions would also increase the risk of default with respect to investments held by our funds that have significant debt investments, such as our Global Market Strategies funds.

Our operating performance may also be adversely affected by our fixed costs and other expenses and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions. In order to reduce expenses in the face of a difficult economic environment, we may need to cut back or eliminate the use of certain services or service providers, or terminate the employment of a significant number of our personnel that, in each case, could be important to our business and without which our operating results could be adversely affected.

Finally, during periods of difficult market conditions or slowdowns, our fund investment performance could suffer, resulting in, for example, the payment of less or no carried interest to us. The payment of less or no carried interest could cause our cash flow from operations to significantly decrease, which could materially and adversely affect our liquidity position and the amount of cash we have on hand to conduct our operations. Having less cash on hand could in turn require us to rely on other sources of cash (such as the capital markets which may not be available to us on acceptable terms) to conduct our operations, which include, for example, funding significant general partner and co-investment commitments to our carry funds and fund of funds vehicles. Furthermore, during adverse economic and market conditions, we might not be able to renew all or part of our existing credit facility or find alternate financing on commercially reasonable terms. As a result, our uses of cash may exceed our sources of cash, thereby potentially affecting our liquidity position.

Changes in the debt financing markets could negatively impact the ability of certain of our funds and their portfolio companies to obtain attractive financing or re-financing for their investments and could increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decreasing our net income.

Any recurrence of the significant contraction in the market for debt financing that occurred in 2008 and 2009 or other adverse change to us relating to the terms of such debt financing with, for example, higher rates, higher equity requirements and/or more restrictive covenants, particularly in the area of acquisition financings for leveraged buyout and real assets transactions, could have a material adverse impact on our business. In the event that certain of our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, certain of our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Similarly, our funds' portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that the credit markets render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns of our funds. In addition, to the extent that the markets make it difficult or impossible to refinance debt that is maturing in the near term, some of our portfolio companies may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection.

Our revenue, net income and cash flow are variable, which may make it difficult for us to achieve steady earnings growth on a quarterly basis.

Our revenue, net income and cash flow are variable. For example, our cash flow fluctuates due to the fact that we receive carried interest from our carry funds and fund of funds vehicles only when investments are realized and achieve a certain preferred return. In addition, transaction fees received by our carry funds can vary from quarter to quarter. We may also experience fluctuations in our results, including our revenue and net income, from quarter to quarter due to a number of other factors, including changes in the carrying values and performance of our funds' investments that can result in significant volatility in the carried interest that we have accrued (or as to which we have reversed prior accruals) from period to period, as well as changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. For instance, during the most recent economic downturn, we recorded significant reductions in the carrying values of many of the investments of the investment funds we advise. The carrying value of fund investments may be more variable during times of market volatility. Such variability in the timing and amount of our accruals and realizations of carried interest and transaction fees may lead to volatility in the trading price of our common units and cause our results and cash flow for a particular period not to be indicative of our performance in a future period. We may not achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to adverse movements in the price of our common units or increased volatility in our common unit price generally. The timing and receipt of carried interest also varies with the life cycle of our carry funds. For instance, the significant distributions we made during 2010 and the first six months of 2011 were partly a function of the relatively large portion of our AUM attributable to carry funds and investments that were in their "harvesting" period during such time, as opposed to the fundraising or investment periods which precede harvesting. During periods in which a significant portion of our AUM is attributable to carry funds and fund of funds vehicles or their investments that are not in their harvesting periods, as has been the case from time to time, we may receive substantially lower distributions. Moreover, even if an investment proves to be profitable, it may be several years before any profits can be realized in cash (or other proceeds). We cannot predict precisely when, or if, realizations of investments will occur. For example, for an extended period beginning the latter half of 2007, the global credit crisis made it difficult for potential purchasers to secure financing to purchase companies in our investment funds' portfolio, which limited the number of potential realization events. A downturn in the equity markets also makes it more difficult to exit investments by selling equity securities. If we were to have a realization event in a particular quarter, the event may have a significant impact on our quarterly results and cash flow for that particular quarter which may not be replicated in subsequent quarters.

We recognize revenue on investments in our investment funds based on our allocable share of realized and unrealized gains (or losses) reported by such investment funds, and a decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our revenue, which could further increase the volatility of our quarterly results and cash flow. Because our carry funds and fund of funds vehicles have preferred investor return thresholds that need to be met prior to us receiving any carried interest, declines in, or failures to increase sufficiently the carrying value of, the investment portfolios of a carry fund or fund of funds vehicle may delay or eliminate any carried interest distributions paid to us in respect of that fund or vehicle, since the value of the assets in the fund or vehicle would need to recover to their aggregate cost basis plus the preferred return over time before we would be entitled to receive any carried interest from that fund or vehicle.

With respect to certain of the investment funds and vehicles that we advise, we are entitled to incentive fees that are paid annually, semi-annually or quarterly if the net asset value of a fund has increased. These funds also have "high-water mark" provisions whereby if the funds have experienced losses in prior periods, we will not be able to earn incentive fees with respect to an

investor's account until the net asset value of the investor's account exceeds the highest period end value on which incentive fees were previously paid. The incentive fees we earn are therefore dependent on the net asset value of these funds or vehicles, which could lead to volatility in our quarterly results and cash flow.

Our fee revenue may also depend on the pace of investment activity in our funds. In many of our carry funds, the base management fee may be reduced when the fund has invested substantially all of its capital commitments. We may receive a lower management fee from such funds after the investing period and during the period the fund is harvesting its investments. As a result, the variable pace at which many of our carry funds invest capital may cause our management fee revenue to vary from one quarter to the next.

We depend on our founders and other key personnel, and the loss of their services or investor confidence in such personnel could have a material adverse effect on our business, results of operations and financial condition.

We depend on the efforts, skill, reputations and business contacts of our senior Carlyle professionals, including our founders, Messrs. Conway, D'Aniello and Rubenstein, and other key personnel, including members of our management committee, operating committee, the investment committees of our investment funds and senior investment teams, the information and deal flow they and others generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. Accordingly, our success will depend on the continued service of these individuals. Our founders currently have no immediate plans to cease providing services to our firm, but our founders and other key personnel are not obligated to remain employed with us. In addition, a portion of the Carlyle Holdings partnership units that certain of our key personnel will receive in the reorganization, as described in "Organizational Structure," will be fully vested upon issuance. Several key personnel have left the firm in the past and others may do so in the future, and we cannot predict the impact that the departure of any key personnel will have on our ability to achieve our investment objectives. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flow and could harm our ability to maintain or grow AUM in existing funds or raise additional funds in the future. Under the provisions of the partnership agreements governing most of our carry funds, the departure of various key Carlyle personnel could, under certain circumstances, relieve fund investors of their capital commitments to those funds, if such an event is not cured to the satisfaction of the relevant fund investors within a certain amount of time. We have historically relied in part on the interests of these professionals in the investment funds' carried interest and incentive fees to discourage them from leaving the firm. However, to the extent our investment funds perform poorly, thereby reducing the potential for carried interest and incentive fees, their interests in carried interest and incentive fees become less valuable to them and may become a less effective retention tool.

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

Recruiting and retaining professionals may be more difficult in the future, which could adversely affect our business, results of operations and financial condition.

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our senior and other professionals. Our future success and growth depends to a substantial degree on our ability to retain and motivate our senior Carlyle professionals and other

key personnel and to strategically recruit, retain and motivate new talented personnel, including new senior Carlyle professionals. However, we may not be successful in our efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive.

Following this offering, we may not be able to provide future senior Carlyle professionals with equity interests in our business to the same extent or with the same economic and tax consequences as those from which our existing senior Carlyle professionals previously benefited. For example, following this offering, our investment professionals and other employees are expected to be incentivized by the receipt of partnership units in Carlyle Holdings, deferred restricted units granted pursuant to our equity plans, participation interests in carried interest and bonus compensation. The portion of their economic incentives comprising Carlyle Holdings partnership units and grants of restricted units will be greater after the offering than before the offering, and these incentives have different economic and tax characteristics than the blend of financial incentives we used before the offering.

If legislation were to be enacted by the U.S. Congress or any state or local governments to treat carried interest as ordinary income rather than as capital gain for tax purposes, such legislation would materially increase the amount of taxes that we and possibly our unitholders would be required to pay, thereby adversely affecting our ability to recruit, retain and motivate our current and future professionals. See “—Risks Related to U.S. Taxation— Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis” and “— Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to you and the market price of our common units, could be reduced.” Moreover, the value of the common units we may issue our senior Carlyle professionals at any given time may subsequently fall (as reflected in the market price of our common units), which could counteract the intended incentives.

As a result of the foregoing, in order to recruit and retain existing and future senior Carlyle professionals and other key personnel, we may need to increase the level of compensation that we pay to them. Accordingly, as we promote or hire new senior Carlyle professionals and other key personnel over time or attempt to retain the services of certain of our key personnel, we may increase the level of compensation we pay to these individuals, which could cause our total employee compensation and benefits expense as a percentage of our total revenue to increase and adversely affect our profitability. The issuance of equity interests in our business in the future to our senior Carlyle professionals and other personnel would also dilute public common unitholders.

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

Given the priority we afford the interests of our fund investors and our focus on achieving superior investment performance, we may reduce our AUM, restrain its growth, reduce our fees or otherwise alter the terms under which we do business when we deem it in the best interest of our fund investors — even in circumstances where such actions might be contrary to the interests of unitholders.

In pursuing the interests of our fund investors, we may take actions that could reduce the profits we could otherwise realize in the short term. While we believe that our commitment to our fund investors and our discipline in this regard is in the long-term interest of us and our common unitholders, our common unitholders should understand this approach may have an adverse impact on our short-term profitability, and there is no guarantee that it will be beneficial in the long term. One of the means by which we seek to achieve superior investment performance in each of our strategies might include limiting the AUM in our strategies to an amount that we believe can be invested appropriately in accordance with our investment philosophy and current or anticipated economic and market conditions. For instance, in 2009 we released JPY 50 billion (\$542 million) of co-investment commitments associated with CJP I in exchange for an extension of the fund's investment period. In prioritizing the interests of our fund investors, we may also take other actions that could adversely impact our short-term results of operations when we deem such action appropriate. For example, in 2009, we decided to shut down one of our Real Assets funds and guaranteed to reimburse investors of the fund for capital contributions made for investments and fees to the extent investment proceeds did not cover such amounts. Additionally, we may voluntarily reduce management fee rates and terms for certain of our funds or strategies when we deem it appropriate, even when doing so may reduce our short-term revenue. For example, in 2009, we voluntarily increased the transaction fee rebate on CP V and CEP III from 65% to 80%, and voluntarily reduced CEP III management fees by 20% for the years 2011 and 2012. We have also waived management fees on certain leveraged finance vehicles at various times to improve returns.

We may not be successful in expanding into new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition.

Our growth strategy is based, in part, on the expansion of our platform through selective investment in, and development or acquisition of, alternative asset management businesses or other businesses complementary to our business. This strategy can range from smaller-sized lift-outs of investment teams to strategic alliances or acquisitions. This growth strategy involves a number of risks, including the risk that the expected synergies from an acquisition or strategic alliance will not be realized, that the expected results will not be achieved or that the investment process, controls and procedures that we have developed around our existing platform will prove insufficient or inadequate in the new investment strategy. We may also incur significant charges in connection with such acquisitions and investments and they may also potentially result in significant losses and costs. For instance, in 2007, we made an investment in a multi-strategy hedge fund joint venture, which we liquidated at a significant loss in 2008 amid deteriorating market conditions and global financial turmoil. Similarly, in 2006, we established an investment fund, which invested primarily in U.S. agency mortgage-backed securities. Beginning in March 2008, there was an unprecedented deterioration in the market for U.S. agency mortgage backed securities and the fund was forced to enter liquidation, resulting in a recorded loss for us of approximately \$152 million. Such losses could adversely impact our business, results of operations and financial condition, as well as do harm to our professional reputation.

The success of our growth strategy will depend on, among other things:

- the availability of suitable opportunities;
- the level of competition from other companies that may have greater financial resources;
- our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities;

- our ability to obtain requisite approvals and licenses from the relevant governmental authorities and to comply with applicable laws and regulations without incurring undue costs and delays; and
- our ability to successfully negotiate and enter into beneficial arrangements with our counterparties.

Moreover, even if we are able to identify and successfully negotiate and complete an acquisition, these types of transactions can be complex and we may encounter unexpected difficulties or incur unexpected costs including:

- the diversion of management's attention to integration matters;
- difficulties and costs associated with the integration of operations and systems;
- difficulties and costs associated with the assimilation of employees; and
- the risk that a change in ownership will negatively impact the relationship between an acquiree and the investors in its investment vehicles.

Each transaction may also present additional unique challenges. For example, our investment in AlpInvest faces the risk that the other asset managers in whose funds AlpInvest invests may no longer be willing to provide AlpInvest with investment opportunities as favorable as in the past, if at all.

Our organizational documents do not limit our ability to enter into new lines of business, and we may, from time to time, expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We intend, to the extent that market conditions warrant, to seek to grow our businesses and expand into new investment strategies, geographic markets and businesses. Moreover, our organizational documents do not limit us to the asset management business. To the extent that we make strategic investments or acquisitions in new geographic markets or businesses, undertake other related strategic initiatives or enter into a new line of business, we may face numerous risks and uncertainties, including risks associated with the following:

- the required investment of capital and other resources;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk;
- the combination or integration of operational and management systems and controls; and
- the broadening of our geographic footprint, including the risks associated with conducting operations in certain foreign jurisdictions where we currently have no presence.

Further, entry into certain lines of business may subject us to new laws and regulations with which we are not familiar or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenue or if we are unable to efficiently manage our expanded operations, our results of operations may be adversely affected.

Our strategic initiatives may include joint ventures, which may subject us to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control. We currently participate in several joint ventures and may elect to participate in additional joint venture opportunities in the future if we believe that operating in such a structure is in our best interests. There can be no assurances that our current joint ventures will continue in their current form, or at all, in the future or that we will be able to identify acceptable joint venture partners in the future or that our participation in any additional joint venture opportunities will be successful.

Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to you and the market price of our common units, could be reduced.

Over the past several years, a number of legislative and administrative proposals have been introduced and, in certain cases, have been passed by the U.S. House of Representatives. Most recently, the U.S. House of Representatives in May 2010 passed legislation that would have, in general, treated income and gains, now treated as capital gains, including gain on disposition of interests, attributable to an investment services partnership interest ("ISPI") as income subject to a new blended tax rate that is higher than the capital gains rate applicable to such income under current law, under current law, except to the extent such ISPI would have been considered under the legislation to be a qualified capital interest. Your interest in us, our interest in Carlyle Holdings II L.P. and the interests that Carlyle Holdings II L.P. holds in entities that are entitled to receive carried interest may have been classified as ISPIs for purposes of this legislation. The U.S. Senate considered but did not pass similar legislation. It is unclear when or whether the U.S. Congress will reconsider similar legislation or what provisions will be included in any legislation, if enacted.

The House bill provided that, for taxable years beginning 10 years after the date of enactment, income derived with respect to an ISPI that is not a qualified capital interest and that is subject to the rules discussed above would not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation is enacted, following such ten-year period, we would be precluded from qualifying as a partnership for U.S. federal income tax purposes or be required to hold all such ISPIs through corporations, possibly U.S. corporations. If we were taxed as a U.S. corporation or required to hold all ISPIs through corporations, our effective tax rate would increase significantly. The federal statutory rate for corporations is currently 35%. In addition, we could be subject to increased state and local taxes. Furthermore, you could be subject to tax on our conversion into a corporation or any restructuring required in order for us to hold our ISPIs through a corporation.

On September 12, 2011, the Obama administration submitted similar legislation to Congress in the American Jobs Act that would tax income and gain, now treated as capital gains, including gain on disposition of interests, attributable to an ISPI at rates higher than the capital gains rate applicable to such income under current law, with an exception for certain qualified capital interests. The proposed legislation would also characterize certain income and gain in respect of ISPIs as non-qualifying income under the publicly traded partnership rules after a ten-year transition period from the effective date, with an exception for certain qualified capital interests. This proposed legislation follows several prior statements by the Obama administration in support of changing the taxation of carried interest. Furthermore, in the proposed American Jobs Act, the Obama administration proposed that current law regarding the treatment of carried interest be changed for taxable years ending after December 31, 2012 to subject such income to ordinary income tax (which is taxed at a higher rate than the proposed blended tax rate under the House legislation). The Obama administration's published revenue proposals for 2010, 2011 and 2012 contained similar proposals.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York considered legislation under which you, even if a non-resident, could be subject to New York state income tax on income in respect of our common units as a result of certain activities of our affiliates in New York. This legislation would have been retroactive to January 1, 2010. It is unclear when or whether similar legislation will be enacted. In addition, states and other jurisdictions have considered legislation to increase taxes involving other aspects of our structure. In addition, states and other jurisdictions have considered legislation which could increase taxes imposed on our income and gain. For example, the District of Columbia has

passed legislation that could expand the portion of our income that could be subject to District of Columbia income tax. This provision is effective as of January 1, 2011.

We will expend significant financial and other resources to comply with the requirements of being a public entity.

As a public entity, we will be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting, which is discussed below. See "— Our internal controls over financial reporting do not currently meet all of the standards contemplated by Section 404 of the Sarbanes-Oxley Act, and failure to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and common unit price." In order to maintain and improve the effectiveness of our disclosure controls and procedures, significant resources and management oversight will be required. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We expect to incur significant additional annual expenses related to these steps and, among other things, additional directors and officers' liability insurance, director fees, reporting requirements of the Securities and Exchange Commission (the "SEC"), transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

Our internal controls over financial reporting do not currently meet all of the standards contemplated by Section 404 of the Sarbanes-Oxley Act, and failure to achieve and maintain effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and common unit price.

We have not previously been required to comply with the requirements of the Sarbanes-Oxley Act, including the internal control evaluation and certification requirements of Section 404 of that statute ("Section 404"), and we will not be required to comply with all of those requirements until we have been subject to the reporting requirements of the Exchange Act for a specified period of time. Accordingly, our internal controls over financial reporting do not currently meet all of the standards contemplated by Section 404 that we will eventually be required to meet. We are in the process of addressing our internal controls over financial reporting and are establishing formal policies, processes and practices related to financial reporting and to the identification of key financial reporting risks, assessment of their potential impact and linkage of those risks to specific areas and activities within our organization.

Additionally, we have begun the process of documenting our internal control procedures to satisfy the requirements of Section 404, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. Because we do not currently have comprehensive documentation of our internal controls and have not yet tested our internal controls in accordance with Section 404, we cannot conclude in accordance with Section 404 that we do not have a material weakness in our internal controls or a combination of significant deficiencies that could result in the conclusion that we have a material weakness in our internal controls. As a public entity, we will be required to complete our initial assessment in a timely manner. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our operations, financial reporting or financial results could be adversely affected, and our independent

registered public accounting firm may not be able to certify as to the adequacy of our internal controls over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, and result in a breach of the covenants under the agreements governing any of our financing arrangements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements could also suffer if our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. This could materially adversely affect us and lead to a decline in our common unit price.

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

We rely heavily on our financial, accounting, information and other data processing systems. If any of these systems do not operate properly or are disabled, whether as a result of tampering or a breach of our network security systems or otherwise, we could suffer financial loss, a disruption of our businesses, liability to our funds, regulatory intervention or reputational damage. In addition, we operate in businesses that are highly dependent on information systems and technology. Our information systems and technology may not continue to be able to accommodate our growth, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on us.

Furthermore, we depend on our headquarters in Washington, D.C., where most of our administrative and operations personnel are located, and our office in Arlington, Virginia, which houses our treasury and finance functions, for the continued operation of our business. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse impact on our ability to continue to operate our business without interruption. Our disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

In addition, sustaining our growth will also require us to commit additional management, operational and financial resources to identify new professionals to join our firm and to maintain appropriate operational and financial systems to adequately support expansion. Due to the fact that the market for hiring talented professionals is competitive, we may not be able to grow at the pace we desire.

Extensive regulation in the United States and abroad affects our activities and creates the potential for significant liabilities and penalties.

Our business is subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or investment adviser from registration or memberships. Even if an investigation or proceeding does not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing fund investors or fail to gain new investors or discourage others from doing business with us. Some of our investment funds invest in businesses that operate in highly regulated industries, including in businesses that are regulated by the U.S. Federal Communications Commission and U.S. federal and state banking authorities. The regulatory regimes to which such businesses are subject may, among

other things, condition our funds' ability to invest in those businesses upon the satisfaction of applicable ownership restrictions or qualification requirements. Moreover, our failure to obtain or maintain any regulatory approvals necessary for our funds to invest in such industries may disqualify our funds from participating in certain investments or require our funds to divest themselves of certain assets. In addition, we regularly rely on exemptions from various requirements of the Securities Act of 1933, as amended (the "Securities Act"), the Exchange Act, the Investment Company Act of 1940, as amended (the "1940 Act"), and the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), in conducting our asset management activities in the United States. Similarly, in conducting our asset management activities outside the United States, we rely on available exemptions from the regulatory regimes of various foreign jurisdictions. These exemptions from regulation within the United States and abroad are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our business could be materially and adversely affected. Moreover, the requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and are not designed to protect our common unitholders. Consequently, these regulations often serve to limit our activities and impose burdensome compliance requirements. See "Business — Regulatory and Compliance Matters."

Regulatory changes in the United States could adversely affect our business and the possibility of increased regulatory focus could result in additional burdens and expenses on our business.

As a result of the financial crisis and highly publicized financial scandals, investors have exhibited concerns over the integrity of the U.S. financial markets and the domestic regulatory environment in which we operate in the United States. There has been an active debate over the appropriate extent of regulation and oversight of private investment funds and their managers. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC or other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. Regulatory focus on our industry is likely to intensify if, as has happened from time to time, the alternative asset management industry falls into disfavor in popular opinion or with state and federal legislators, as the result of negative publicity or otherwise.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which imposes significant new regulations on almost every aspect of the U.S. financial services industry, including aspects of our business. Among other things, the Dodd-Frank Act includes the following provisions, which could have an adverse impact on our ability to conduct our business:

- The Dodd-Frank Act establishes the Financial Stability Oversight Council (the "FSOC"), a federal agency acting as the financial system's systemic risk regulator with the authority to review the activities of nonbank financial companies predominantly engaged in financial activities that are designated as "systemically important." Such designation is applicable to companies where material financial distress could pose risk to the financial stability of the United States or if the nature, scope, size, scale, concentration, interconnectedness or mix of their activities could pose a threat to U.S. financial stability. On October 11, 2011, the FSOC issued a proposed rule and interpretive guidance regarding the process by which it will designate nonbank financial companies as systemically important. The regulation details a three-stage process, with the level of scrutiny increasing at each stage. During Stage 1, the FSOC will apply a broad set of uniform quantitative metrics to screen out financial companies that do not warrant additional review. The FSOC will consider whether a company has at least \$50 billion in total consolidated assets and whether it meets other thresholds relating to credit default swaps outstanding, derivative liabilities, loans and bonds outstanding, a

minimum leverage ratio of total consolidated assets to total equity of 15 to 1, and a short-term debt ratio of debt (with maturities less than 12 months) to total consolidated assets of 10%. A company that meets both the asset test and one of the other thresholds will be subject to additional review. Although it is unlikely that we would be designated as systemically important under the process outlined in the proposed rule, the designation criteria could evolve over time. If the FSOC were to determine that we were a systemically important nonbank financial company, we would be subject to a heightened degree of regulation, which could include a requirement to adopt heightened standards relating to capital, leverage, liquidity, risk management, credit exposure reporting and concentration limits, restrictions on acquisitions and being subject to annual stress tests by the Federal Reserve.

- The Dodd-Frank Act, under what has become known as the “Volcker Rule,” generally prohibits depository institution holding companies (including foreign banks with U.S. branches), insured depository institutions and subsidiaries and affiliates of such entities from investing in or sponsoring private equity funds or hedge funds. The Volcker Rule will become effective on July 21, 2012 and is subject to certain transition periods and exceptions for certain “permitted activities” that would enable certain institutions subject to the Volcker Rule to continue investing in private equity funds under certain conditions. Although we do not currently anticipate that the Volcker Rule will adversely affect our fundraising to any significant extent, there is uncertainty regarding the implementation of the Volcker Rule and its practical implications and there could be adverse implications on our ability to raise funds from the types of entities mentioned above as a result of this prohibition. On October 11, 2011, the Federal Reserve and other federal regulatory agencies issued a proposed rule implementing the Volcker Rule.
- The Dodd-Frank Act requires many private equity and hedge fund advisers to register with the SEC under the Advisers Act, to maintain extensive records and to file reports with information that the regulators identify as necessary for monitoring systemic risk. Although a Carlyle subsidiary has been registered as an investment adviser for 15 years, the Dodd-Frank Act will affect our business and operations, including increasing regulatory costs, imposing additional burdens on our staff and potentially requiring the disclosure of sensitive information.
- The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk taking by covered financial institutions. Such restrictions could limit our ability to recruit and retain investment professionals and senior management executives.
- The Dodd-Frank Act requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the clawback of related incentive compensation from current and former executive officers.
- The Dodd-Frank Act amends the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

Many of these provisions are subject to further rulemaking and to the discretion of regulatory bodies, such as the FSOC.

In June 2010, the SEC approved Rule 206(4)-5 under the Advisers Act regarding “pay to play” practices by investment advisers involving campaign contributions and other payments to government clients and elected officials able to exert influence on such clients. The rule prohibits investment advisers from providing advisory services for compensation to a government client for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its

personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in position to influence the hiring of an investment adviser by such government client. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser's employees and engagement of third parties that solicit government entities and to keep certain records in order to enable the SEC to determine compliance with the rule. Any failure on our part to comply with the rule could expose us to significant penalties and reputational damage. In addition, there have been similar rules on a state-level regarding "pay to play" practices by investment advisers. For example, in May 2009, we reached resolution with the Office of the Attorney General of the State of New York (the "NYAG") regarding its inquiry into the use of placement agents by various asset managers, including Carlyle, to solicit New York public pension funds for private equity and hedge fund investment commitments. We made a \$20 million payment to New York State as part of this resolution in November 2009 and agreed to adopt the NYAG's Code of Conduct.

In September 2010, California enacted legislation, which became effective in January 2011, requiring placement agents who solicit funds from the California state retirement systems, such as CalPERS and the California State Teachers' Retirement System, to register as lobbyists. In addition to increased reporting requirements, the legislation prohibits placement agents from receiving contingent compensation for soliciting investments from California state retirement systems. New York City has enacted similar measures, which became effective on January 1, 2011, that require asset management firms and their employees that solicit investments from New York City's five public pension systems to register as lobbyists. Like the California legislation, the New York City measures impose significant compliance obligations on registered lobbyists and their employers, including annual registration fees, periodic disclosure reports and internal recordkeeping, and also prohibit the acceptance of contingent fees. Moreover, other states or municipalities may consider similar legislation as that enacted in California and New York City or adopt regulations or procedures with similar effect. These types of measures could materially and adversely impact our business.

It is impossible to determine the extent of the impact on us of the Dodd-Frank Act or any other new laws, regulations or initiatives that may be proposed or whether any of the proposals will become law. Any changes in the regulatory framework applicable to our business, including the changes described above, may impose additional costs on us, require the attention of our senior management or result in limitations on the manner in which we conduct our business. Moreover, as calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our funds. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability.

Recent regulatory changes in jurisdictions outside the United States could adversely affect our business.

Similar to the environment in the United States, the current environment in jurisdictions outside the United States in which we operate, in particular Europe, has become subject to further regulation. Governmental regulators and other authorities in Europe have proposed or implemented a number of initiatives and additional rules and regulations that could adversely affect our business.

In October 2010, the EU Council of Ministers adopted a directive to amend the revised Capital Requirements Directive ("CRD III"), which, among other things, requires European Union ("EU") member states to introduce stricter control on remuneration of key employees and risk takers within specific credit institutions and investment firms. The Financial Services Authority (the "FSA") has implemented CRD III by amending its remuneration code although the extent of the regulatory impact will differ depending on a firm's size and the nature of its activities.

In addition, in November 2010, the European Parliament voted to approve the EU Directive on Alternative Investment Fund Managers (the “EU Directive”), which establishes a new EU regulatory regime for alternative investment fund managers, including private equity and hedge fund managers. The EU Directive generally applies to managers with a registered office in the EU (or managing an EU-based fund vehicle), as well as non-EU-based managers that market securities of alternative investment funds in the European Union. In general, the EU Directive will have a staged implementation over a period of years beginning in mid-2013 for EU-based managers (or EU-based funds) and no later than 2018 for non-EU-based managers marketing non-EU-based funds into the European Union. Compliance with the EU Directive will subject us to a number of additional requirements, including rules relating to the remuneration of certain personnel (principally adopting the provisions of CRD III referred to above), certain capital requirements for alternative investment fund managers, leverage oversight for each investment fund, liquidity management and retention of depositories for each investment fund. Compliance with the requirements of the EU Directive will impose additional compliance expense for us and could reduce our operating flexibility and fund raising opportunities.

Our investment businesses are subject to the risk that similar measures might be introduced in other countries in which our funds currently have investments or plan to invest in the future, or that other legislative or regulatory measures that negatively affect their respective portfolio investments might be promulgated in any of the countries in which they invest. The reporting related to such initiatives may divert the attention of our personnel and the management teams of our portfolio companies. Moreover, sensitive business information relating to us or our portfolio companies could be publicly released.

See “Risks Related to Our Business Operations — Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investments in companies that are based in the United States” and “Business — Regulatory and Compliance Matters” for more information.

We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

The investment decisions we make in our asset management business and the activities of our investment professionals on behalf of portfolio companies of our carry funds may subject them and us to the risk of third-party litigation arising from investor dissatisfaction with the performance of those investment funds, the activities of our portfolio companies and a variety of other litigation claims and regulatory inquiries and actions. From time to time we and our portfolio companies have been and may be subject to regulatory actions and shareholder class action suits relating to transactions in which we have agreed to acquire public companies.

For example, on February 14, 2008, a private class action lawsuit challenging “club” bids and other alleged anti-competitive business practices was filed in the U.S. District Court for the District of Massachusetts. The complaint alleges, among other things, that certain private equity firms, including Carlyle, violated Section 1 of the Sherman Antitrust Act of 1890 (the “Sherman Act”) by forming multi-sponsor consortiums for the purpose of bidding collectively in corporate buyout auctions in certain going private transactions, which the plaintiffs allege constitutes a “conspiracy in restraint of trade.” It is difficult to determine what impact, if any, this litigation (and any future related litigation), together with any increased governmental scrutiny or regulatory initiatives, will have on the private equity industry generally or on us and our funds specifically. As a result, the foregoing could have an adverse impact on us or otherwise impede our ability to effectively achieve our asset management objectives. See “Business — Legal Proceedings” for more information on this and other proceedings.

In addition, to the extent that investors in our investment funds suffer losses resulting from fraud, gross negligence, willful misconduct or other similar misconduct, investors may have

remedies against us, our investment funds, our principals or our affiliates under the federal securities laws and/or state law. While the general partners and investment advisers to our investment funds, including their directors, officers, other employees and affiliates, are generally indemnified with respect to their conduct in connection with the management of the business and affairs of our private equity funds, such indemnity generally does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct.

If any lawsuits were brought against us and resulted in a finding of substantial legal liability, the lawsuit could materially adversely affect our business, results of operations or financial condition or cause significant reputational harm to us, which could materially impact our business. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain investors and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

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

Employee misconduct could harm us by impairing our ability to attract and retain investors in our funds and subjecting us to significant legal liability and reputational harm. Fraud and other deceptive practices or other misconduct at our portfolio companies could harm performance.

There is a risk that our employees could engage in misconduct that adversely affects our business. Our ability to attract and retain investors and to pursue investment opportunities for our funds depends heavily upon the reputation of our professionals, especially our senior Carlyle professionals. We are subject to a number of obligations and standards arising from our asset management business and our authority over the assets managed by our asset management business. The violation of these obligations and standards by any of our employees would adversely affect our clients and us. Our business often requires that we deal with confidential matters of great significance to companies in which our funds may invest. If our employees were to use or disclose confidential information improperly, we could suffer serious harm to our reputation, financial position and current and future business relationships, as well as face potentially significant litigation. It is not always possible to detect or deter employee misconduct, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If any of our employees were to engage in misconduct or were to be accused of such misconduct, whether or not substantiated, our business and our reputation could be adversely affected and a loss of investor confidence could result, which would adversely impact our ability to raise future funds.

We will also be adversely affected if there is misconduct by senior management of portfolio companies in which our funds invest. Such misconduct might undermine our due diligence efforts with respect to such companies and it might negatively affect the valuation of a fund's investments.

In recent years, the U.S. Department of Justice (the "DOJ") and the SEC have devoted greater resources to enforcement of the Foreign Corrupt Practices Act (the "FCPA"). In addition, the United Kingdom has recently significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA or other applicable anti-corruption laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor

confidence, any one of which could adversely affect our business prospects, financial position or the market value of our common units.

Certain policies and procedures implemented to mitigate potential conflicts of interest and address certain regulatory requirements may reduce the synergies across our various businesses and inhibit our ability to maintain our collaborative culture.

We consider our “One Carlyle” philosophy and the ability of our professionals to communicate and collaborate across funds, industries and geographies one of our significant competitive strengths. As a result of the expansion of our platform into various lines of business in the alternative asset management industry we are currently, and as we continue to develop our managed account business and expand we will be, subject to a number of actual and potential conflicts of interest and subject to greater regulatory oversight than that to which we would otherwise be subject if we had just one line of business. In addition, as we expand our platform, the allocation of investment opportunities among our investment funds may become more complex. In addressing these conflicts and regulatory requirements across our various businesses, we have and may continue to implement certain policies and procedures (for example, information barriers) that may reduce the positive synergies that we cultivate across these businesses through our “One Carlyle” approach. For example, although we maintain ultimate control over AlpInvest, AlpInvest’s historical management team (who are our employees) will continue to exercise independent investment authority without involvement by other Carlyle personnel. See “— Risks Related to Our Business Operations — Our Fund of Funds Solutions business is subject to additional risks.” In addition, we may come into possession of material non-public information with respect to issuers in which we may be considering making an investment. As a consequence, we may be precluded from providing such information or other ideas to our other businesses that benefit from such information.

Risks Related to Our Business Operations

Poor performance of our investment funds would cause a decline in our revenue, income and cash flow, may obligate us to repay carried interest previously paid to us, and could adversely affect our ability to raise capital for future investment funds.

In the event that any of our investment funds were to perform poorly, our revenue, income and cash flow could decline. In some of our funds, such as our hedge funds, a reduction in the value of our AUM in such funds could result in a reduction in management fees and incentive fees we earn. In other funds managed by us, such as our private equity funds, a reduction in the value of the portfolio investments held in such funds could result in a reduction in the carried interest we earn. Moreover, we could experience losses on our investments of our own capital as a result of poor investment performance by our investment funds. Furthermore, if, as a result of poor performance of later investments in a carry fund’s or fund of funds vehicle’s life, the fund does not achieve certain investment returns for the fund over its life, we will be obligated to repay the amount by which carried interest that was previously distributed to us exceeds the amount to which we are ultimately entitled. These repayment obligations may be related to amounts previously distributed to our senior Carlyle professionals prior to the completion of this offering, with respect to which our common unitholders did not receive any benefit. See “— We may need to pay “giveback” obligations if and when they are triggered under the governing agreements with our investors.”

Poor performance of our investment funds could make it more difficult for us to raise new capital. Investors in carry funds and fund of funds vehicles might decline to invest in future investment funds we raise and investors in hedge funds or other investment funds might withdraw their investments as a result of the poor performance of the investment funds in which they are invested. Investors and potential investors in our funds continually assess our investment funds’ performance, and our ability to raise capital for existing and future investment funds and avoid excessive redemption levels will depend on our investment funds’ continued satisfactory

performance. Accordingly, poor fund performance may deter future investment in our funds and thereby decrease the capital invested in our funds and ultimately, our management fee income. Alternatively, in the face of poor fund performance, investors could demand lower fees or fee concessions for existing or future funds which would likewise decrease our revenue.

Our asset management business depends in large part on our ability to raise capital from third-party investors. If we are unable to raise capital from third-party investors, we would be unable to collect management fees or deploy their capital into investments and potentially collect transaction fees or carried interest, which would materially reduce our revenue and cash flow and adversely affect our financial condition.

Our ability to raise capital from third-party investors depends on a number of factors, including certain factors that are outside our control. Certain factors, such as the performance of the stock market, the pace of distributions from our funds and from the funds of other asset managers or the asset allocation rules or regulations or investment policies to which such third-party investors are subject, could inhibit or restrict the ability of third-party investors to make investments in our investment funds. For example, during 2008 and 2009, many third-party investors that invest in alternative assets and have historically invested in our investment funds experienced significant volatility in valuations of their investment portfolios, including a significant decline in the value of their overall private equity, real assets, venture capital and hedge fund portfolios, which affected our ability to raise capital from them. Coupled with a lack of distributions from their existing private equity and real assets portfolios, many of these investors were left with disproportionately outsized remaining commitments to, and invested capital in, a number of investment funds, which significantly limited their ability to make new commitments to third-party managed investment funds such as those advised by us. Although economic conditions have improved and many investors have increased the amount of commitments they are making to alternative investment funds, there can be no assurance that this will continue. Moreover, as some existing investors cease or significantly curtail making commitments to alternative investment funds, we may need to identify and attract new investors in order to maintain or increase the size of our investment funds. There can be no assurances that we can find or secure commitments from those new investors. Our ability to raise new funds could similarly be hampered if the general appeal of private equity and alternative investments were to decline. An investment in a limited partner interest in a private equity fund is more illiquid and the returns on such investment may be more volatile than an investment in securities for which there is a more active and transparent market. Private equity and alternative investments could fall into disfavor as a result of concerns about liquidity and short-term performance. Such concerns could be exhibited, in particular, by public pension funds, which have historically been among the largest investors in alternative assets. Many public pensions are significantly underfunded and their funding problems have been exacerbated by the recent economic downturn. Concerns with liquidity could cause such public pension funds to reevaluate the appropriateness of alternative investments.

The failure to successfully raise capital commitments to new investment funds may also expose us to credit risk in respect of financing that we may provide such funds. When existing capital commitments to a new investment fund are insufficient to fund in full a new investment fund's participation in a transaction, we may lend money to or borrow money from financial institutions on behalf of such investment funds to bridge this difference and repay this financing with capital from subsequent investors to the fund. Our inability to identify and secure capital commitments from new investors to these funds may expose us to losses (in the case of money that we lend directly to such funds) or adversely impact our ability to repay such borrowings or otherwise have an adverse impact on our liquidity position. Finally, if we seek to expand into other business lines, we may also be unable to raise a sufficient amount of capital to adequately support such businesses.

The failure of our investment funds to raise capital in sufficient amounts could result in a decrease in our AUM as well as management fee and transaction fee revenue, or could result in a

decline in the rate of growth of our AUM and management fee and transaction fee revenue, any of which could have a material adverse impact on our revenues and financial condition. Our past experience with growth of AUM provides no assurance with respect to the future. For example, our next generation of large buyout and other funds could be smaller in overall size than our current large buyout and other funds. There can be no assurance that any of our business segments will continue to experience growth in AUM.

Some of our fund investors may have concerns about the prospect of our becoming a publicly traded company, including concerns that as a public company we will shift our focus from the interests of our fund investors to those of our common unitholders. Some of our fund investors may believe that we will strive for near-term profit instead of superior risk-adjusted returns for our fund investors over time or grow our AUM for the purpose of generating additional management fees without regard to whether we believe there are sufficient investment opportunities to effectively deploy the additional capital. There can be no assurance that we will be successful in our efforts to address such concerns or to convince fund investors that our decision to pursue this offering will not affect our longstanding priorities or the way we conduct our business. A decision by a significant number of our fund investors not to commit additional capital to our funds or to cease doing business with us altogether could inhibit our ability to achieve our investment objectives and could have a material adverse effect on our business and financial condition.

Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.

In connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with existing and potential investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than the terms of prior funds we have advised or funds advised by our competitors. Such terms could restrict our ability to raise investment funds with investment objectives or strategies that compete with existing funds, reduce fee revenues we earn, reduce the percentage of profits on third-party capital that we share in or add expenses and obligations for us in managing the fund or increase our potential liabilities, all of which could ultimately reduce our profitability. For instance, we have confronted and expect to continue to confront requests from a variety of investors and groups representing investors to increase the percentage of transaction fees we share with our investors (or to decline to receive any transaction fees from portfolio companies owned by our funds). To the extent we accommodate such requests, it would result in a decrease in the amount of fee revenue we earn. Moreover, certain institutional investors have publicly criticized certain fund fee and expense structures, including management fees. For example, we have confronted and expect to continue to confront requests from a variety of investors and groups representing investors to decrease fees and to modify our carried interest and incentive fee structures, which could result in a reduction in or delay in the timing of receipt of the fees and carried interest and incentive fees we earn. Any modification of our existing fee or carry arrangements or the fee or carry structures for new investment funds could adversely affect our results of operations. See “— The alternative asset management business is intensely competitive.”

In addition, we believe that certain institutional investors, including sovereign wealth funds and public pension funds, could in the future demonstrate an increased preference for alternatives to the traditional investment fund structure, such as managed accounts, smaller funds and co-investment vehicles. There can be no assurance that such alternatives will be as efficient as the traditional investment fund structure, or as to the impact such a trend could have on the cost of our operations or profitability if we were to implement these alternative investment structures. Moreover, certain institutional investors are demonstrating a preference to in-source their own investment professionals and to make direct investments in alternative assets without the assistance of private

equity advisers like us. Such institutional investors may become our competitors and could cease to be our clients.

Valuation methodologies for certain assets in our funds can involve subjective judgments, and the fair value of assets established pursuant to such methodologies may be incorrect, which could result in the misstatement of fund performance and accrued performance fees.

There are often no readily ascertainable market prices for a substantial majority of illiquid investments of our investment funds. We determine the fair value of the investments of each of our investment funds at least quarterly based on the fair value guidelines set forth by generally accepted accounting principles in the United States. The fair value measurement accounting guidance establishes a hierarchical disclosure framework that ranks the observability of market 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 quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

Investments for which market prices are not observable include private investments in the equity of operating companies or real estate properties. Fair values of such investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), the discounted cash flow method, comparable values in public market or private transactions, valuations for comparable companies and other measures which, in many cases, are unaudited at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (for example, multiplying a key performance metric of the investee company or asset, such as EBITDA, by a relevant valuation multiple 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. In determining fair values of real estate investments, we also consider projected operating cash flows, sales of comparable assets, replacement costs and capitalization rates ("cap rates") analysis. Additionally, where applicable, projected distributable cash flow through debt maturity will also be considered in support of the investment's carrying value. The fair values of credit-oriented investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. 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, other valuation techniques, including the discounted cash flow method, may be used to value illiquid investments.

The determination of fair value using these methodologies takes into consideration a range of factors including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of management judgment. For example, as to investments that we share with another sponsor, we may apply a different valuation methodology than the other sponsor does or derive a different value than the other sponsor has derived on the same investment, which could cause some investors to question our valuations.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of such investments as reflected in an investment fund's net asset value do not necessarily reflect the prices that would be obtained by us on behalf of the investment fund when such investments are realized. Realizations at values significantly lower than the values at which investments have been reflected in prior fund net asset values would result in reduced earnings or losses for the applicable fund, the loss of potential carried interest and incentive

fees and in the case of our hedge funds, management fees. Changes in values attributed to investments from quarter to quarter may result in volatility in the net asset values and results of operations that we report from period to period. Also, a situation where asset values turn out to be materially different than values reflected in prior fund net asset values could cause investors to lose confidence in us, which could in turn result in difficulty in raising additional funds.

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

We have presented in this prospectus information relating to the historical performance of our investment funds. The historical and potential future returns of the investment funds that we advise are not directly linked to returns on our common units. Therefore, any continued positive performance of the investment funds that we advise will not necessarily result in positive returns on an investment in our common units. However, poor performance of the investment funds that we advise would cause a decline in our revenue from such investment funds, and could therefore have a negative effect on our performance, our ability to raise future funds and in all likelihood the returns on an investment in our common units.

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

- market conditions at times were significantly more favorable for generating positive performance, particularly in our Corporate Private Equity and Real Assets businesses, than the market conditions we experienced in the past three years and may continue to experience for the foreseeable future;
- the rates of returns of our carry funds reflect unrealized gains as of the applicable measurement date that may never be realized, which may adversely affect the ultimate value realized from those funds' investments;
- unitholders will not benefit from any value that was created in our funds prior to your investment in our common units to the extent such value has been realized;
- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in alternative investment funds and high liquidity in debt markets, and the increased competition for investments may reduce our returns in the future;
- the rates of returns of some of our funds in certain years have been positively influenced by a number of investments that experienced rapid and substantial increases in value following the dates on which those investments were made, which may not occur with respect to future investments;
- our investment funds' returns in some years have benefited from investment opportunities and general market conditions that may not repeat themselves (including, for example, particularly favorable borrowing conditions in the debt markets during 2005, 2006 and early 2007), and our current or future investment funds might not be able to avail themselves of comparable investment opportunities or market conditions; and
- we may create new funds in the future that reflect a different asset mix and different investment strategies, as well as a varied geographic and industry exposure as compared to our present funds, and any such new funds could have different returns than our existing or previous funds.

In addition, future returns will be affected by the applicable risks described elsewhere in this prospectus, including risks related to the industries and businesses in which our funds may invest. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Segment Analysis — Fund Performance Metrics" for additional information.

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

Many of our carry funds' and fund of funds vehicles' investments rely heavily on the use of leverage, and our ability to achieve attractive rates of return on investments will depend on our ability to access sufficient sources of indebtedness at attractive rates. For example, in many private equity investments, indebtedness may constitute and historically has constituted up to 70% or more of a portfolio company's or real estate asset's total debt and equity capitalization, including debt that may be incurred in connection with the investment. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect our Corporate Private Equity and Real Assets businesses. In addition, an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness, such as the increase we experienced during 2009, would make it more expensive to finance those businesses' investments. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment. Finally, the interest payments on the indebtedness used to finance our carry funds' and fund of funds vehicles' investments are generally deductible expenses for income tax purposes, subject to limitations under applicable tax law and policy. Any change in such tax law or policy to eliminate or substantially limit these income tax deductions, as has been discussed from time to time in various jurisdictions, would reduce the after-tax rates of return on the affected investments, which may have an adverse impact on our business and financial results. See "— Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States."

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

- subject the entity to a number of restrictive covenants, terms and conditions, any violation of which could be viewed by creditors as an event of default and could materially impact our ability to realize value from the investment;
- allow even moderate reductions in operating cash flow to render the entity unable to service its indebtedness, leading to a bankruptcy or other reorganization of the entity and a loss of part or all of the equity investment in it;
- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors that have relatively less debt;
- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt. For example, a number of investments consummated by private equity sponsors during 2005, 2006 and 2007 that utilized significant amounts of leverage subsequently experienced severe economic stress and, in certain cases, defaulted on their debt obligations due to a decrease in revenue and cash flow precipitated by the subsequent downturn during 2008 and 2009. Similarly, the leveraged nature of the investments of our Real Assets funds increases the risk that a decline in the fair value of the underlying real estate or tangible assets will result in their abandonment or foreclosure. For example, in 2009 and 2010, several investments of our real estate funds were foreclosed, resulting in aggregate write-offs of approximately \$198 million in 2009 and \$19 million in 2010.

When our private equity funds' existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have not generated sufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If a limited availability of financing for such purposes were to persist for an extended period of time, when significant amounts of the debt incurred to finance our Corporate Private Equity and Real Assets funds' existing portfolio investments came due, these funds could be materially and adversely affected.

Many of our Global Market Strategies funds may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or may enter into derivative transactions (such as total return swaps) with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost, and the timing and magnitude of such losses may be accelerated or exacerbated, in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings. Increases in interest rates could also decrease the value of fixed-rate debt investment that our investment funds make.

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

A decline in the pace or size of investments by our carry funds or fund of funds vehicles could result in our receiving less revenue from transaction fees.

The transaction fees that we earn are driven in part by the pace at which our funds make investments and the size of those investments. Any decline in that pace or the size of such investments could reduce our transaction fees and could make it more difficult for us to raise capital on our anticipated schedule. Many factors could cause such a decline in the pace of investment, including:

- the inability of our investment professionals to identify attractive investment opportunities;
- competition for such opportunities among other potential acquirers;
- decreased availability of capital on attractive terms; and
- our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets.

For example, the more limited financing options for large Corporate Private Equity and Real Assets investments resulting from the credit market dislocations in 2008 and 2009 reduced the pace and size of investments by our Corporate Private Equity and Real Assets funds.

In addition, we have confronted and expect to continue to confront requests from a variety of investors and groups representing investors to increase the percentage of transaction fees we share with our investors (or to decline to receive transaction fees from portfolio companies held by our funds). To the extent we accommodate such requests, it would result in a decrease in the amount of fee revenue we earn. See “— Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.”

The alternative asset management business is intensely competitive.

The alternative asset management business is intensely competitive, with competition based on a variety of factors, including investment performance, business relationships, quality of service provided to investors, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. Our alternative asset management business competes with a number of private equity funds, specialized investment funds, hedge funds, corporate buyers, traditional asset managers, real estate development companies, commercial banks, investment banks and other financial institutions (as well as sovereign wealth funds). For instance, Carlyle and Riverstone have mutually decided not to pursue another jointly managed fund as co-sponsors. Accordingly, we expect that our future energy and renewable funds will compete with Riverstone, among other alternative asset managers, for investment opportunities and fund investors in the energy and renewable space. A number of factors serve to increase our competitive risks:

- a number of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- a significant number of investors have materially decreased or temporarily suspended making new fund investments recently because of the global economic downturn and poor returns in their overall investment portfolios in 2008 and 2009;
- several of our competitors have significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that otherwise could be exploited;
- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds than us, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make;
- some of our competitors may be subject to less regulation and accordingly may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less compliance expense than we do;
- some of our competitors may have more flexibility than us in raising certain types of investment funds under the investment management contracts they have negotiated with their investors;

- some of our competitors may have better expertise or be regarded by investors as having better expertise in a specific asset class or geographic region than we do;
- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;
- there are relatively few barriers to entry impeding the formation of new alternative asset management firms, and the successful efforts of new entrants into our various businesses, including former “star” portfolio managers at large diversified financial institutions as well as such institutions themselves, is expected to continue to result in increased competition;
- some investors may prefer to invest with an asset manager that is not publicly traded or is smaller with only one or two investment products that it manages; and
- other industry participants may, from time to time, seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by our competitors. Alternatively, we may experience decreased rates of return and increased risks of loss if we match investment prices, structures and terms offered by our competitors. Moreover, if we are forced to compete with other alternative asset managers on the basis of price, we may not be able to maintain our current fund fee and carried interest terms. We have historically competed primarily on the performance of our funds, and not on the level of our fees or carried interest relative to those of our competitors. However, there is a risk that fees and carried interest in the alternative asset management industry will decline, without regard to the historical performance of a manager. Fee or carried interest income reductions on existing or future funds, without corresponding decreases in our cost structure, would adversely affect our revenues and profitability. See “— Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.”

In addition, the attractiveness of our investment funds relative to investments in other investment products could decrease depending on economic conditions. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future investment funds, either of which would adversely impact our business, revenue, results of operations and cash flow. See “— Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.”

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

Before making private equity and other investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and, in the case of private equity investments, prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence process may at times be subjective with respect to newly-organized companies for which only limited information is available. Accordingly,

we cannot be certain that the due diligence investigation that we carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Instances of fraud, accounting irregularities and other deceptive practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions. Several of our funds invest in emerging market countries that may not have established laws and regulations that are as stringent as in more developed nations, or where existing laws and regulations may not be consistently enforced. For example, our funds invest throughout China, Latin America and MENA, and we have recently hired investment professionals to facilitate investment in Sub-Saharan Africa. Due diligence on investment opportunities in these jurisdictions is frequently more complicated because consistent and uniform commercial practices in such locations may not have developed. Fraud, accounting irregularities and deceptive practices can be especially difficult to detect in such locations. For example, two Chinese companies in which we have minority investments have recently been made the subject of internal investigations in connection with allegations of financial or accounting irregularities. We do not have sufficient information at this time to give an assessment of the likely outcome of these continuing investigations or as to the ultimate impact these allegations, if true, may have on the value of our investments.

We cannot be certain that our due diligence investigations will result in investments being successful or that the actual financial performance of an investment will not fall short of the financial projections we used when evaluating that investment. Failure to identify risks associated with our investments could have a material adverse effect on our business.

Our funds invest in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of our principal investments.

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

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

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

- we advise funds that invest in businesses that operate in a variety of industries that are subject to extensive domestic and foreign regulation, such as the telecommunications industry, the aerospace, defense and government services industry and the healthcare industry (including companies that supply equipment and services to governmental

agencies), that may involve greater risk due to rapidly changing market and governmental conditions in those sectors;

- significant failures of our portfolio companies to comply with laws and regulations applicable to them could affect the ability of our funds to invest in other companies in certain industries in the future and could harm our reputation;
- companies in which private equity investments are made may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;
- companies in which private equity investments are made are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects and the investment made;
- companies in which private equity investments are made may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- companies in which private equity investments are made generally have less predictable operating results;
- instances of fraud and other deceptive practices committed by senior management of portfolio companies in which our funds invest may undermine our due diligence efforts with respect to such companies and, upon the discovery of such fraud, negatively affect the valuation of a fund's investments as well as contribute to overall market volatility that can negatively impact a fund's investment program;
- our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise, resulting in a lower than expected return on the investments and, potentially, on the fund itself;
- our funds generally establish the capital structure of portfolio companies on the basis of the financial projections based primarily on management judgments and assumptions, and general economic conditions and other factors may cause actual performance to fall short of these financial projections, which could cause a substantial decrease in the value of our equity holdings in the portfolio company and cause our funds' performance to fall short of our expectations; and
- executive officers, directors and employees of an equity sponsor may be named as defendants in litigation involving a company in which a private equity investment is made or is being made.

Our real estate funds are subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate.

Investments in our real estate funds will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include the following:

- those associated with the burdens of ownership of real property;
- general and local economic conditions;
- changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding);

- fluctuations in the average occupancy and room rates for hotel properties;
- the financial resources of tenants;
- changes in building, environmental and other laws;
- energy and supply shortages;
- various uninsured or uninsurable risks;
- natural disasters;
- changes in government regulations (such as rent control);
- changes in real property tax rates;
- changes in interest rates;
- the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable;
- negative developments in the economy that depress travel activity;
- environmental liabilities;
- contingent liabilities on disposition of assets; and
- terrorist attacks, war and other factors that are beyond our control.

During 2008 and 2009, real estate markets in the United States, Europe and Japan generally experienced increases in capitalization rates and declines in value as a result of the overall economic decline and the limited availability of financing. As a result, the value of investments in our real estate funds declined significantly. In addition, if our real estate funds acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. Additionally, our funds' properties may be managed by a third party, which makes us dependent upon such third parties and subjects us to risks associated with the actions of such third parties. Any of these factors may cause the value of the investments in our real estate funds to decline, which may have a material impact on our results of operations.

We often pursue investment opportunities that involve business, regulatory, legal or other complexities.

As an element of our investment style, we may pursue unusually complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that would deter other asset managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Any of these risks could harm the performance of our funds.

Our investment funds make investments in companies that we do not control.

Investments by many of our investment funds will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our investment funds through trading activities or through purchases of securities from the issuer. In addition, our funds may acquire minority equity interests in large transactions, which may be

structured as “consortium transactions” due to the size of the investment and the amount of capital required to be invested. A consortium transaction involves an equity investment in which two or more private equity firms serve together or collectively as equity sponsors. We participated in a number of consortium transactions in prior years due to the increased size of many of the transactions in which we were involved. Consortium transactions generally entail a reduced level of control by our firm over the investment because governance rights must be shared with the other consortium sponsors. Accordingly, we may not be able to control decisions relating to a consortium investment, including decisions relating to the management and operation of the company and the timing and nature of any exit. Our funds may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. Those investments may be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the value of investments by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

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

Many of our investment funds generally invest a significant portion of their assets in the equity, debt, loans or other securities of issuers that are based outside of the United States. A substantial amount of these investments consist of investments made by our carry funds. For example, as of June 30, 2011, approximately 42% of the equity invested by our carry funds was attributable to foreign investments. Investments in non-U.S. securities involve risks not typically associated with investing in U.S. securities, including:

- certain economic and political risks, including potential exchange control regulations and restrictions on our non-U.S. investments and repatriation of profits on investments or of capital invested, the risks of political, economic or social instability, the possibility of expropriation or confiscatory taxation and adverse economic and political developments;
- the imposition of non-U.S. taxes on gains from the sale of investments by our funds;
- the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation;
- changes in laws or clarifications to existing laws that could impact our tax treaty positions, which could adversely impact the returns on our investments;
- differences in the legal and regulatory environment or enhanced legal and regulatory compliance;
- limitations on borrowings to be used to fund acquisitions or dividends;
- political hostility to investments by foreign or private equity investors;
- less liquid markets;
- reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms;
- adverse fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- higher rates of inflation;
- higher transaction costs;

- less government supervision of exchanges, brokers and issuers;
- less developed bankruptcy, corporate, partnership and other laws;
- difficulty in enforcing contractual obligations;
- less stringent requirements relating to fiduciary duties;
- fewer investor protections; and
- greater price volatility.

We operate in numerous national and subnational jurisdictions throughout the world and are subject to complex taxation requirements that could result in the imposition of taxes upon us that exceed the amounts we reserve for such purposes. In addition, the portfolio companies of our funds are typically subject to taxation in the jurisdictions in which they operate. In Denmark and Germany, legislative amendments have been adopted which may limit deductibility of interest and other financing expenses in companies in which our funds have invested or may invest in the future. The Danish legislative amendments generally provide that annual net financing expenses in excess of a certain threshold amount (approximately €2.9 million (\$3.8 million) in 2010) will be limited on the basis of earnings before interest and taxes and/or asset tax values. According to the German legislative amendments, interest expenses exceeding the interest income of the same fiscal year may be deducted only up to 30% of the (adjusted) taxable earnings before interest, taxes, depreciation and amortization of the relevant German business (*Betrieb*) (subject to specific certain exemptions), while any additional non-deductible interest may, if at all, only be claimed in subsequent years. These measures could adversely affect portfolio companies in those countries in which our funds have investments and limit the benefits of additional investments in those countries.

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

We may need to pay "giveback" obligations if and when they are triggered under the governing agreements with our investors.

If, at the end of the life of a carry fund (or earlier with respect to certain of our real estate funds), the carry fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, we will be obligated to repay an amount equal to the extent to which carried interest that was previously distributed to us exceeds the amounts to which we are ultimately entitled. These repayment obligations may be related to amounts previously distributed to our senior Carlyle professionals prior to the completion of this offering, with respect to which our common unitholders did not receive any benefit. This obligation is known as a "giveback" obligation. As of June 30, 2011, we had accrued a giveback obligation of \$84.3 million, representing the giveback obligation that would need to be paid if the carry funds were liquidated at their current fair values at that date. If, as of June 30, 2011, all of the investments held by our carry funds were deemed worthless, the amount of realized and distributed carried interest subject to potential giveback would have been \$572.6 million, on an after-tax basis where applicable. Although a giveback obligation is several to each person who received a distribution, and not a joint obligation, the governing agreements of our funds generally provide that to the extent a recipient does not fund his or her respective share, then we may have to fund

such additional amounts beyond the amount of carried interest we retained, although we generally will retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations. We have historically withheld a portion of the cash from carried interest distributions to individual senior Carlyle professionals and other employees as security for their potential giveback obligations. However, we have not at this time set aside cash reserves relating to our secondary liability for such giveback obligations or in respect of giveback obligations related to carried interest we may receive and retain in the future. We intend to monitor our giveback obligations and may need to use or reserve cash to repay such giveback obligations instead of using the cash for other purposes. See “Business — Structure and Operation of Our Investment Funds — Incentive Arrangements / Fee Structure” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations — Contingent Obligations (Giveback)” and Notes 2 and 10 to the combined and consolidated financial statements for the year ended December 31, 2010 and the six months ended June 30, 2011 appearing elsewhere in this prospectus.

Our investment funds often make common equity investments that rank junior to preferred equity and debt in a company’s capital structure.

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

Third-party investors in substantially all of our carry funds have the right to remove the general partner of the fund for cause, to accelerate the liquidation date of the investment fund without cause by a simple majority vote and to terminate the investment period under certain circumstances and investors in certain of the investment funds we advise may redeem their investments. These events would lead to a decrease in our revenues, which could be substantial.

The governing agreements of substantially all of our carry funds provide that, subject to certain conditions, third-party investors in those funds have the right to remove the general partner of the fund for cause (other than the AlInvest funds) or to accelerate the liquidation date of the investment fund without cause by a simple majority vote, resulting in a reduction in management fees we would earn from such investment funds and a significant reduction in the expected amounts of total carried interest and incentive fees from those funds. Carried interest and incentive fees could be significantly reduced as a result of our inability to maximize the value of investments by an investment fund during the liquidation process or in the event of the triggering of a “giveback” obligation. Finally, the applicable funds would cease to exist after completion of liquidation and winding-up. In addition, the governing agreements of our investment funds provide that in the event certain “key persons” in our investment funds do not meet specified time commitments with regard to managing the fund (for example, Messrs. Conway, D’Aniello and Rubenstein, in the case of our private equity funds), then investors in certain funds have the right to vote to terminate the investment period by a simple majority vote in accordance with specified procedures, accelerate the withdrawal of their capital on an investor-by-investor basis, or the fund’s investment period will

automatically terminate and the vote of a simple majority of investors is required to restart it. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our investment funds would likely result in significant reputational damage to us and could negatively impact our future fundraising efforts.

The AlpInvest funds and vehicles generally provide for suspension or termination of investment commitments in the event of cause, key person or regulatory events, changes in control of Carlyle or of majority ownership of AlpInvest, and, in some cases, other performance metrics, but generally have not provided for liquidation without cause. Where AlpInvest funds and vehicles include “key person” provisions, they are focused on specific existing AlpInvest personnel. While we believe that existing AlpInvest management have appropriate incentives to remain at AlpInvest, based on equity ownership, profit participation and other contractual provisions, we are not able to guarantee the ongoing participation of AlpInvest management team members in respect of the AlpInvest funds. In addition, AlpInvest funds and vehicles have historically had few or even a single investor. In such cases, an individual investor may hold disproportionate authority over decisions reserved for third-party investors.

Investors in our hedge funds may generally redeem their investments on an annual, semi-annual or quarterly basis following the expiration of a specified period of time when capital may not be withdrawn (typically between one and three years), subject to the applicable fund’s specific redemption provisions. In a declining market, the pace of redemptions and consequent reduction in our AUM could accelerate. The decrease in revenues that would result from significant redemptions in our hedge funds could have a material adverse effect on our business, revenue and cash flow.

In addition, because our investment funds generally have an adviser that is registered under the Advisers Act, the management agreements of all of our investment funds would be terminated upon an “assignment” of these agreements without investor consent, which assignment may be deemed to occur in the event these advisers were to experience a change of control. We cannot be certain that consents required to assignments of our investment management agreements will be obtained if a change of control occurs. “Assignment” of these agreements without investor consent could cause us to lose the fees we earn from such investment funds.

Third-party investors in our investment funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund’s operations and performance.

Investors in our carry funds and fund of funds vehicles make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those funds to consummate investments and otherwise pay their obligations (for example, management fees) when due. Any investor that did not fund a capital call would generally be subject to several possible penalties, including having a significant amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may also negotiate for lesser or reduced penalties at the outset of the fund, thereby inhibiting our ability to enforce the funding of a capital call. If investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

Our failure to deal appropriately with conflicts of interest in our investment business could damage our reputation and adversely affect our businesses.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our funds' investment activities. Certain of our funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds. For example, a decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to take any action. We may also cause different private equity funds to invest in a single portfolio company, for example where the fund that made an initial investment no longer has capital available to invest. We may also cause different funds that we manage to purchase different classes of securities in the same portfolio company. For example, one of our CLO funds could acquire a debt security issued by the same company in which one of our buyout funds owns common equity securities. A direct conflict of interest could arise between the debt holders and the equity holders if such a company were to develop insolvency concerns, and that conflict would have to be carefully managed by us. In addition, conflicts of interest may exist in the valuation of our investments and regarding decisions about the allocation of specific investment opportunities among us and our funds and the allocation of fees and costs among us, our funds and their portfolio companies. Lastly, in certain infrequent instances we may purchase an investment alongside one of our investment funds or sell an investment to one of our investment funds and conflicts may arise in respect of the allocation, pricing and timing of such investments and the ultimate disposition of such investments. To the extent we fail to appropriately deal with any such conflicts, it could negatively impact our reputation and ability to raise additional funds and the willingness of counterparties to do business with us or result in potential litigation against us.

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

When managing our exposure to market risks, we may (on our own behalf or on behalf of our funds) from time to time use forward contracts, options, swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments to limit our exposure to changes in the relative values of investments that may result from market developments, including changes in prevailing interest rates, currency exchange rates and commodity prices. The scope of risk management activities undertaken by us varies based on the level and volatility of interest rates, prevailing foreign currency exchange rates, the types of investments that are made and other changing market conditions. The use of hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position does not eliminate the possibility of fluctuations in the value of the position or prevent losses if the value of the position declines. Such transactions may also limit the opportunity for gain if the value of a position increases. Moreover, it may not be possible to limit the exposure to a market development that is so generally anticipated that a hedging or other derivative transaction cannot be entered into at an acceptable price. The success of any hedging or other derivative transaction generally will depend on our ability to correctly predict market changes, the degree of correlation between price movements of a derivative instrument and the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while we may enter into such a transaction in order to reduce our exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed.

Certain of our fund investments may be concentrated in particular asset types or geographic regions, which could exacerbate any negative performance of those funds to the extent those concentrated investments perform poorly.

The governing agreements of our investment funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. For example, we advise funds that invest predominantly in the United States, Europe, Asia, Japan or MENA; and we advise funds that invest in a single industry sector, such as financial services. During periods of difficult market conditions or slowdowns in these sectors or geographic regions, decreased revenue, difficulty in obtaining access to financing and increased funding costs experienced by our funds may be exacerbated by this concentration of investments, which would result in lower investment returns for our funds. Such concentration may increase the risk that events affecting a specific geographic region or asset type will have an adverse or disparate impact on such investment funds, as compared to funds that invest more broadly.

Certain of our investment funds may invest in securities of companies that are experiencing significant financial or business difficulties, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Such investments may be subject to a greater risk of poor performance or loss.

Certain of our investment funds, especially our distressed and corporate opportunities funds, may invest in business enterprises involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions and may purchase high risk receivables. An investment in such business enterprises entails the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the fund of the security or other financial instrument in respect of which such distribution is received. In addition, if an anticipated transaction does not in fact occur, the fund may be required to sell its investment at a loss. Investments in troubled companies may also be adversely affected by U.S. federal and state laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss by a fund of its entire investment in such company.

Our private equity funds' performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest.

Our performance and the performance of our private equity funds is significantly impacted by the value of the companies in which our funds have invested. Our funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. Over the last few years, the credit crisis has caused significant fluctuations in the value of securities held by our funds and the global economic recession had a significant impact in overall performance activity and the demands for many of the goods and services provided by portfolio companies of the funds we advise. Although the U.S. economy has begun to improve, there remain many obstacles to continued growth in the economy such as high unemployment, global geopolitical events, risks of inflation and high deficit levels for governments in the United States and abroad. These factors and other general economic trends are likely to impact the performance of portfolio companies in many industries and in particular, industries that are more impacted by changes in consumer demand, such as the consumer products sector and real estate. In addition, the value of our investments in portfolio companies in the financial services industry is impacted by the overall health and stability of the credit markets. For example, recent speculation regarding the inability of

Greece and certain other European countries to pay their national debt has created some uncertainty in the credit markets and potential strain on banks and other financial services participants, including our portfolio companies in the financial services industry, and could have a material adverse impact on such portfolio companies. The performance of our private equity funds, and our performance, may be adversely affected to the extent our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends. In respect of real estate, various factors could halt or limit a recovery in the housing market and have an adverse effect on investment performance, including, but not limited to, continued high unemployment, a low level of consumer confidence in the economy and/or the residential real estate market and rising mortgage interest rates.

The financial projections of our portfolio companies could prove inaccurate.

Our funds generally establish the capital structure of portfolio companies on the basis of financial projections prepared by the management of such portfolio companies. These projected operating results will normally be based primarily on judgments of the management of the portfolio companies. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. General economic conditions, which are not predictable, along with other factors may cause actual performance to fall short of the financial projections that were used to establish a given portfolio company's capital structure. Because of the leverage that we typically employ in our investments, this could cause a substantial decrease in the value of our equity holdings in the portfolio company. The inaccuracy of financial projections could thus cause our funds' performance to fall short of our expectations.

Contingent liabilities could harm fund performance.

We may cause our funds to acquire an investment that is subject to contingent liabilities. Such contingent liabilities could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for our funds. In addition, in connection with the disposition of an investment in a portfolio company, a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. A fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a fund, even after the disposition of an investment. Accordingly, the inaccuracy of representations and warranties made by a fund could harm such fund's performance.

We are subject to risks in using prime brokers, custodians, administrators and other agents.

Many of our investment funds depend on the services of prime brokers, custodians, administrators and other agents to carry out certain securities transactions. In the event of the insolvency of a prime broker and/or custodian, our funds may not be able to recover equivalent assets in full as they will rank among the prime broker's and custodian's unsecured creditors in relation to assets which the prime broker or custodian borrows, lends or otherwise uses. In addition, our funds' cash held with a prime broker or custodian may not be segregated from the prime broker's or custodian's own cash, and our funds therefore may rank as unsecured creditors in relation thereto. The inability to recover assets from the prime broker or custodian could have a material impact on the performance of our funds.

Our Fund of Funds Solutions business is subject to additional risks.

We established our Fund of Funds Solutions business on July 1, 2011 at the time we completed our acquisition of AlInvest. Our Fund of Funds Solutions business is subject to additional risks, including the following:

- The AlInvest business is subject to business and other risks and uncertainties generally consistent with our business as a whole, including without limitation legal and regulatory risks, the avoidance or management of conflicts of interest and the ability to attract and retain investment professionals and other personnel.
- We will restrict our day-to-day participation in the AlInvest business, which may in turn limit our ability to address risks arising from the AlInvest business for so long as AlInvest maintains separate investment operations. Although we maintain ultimate control over AlInvest, AlInvest's historical management team (who are our employees) will continue to exercise independent investment authority without involvement by other Carlyle personnel. For so long as these arrangements are in place, Carlyle representatives will serve on the board of AlInvest but we will observe substantial restrictions on our ability to access investment information or engage in day-to-day participation in the AlInvest investment business, including a restriction that AlInvest investment decisions are made and maintained without involvement by other Carlyle personnel and that no specific investment data, other than data on the investment performance of its client mandates, will be shared. As such, we will have a reduced ability to identify or respond to investment and other operational issues that may arise within the AlInvest business, relative to other Carlyle investment funds.
- AlInvest's business is subject to regulatory capital requirements which may limit our ability to withdraw cash from AlInvest, or require additional investments of capital in order for AlInvest to maintain certain licenses to operate its business.
- Historically, the main part of AlInvest capital commitments have been obtained from its initial co-owners, with such owners thereby holding highly concentrated voting rights with respect to potential suspension or termination of investment commitments made to AlInvest.
- AlInvest is expected to seek to broaden its client base by advising separate accounts for investors on an account-by-account basis. AlInvest has only limited experience in attracting new clients and may not be successful in this strategy.
- AlInvest's co-investment business is subject to the risk that other private equity sponsors, alongside whom AlInvest has historically invested in leveraged buyouts and growth capital transactions throughout Europe, North America and Asia, will no longer be willing to provide AlInvest with investment opportunities as favorable as in the past, if at all, as a result of our ownership of AlInvest.
- AlInvest's secondary investments business is subject to the risk that conditions for the secondary investments market, which tends to perform counter-cyclically, may not be as favorable as the recent past.

Our hedge fund investments are subject to additional risks.

Investments by the hedge funds we advise are subject to additional risks, including the following:

- Generally, there are few limitations on the execution of these hedge funds' investment strategies, which are subject to the sole discretion of the management company or the general partner of such funds.
- These funds may engage in short-selling, which is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the

short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions.

- These funds may be limited in their ability to engage in short selling or other activities as a result of regulatory mandates. Such regulatory actions may limit our ability to engage in hedging activities and therefore impair our investment strategies. In addition, these funds may invest in securities and other assets for which appropriate market hedges do not exist or cannot be acquired on attractive terms.
- These funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss.
- Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This “systemic risk” could have a further material adverse effect on the financial intermediaries (such as prime brokers, clearing agencies, clearing houses, banks, securities firms and exchanges) with which these funds transact on a daily basis.
- The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position in a combination of financial instruments, which can be difficult to execute.
- These funds may make investments or hold trading positions in markets that are volatile and may become illiquid.
- These funds’ investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to a theoretically unlimited risk of loss in certain circumstances. In addition, the funds’ assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties.
- These funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund’s term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have a limited ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

Risks Related to Our Organizational Structure

Our common unitholders do not elect our general partner or, except in limited circumstances, vote on our general partner’s directors and will have limited ability to influence decisions regarding our business.

Our general partner, Carlyle Group Management L.L.C., which is owned by our senior Carlyle professionals, will manage all of our operations and activities. The limited liability company agreement of Carlyle Group Management L.L.C. establishes a board of directors that will be responsible for the oversight of our business and operations. Unlike the holders of common stock in a corporation, our common unitholders will have only limited voting rights and will have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. Our common unitholders will have no right to elect the directors of our general

partner unless, as determined on January 31 of each year, the total voting power held by holders of the special voting units in The Carlyle Group L.P. (including voting units held by our general partner and its affiliates) in their capacity as such, or otherwise held by then-current or former Carlyle personnel (treating voting units deliverable to such persons pursuant to outstanding equity awards as being held by them), collectively, constitutes less than 10% of the voting power of the outstanding voting units of The Carlyle Group L.P. Unless and until the foregoing voting power condition is satisfied, our general partner's board of directors will be elected in accordance with its limited liability company agreement, which provides that directors may be appointed and removed by members of our general partner holding a majority in interest of the voting power of the members, which voting power is allocated to each member ratably according to his or her aggregate relative ownership of our common units and partnership units. Immediately following this offering our existing owners will collectively have % of the voting power of The Carlyle Group L.P. limited partners, or % if the underwriters exercise in full their option to purchase additional common units. As a result, our common unitholders will have limited ability to influence decisions regarding our business. See "Material Provisions of The Carlyle Group L.P. Partnership Agreement — Election of Directors of General Partner."

Our existing owners will be able to determine the outcome of those few matters that may be submitted for a vote of the limited partners.

Immediately following this offering, our existing owners will beneficially own % of the equity in our business, or % if the underwriters exercise in full their option to purchase additional common units. TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, will hold a special voting unit that provides it with a number of votes on any matter that may be submitted for a vote of our common unitholders (voting together as a single class on all such matters) that is equal to the aggregate number of vested and unvested Carlyle Holdings partnership units held by the limited partners of Carlyle Holdings. Accordingly, immediately following this offering our existing owners generally will have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of the limited partners of The Carlyle Group L.P. See "Material Provisions of The Carlyle Group L.P. Partnership Agreement — Withdrawal or Removal of the General Partner," "— Meetings; Voting" and "— Election of Directors of General Partner."

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

As a result of these matters and the provisions referred to under "— Our common unitholders do not elect our general partner or, except in limited circumstances, vote on our general partner's directors and will have limited ability to influence decisions regarding our business," our common unitholders may be deprived of an opportunity to receive a premium for their common units in the future through a sale of The Carlyle Group L.P., and the trading prices of our common units may be adversely affected by the absence or reduction of a takeover premium in the trading price.

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

We have the right to acquire all of our then-outstanding common units at the then-current trading price either if 10% or less of our common units are held by persons other than our general partner and its affiliates or if we are required to register as an investment company under the 1940 Act. As a result of our general partner's right to purchase outstanding common units, a holder of common units may have his common units purchased at an undesirable time or price.

We are a limited partnership and as a result will qualify for and intend to rely on exceptions from certain corporate governance and other requirements under the rules of [redacted] and the Securities and Exchange Commission.

We are a limited partnership and will qualify for exceptions from certain corporate governance and other requirements of the rules of [redacted]. Pursuant to these exceptions, limited partnerships may elect not to comply with certain corporate governance requirements of [redacted], including the requirements (1) that a majority of the board of directors of our general partner consist of independent directors, (2) that we have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter that addresses the committee's purpose and responsibilities, (3) that we have a compensation committee that is composed entirely of independent directors with a written charter that addresses the committee's purpose and responsibilities and (4) that we obtain unitholder approval for (a) new issuances of units that equal or exceed 20% of the outstanding common units or voting power, (b) certain issuances to insiders or (c) a change of control transaction. In addition, we will not be required to hold annual meetings of our common unitholders. Following this offering, we intend to avail ourselves of these exceptions. Accordingly, you will not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of [redacted].

In addition, on March 30, 2011, the SEC proposed rules to implement provisions of the Dodd-Frank Act pertaining to compensation committee independence and the role and disclosure of compensation consultants and other advisers to the compensation committee. The SEC's proposed rules, if adopted, would direct each of the national securities exchanges (including [redacted]) to develop listing standards requiring, among other things, that:

- compensation committees be composed of fully independent directors, as determined pursuant to new independence requirements;
- compensation committees be explicitly charged with hiring and overseeing compensation consultants, legal counsel and other committee advisors; and
- compensation committees be required to consider, when engaging compensation consultants, legal counsel or other advisors, certain independence factors, including factors that examine the relationship between the consultant or advisor's employer and the company.

As a limited partnership, we will not be subject to these compensation committee independence requirements if and when they are adopted by [redacted] under the SEC's proposed rules.

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

Conflicts of interest may arise among our general partner and its affiliates, on the one hand, and us and our common unitholders, on the other hand. As a result of these conflicts, our general

partner may favor its own interests and the interests of its affiliates over the interests of our common unitholders. These conflicts include, among others, the following:

- our general partner determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional partnership interests and amounts of reserves, each of which can affect the amount of cash that is available for distribution to you;
- our general partner is allowed to take into account the interests of parties other than us and the common unitholders in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to our common unitholders. For example, our subsidiaries that serve as the general partners of our investment funds have fiduciary and contractual obligations to the investors in those funds as a result of which we expect to regularly take actions that might adversely affect our near-term results of operations or cash flow;
- because our senior Carlyle professionals hold their Carlyle Holdings partnership units directly or through entities that are not subject to corporate income taxation and The Carlyle Group L.P. holds Carlyle Holdings partnership units through wholly-owned subsidiaries, some of which are subject to corporate income taxation, conflicts may arise between our senior Carlyle professionals and The Carlyle Group L.P. relating to the selection, structuring and disposition of investments and other matters. For example, the earlier disposition of assets following an exchange or acquisition transaction by a senior Carlyle professional generally will accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase an existing owner's tax liability without giving rise to any rights of an existing owner to receive payments under the tax receivable agreement;
- our partnership agreement does not prohibit affiliates of the general partner, including its owners, from engaging in other businesses or activities, including those that might directly compete with us;
- our general partner has limited its liability and reduced or eliminated its duties (including fiduciary duties) under the partnership agreement, while also restricting the remedies available to our common unitholders for actions that, without these limitations, might constitute breaches of duty (including fiduciary duty). In addition, we have agreed to indemnify our general partner and its affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct. **By purchasing our common units, you will have agreed and consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law;**
- our partnership agreement will not restrict our general partner from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as our general partner agrees to the terms of any such additional contractual arrangements in good faith as determined under the partnership agreement;
- our general partner determines how much debt we incur and that decision may adversely affect our credit ratings;
- our general partner determines which costs incurred by it and its affiliates are reimbursable by us;
- our general partner controls the enforcement of obligations owed to us by it and its affiliates; and
- our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

See “Certain Relationships and Related Person Transactions” and “Conflicts of Interest and Fiduciary Responsibilities.”

Our partnership agreement will contain provisions that reduce or eliminate duties (including fiduciary duties) of our general partner and limit remedies available to common unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for a common unitholder to successfully challenge a resolution of a conflict of interest by our general partner or by its conflicts committee.

Our partnership agreement will contain provisions that waive or consent to conduct by our general partner and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our partnership agreement will provide that when our general partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act without any fiduciary obligations to us or our common unitholders whatsoever. When our general partner, in its capacity as our general partner, is permitted to or required to make a decision in its “sole discretion” or “discretion” or pursuant to any provision of our partnership agreement not subject to an express standard of “good faith,” then our general partner will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any limited partners and will not be subject to any different standards imposed by the partnership agreement, otherwise existing at law, in equity or otherwise.

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

Whenever a potential conflict of interest exists between us, any of our subsidiaries or any of our partners, and our general partner or its affiliates, our general partner may resolve such conflict of interest. Our general partner’s resolution of the conflict of interest will conclusively be deemed approved by the partnership and all of our partners, and not to constitute a breach of the partnership agreement or any duty, unless the general partner subjectively believes such determination or action is opposed to the best interests of the partnership. A common unitholder seeking to challenge this resolution of the conflict of interest would bear the burden of proving that the general partner subjectively believed that such resolution was opposed to the best interests of the partnership. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Also, if our general partner obtains the approval of the conflicts committee of our general partner, any determination or action by the general partner will be conclusively deemed to be made or taken in good faith and not a breach by our general partner of the partnership agreement or any duties it may owe to us or our common unitholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the

plaintiff. **By purchasing our common units, you will have agreed and consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law.** As a result, common unitholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee. See “Certain Relationships and Related Person Transactions” and “Conflicts of Interest and Fiduciary Responsibilities.”

The control of our general partner may be transferred to a third party without common unitholder consent.

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

Our ability to pay periodic distributions to our common unitholders may be limited by our holding partnership structure, applicable provisions of Delaware law and contractual restrictions and obligations.

The Carlyle Group L.P. will be a holding partnership and will have no material assets other than the ownership of the partnership units in Carlyle Holdings held through wholly-owned subsidiaries. The Carlyle Group L.P. has no independent means of generating revenue. Accordingly, we intend to cause Carlyle Holdings to make distributions to its partners, including The Carlyle Group L.P.’s wholly-owned subsidiaries, to fund any distributions The Carlyle Group L.P. may declare on the common units. 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. Because Carlyle Holdings I GP Inc. must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by The Carlyle Group L.P. to common unitholders are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units.

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 and there can be no assurance that any distributions, whether quarterly or otherwise, will or can be paid. Our ability to make cash distributions to our common unitholders will depend on a number of factors, including among other things, general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, including fulfilling our current and future capital commitments, legal, tax and regulatory restrictions, restrictions and other implications on the payment of distributions by us to our common unitholders or by our subsidiaries to us, payments required pursuant to the tax receivable agreement and such other factors as our general partner may deem relevant.

Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the terms of our credit facility or other financing arrangements may from time to time include covenants or other restrictions that could constrain our ability to make distributions.

We will be required to pay our existing owners for most of the benefits relating to any additional tax depreciation or amortization deductions that we may claim as a result of the tax basis step-up we receive in connection with subsequent sales or exchanges of Carlyle Holdings partnership units and related transactions. In certain cases, payments under the tax receivable agreement with our existing owners may be accelerated and/or significantly exceed the actual tax benefits we realize and our ability to make payments under the tax receivable agreement may be limited by our structure.

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 on a quarterly basis, from and after the first anniversary of the date of the closing of this offering (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 entity which may in the future pay taxes and become obligated to make payments under the tax receivable agreement as described in the fourth succeeding paragraph below, which we refer to as the "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 will enter into a tax receivable agreement with our existing owners that will provide for the payment by the corporate taxpayers to our existing owners 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 to our existing owners will be substantial. The payments under the tax receivable agreement are not conditioned upon our existing owners' continued ownership of us. In the event that The Carlyle Group L.P. or any of its wholly-owned subsidiaries that are not treated as corporations for U.S. federal income tax purposes become taxable as a corporation for U.S. federal income tax purposes, these entities will also be obligated to make payments under the tax receivable agreement on the same basis and to the same extent as the corporate taxpayers.

The tax receivable agreement provides that upon certain changes of control, or if, at any time, the corporate taxpayers elect an early termination of the tax receivable agreement, the corporate

taxpayers' obligations under the tax receivable agreement (with respect to all Carlyle Holdings partnership units whether or not previously exchanged) would be calculated by reference to the value of all future payments that our existing owners would have been entitled to receive under the tax receivable agreement using certain valuation assumptions, including that the corporate taxpayers' will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement and, in the case of an early termination election, that any Carlyle Holdings partnership units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination. In addition, our existing owners will not reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase is successfully challenged by the IRS. The corporate taxpayers' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, including the timing and amount of our future income. As a result, even in the absence of a change of control or an election to terminate the tax receivable agreement, payments to our existing owners under the tax receivable agreement could be in excess of the corporate taxpayers' actual cash tax savings.

Accordingly, it is possible that the actual cash tax savings realized by the corporate taxpayers may be significantly less than the corresponding tax receivable agreement payments. There may be a material negative effect on our liquidity if the payments under the tax receivable agreement exceed the actual cash tax savings that the corporate taxpayers realize in respect of the tax attributes subject to the tax receivable agreement and/or distributions to the corporate taxpayers by Carlyle Holdings are not sufficient to permit the corporate taxpayers to make payments under the tax receivable agreement after they have paid taxes and other expenses. Based upon certain assumptions described in greater detail below under "Certain Relationships and Related Person Transactions — Tax Receivable Agreement," we estimate that if the corporate taxpayers were to exercise their termination right immediately following this offering, the aggregate amount of these termination payments would be approximately \$ million. The foregoing number is merely an estimate and the actual payments could differ materially. We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise.

In the event that The Carlyle Group L.P. or any of its wholly-owned subsidiaries become taxable as a corporation for U.S. federal income tax purposes, these entities will also be obligated to make payments under the tax receivable agreement on the same basis and to the same extent as the corporate taxpayers.

See "Certain Relationships and Related Person Transactions — Tax Receivable Agreement."

Our GAAP financial statements will reflect increased compensation and benefits expense and significant non-cash equity-based compensation charges following this offering.

Prior to this offering, our compensation and benefits expense has reflected compensation (primarily salary and bonus) solely to our employees who are not senior Carlyle professionals. Historically, all payments for services rendered by our senior Carlyle professionals have been accounted for as partnership distributions rather than as compensation and benefits expense. As a result, our consolidated financial statements have not reflected compensation and benefits expense for services rendered by these individuals. Following this offering, all of our senior Carlyle professionals and other employees will receive a base salary that will be paid by us and accounted for as compensation and benefits expense. Our senior Carlyle professionals and other employees are also eligible to receive discretionary cash bonuses based on the performance of Carlyle and the investments of the funds that we advise and other matters. The base salaries and any discretionary cash bonuses paid to our senior Carlyle professionals will be represented as compensation and benefits expense on our GAAP financials following the offering. In addition, as part of the reorganization, our existing owners will receive Carlyle Holdings partnership units, of

which are unvested. In addition, we expect to grant unvested deferred restricted units to our employees at the time of this offering. See “Management — IPO Date Equity Awards.” The grant date fair value of the unvested Carlyle Holdings partnership units and deferred restricted units (which will be the initial public offering price per common unit in this offering) will be charged to expense as such units vest over the assumed service periods, which range up to years, on a straight-line basis. The amortization of this non-cash equity-based compensation will increase our GAAP expenses substantially during the relevant periods and, as a result, we may record significant net losses for a number of years following this offering. See “Unaudited Pro Forma Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation” for additional information.

If The Carlyle Group L.P. were deemed to be an “investment company” under the 1940 Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

An entity generally will be deemed to be an “investment company” for purposes of the 1940 Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing asset management services and not in the business of investing, reinvesting or trading in securities. We hold ourselves out as an asset management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that The Carlyle Group L.P. is, or following this offering will be, an “orthodox” investment company as defined in section 3(a)(1)(A) of the 1940 Act and described in the first bullet point above. Furthermore, following this offering, The Carlyle Group L.P. will have no material assets other than its interests in certain wholly-owned subsidiaries, which in turn will have no material assets other than general partner interests in the Carlyle Holdings partnerships. These wholly-owned subsidiaries will be the sole general partners of the Carlyle Holdings partnerships and will be vested with all management and control over the Carlyle Holdings partnerships. We do not believe that the equity interests of The Carlyle Group L.P. in its wholly-owned subsidiaries or the general partner interests of these wholly-owned subsidiaries in the Carlyle Holdings partnerships are investment securities. Moreover, because we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities, we believe that less than 40% of The Carlyle Group L.P.’s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis after this offering will be composed of assets that could be considered investment securities. Accordingly, we do not believe that The Carlyle Group L.P. is, or following this offering will be, an inadvertent investment company by virtue of the 40% test in section 3(a)(1)(C) of the 1940 Act as described in the second bullet point above. In addition, we believe that The Carlyle Group L.P. is not an investment company under section 3(b)(1) of the 1940 Act because it is primarily engaged in a non-investment company business.

The 1940 Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the 1940 Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that The Carlyle Group L.P. will not be deemed to be an investment company under the 1940 Act. If anything were to happen which would cause The Carlyle Group L.P. to be deemed to be an investment company under the 1940 Act, requirements imposed by the 1940 Act, including limitations on our capital structure, ability to transact business with affiliates (including us) and ability to compensate key employees, could make it impractical for

us to continue our business as currently conducted, impair the agreements and arrangements between and among The Carlyle Group L.P., Carlyle Holdings and our senior Carlyle professionals, or any combination thereof, and materially adversely affect our business, results of operations and financial condition. In addition, we may be required to limit the amount of investments that we make as a principal or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the 1940 Act.

Changes in accounting standards issued by the Financial Accounting Standards Board (“FASB”) or other standard-setting bodies may adversely affect our financial statements.

Our financial statements are prepared in accordance with GAAP as defined in the Accounting Standards Codification (“ASC”) of the FASB. From time to time, we are required to adopt new or revised accounting standards or guidance that are incorporated into the ASC. It is possible that future accounting standards we are required to adopt could change the current accounting treatment that we apply to our combined and consolidated financial statements and that such changes could have a material adverse effect on our financial condition and results of operations.

In addition, the FASB is working on several projects with the International Accounting Standards Board, which could result in significant changes as GAAP converges with International Financial Reporting Standards (“IFRS”), including how our financial statements are presented. Furthermore, the SEC is considering whether and how to incorporate IFRS into the U.S. financial reporting system. The accounting changes being proposed by the FASB will be a complete change to how we account for and report significant areas of our business. The effective dates and transition methods are not known; however, issuers may be required to or may choose to adopt the new standards retrospectively. In this case, the issuer will report results under the new accounting method as of the effective date, as well as for all periods presented. The changes to GAAP and ultimate conversion to IFRS will impose special demands on issuers in the areas of governance, employee training, internal controls and disclosure and will likely affect how we manage our business, as it will likely affect other business processes such as the design of compensation plans.

Risks Related to Our Common Units and this Offering

There may not be an active trading market for our common units, which may cause our common units to trade at a discount from the initial offering price and make it difficult to sell the common units you purchase.

Prior to this offering, there has not been a public trading market for our common units. It is possible that after this offering an active trading market will not develop or continue or, if developed, that any market will not be sustained, which would make it difficult for you to sell your common units at an attractive price or at all. The initial public offering price per common unit will be determined by agreement among us and the representatives of the underwriters, and may not be indicative of the price at which our common units will trade in the public market after this offering.

The market price of our common units may decline due to the large number of common units eligible for exchange and future sale.

The market price of our common units could decline as a result of sales of a large number of common units in the market after the offering or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell common units in the future at a time and at a price that we deem appropriate. See “Common Units Eligible for Future Sale.” Subject to the lock-up restrictions described below, we may issue and sell in the future additional common units.

In addition, upon completion of this offering our existing owners will own an aggregate of _____ Carlyle Holdings partnership units. Prior to this offering we will enter into an exchange agreement with the limited partners of the Carlyle Holdings partnerships so that these holders,

subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to such limited partners as set forth in the partnership agreements of the Carlyle Holdings partnerships, may on a quarterly basis, from and after the first anniversary of the date of the closing of this offering (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, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. 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 common units we issue upon such exchanges would be “restricted securities,” as defined in Rule 144 under the Securities Act, unless we register such issuances. However, we will enter into one or more registration rights agreements with the limited partners of Carlyle Holdings that would require us to register these common units under the Securities Act. See “Common Units Eligible for Future Sale — Registration Rights” and “Certain Relationships and Related Person Transactions — Registration Rights Agreements.” While the partnership agreements of the Carlyle Holdings partnerships and related agreements will contractually restrict our existing owners’ ability to transfer the Carlyle Holdings partnership units or The Carlyle Group L.P. common units they hold, these contractual provisions may lapse over time or be waived, modified or amended at any time. See “Management — Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions.”

Mubadala will have the ability to sell its equity interests (whether held in the form of common units, partnership units or otherwise, and including equity interests to be received by Mubadala upon conversion of the notes) subject to the transfer restrictions set forth in the subscription agreement described under “Common Units Eligible for Future Sale — Lock-Up Arrangements — Mubadala Transfer Restrictions.” Except for the restrictions described under “Common Units Eligible for Future Sale — Lock-Up Arrangements,” the Carlyle Holdings partnership units held by CalPERS are not subject to transfer restrictions; however, pursuant to the terms of the exchange agreement, CalPERS may not exchange its partnership units for common units until the first anniversary of the date of the closing of this offering. We have agreed to provide Mubadala and CalPERS with registration rights to effect certain sales. See “Common Units Eligible for Future Sale — Registration Rights.”

Under our Equity Incentive Plan, we intend to grant deferred restricted units and phantom deferred restricted units to our employees at the time of this offering. Additional common units and Carlyle Holdings partnership units will be available for future grant under our Equity Incentive Plan, which plan provides for automatic annual increases in the number of units available for future issuance. See “Management — Equity Incentive Plan” and “— IPO Date Equity Awards.” We intend to file one or more registration statements on Form S-8 under the Securities Act to register common units or securities convertible into or exchangeable for common units issued or available for future grant under our Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, common units registered under such registration statement will be available for sale in the open market. We expect that the initial registration statement on Form S-8 will cover common units.

In addition, our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our general partner in its sole discretion without the approval of any limited partners. In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partnership interests that have certain designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to common units. Similarly, the Carlyle Holdings partnership agreements authorize the wholly-owned subsidiaries of The Carlyle Group L.P. which are the general partners of those partnerships to issue an unlimited number of additional partnership securities of the Carlyle Holdings partnerships with such

designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Carlyle Holdings partnerships units, and which may be exchangeable for our common units.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common units, our stock price and trading volume could decline.

The trading market for our common units will be influenced by the research and reports that industry or securities analysts publish about us or our business. If any of the analysts who cover us downgrades our common units or publishes inaccurate or unfavorable research about our business, our common unit stock price may decline. If analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common unit stock price or trading volume to decline and our common units to be less liquid.

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

Even if a trading market develops, the market price of our common units may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of common units in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly operating results or distributions to unitholders, additions or departures of key management personnel, failure to meet analysts' earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, adverse publicity about the industries in which we participate or individual scandals, and in response the market price of our common units could decrease significantly. You may be unable to resell your common units at or above the initial public offering price.

In the past few years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against public companies. This type of litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

You will suffer dilution in the net tangible book value of the common units you purchase.

Assuming that all of the holders of partnership units in Carlyle Holdings (other than The Carlyle Group L.P.'s wholly-owned subsidiaries) exchanged their Carlyle Holdings partnership units for our common units on a one-for-one basis, the initial public offering price per common unit will be substantially higher than our pro forma net tangible book value per common unit immediately after this offering. As a result, you will pay a price per common unit that substantially exceeds the book value of our total tangible assets after subtracting our total liabilities. At an initial public offering price of \$ per common unit, you will incur immediate dilution in an amount of \$ per common unit, assuming that the underwriters do not exercise their option to purchase additional common units. See "Certain Relationships and Related Person Transactions — Exchange Agreement" and "Dilution."

Risks Related to U.S. Taxation

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

The U.S. federal income tax treatment of common unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships. The present U.S. federal income tax treatment of an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time, possibly on a retroactive basis, and any such action may affect investments and commitments previously made. Changes to the U.S. federal income tax laws and interpretations thereof could make it more difficult or impossible to meet the exception for us to be treated as a partnership for U.S. federal income tax purposes that is not taxable as a corporation (referred to as the “Qualifying Income Exception”), affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our common units. For example, as discussed above under “— Risks Related to Our Company— Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to you and the market price of our common units, could be reduced.” the U.S. Congress has considered various legislative proposals to treat all or part of the capital gain and dividend income that is recognized by an investment partnership and allocable to a partner affiliated with the sponsor of the partnership (i.e., a portion of the carried interest) as ordinary income to such partner for U.S. federal income tax purposes.

Our organizational documents and governing agreements will permit our general partner to modify our limited partnership agreement from time to time, without the consent of the common unitholders, to address certain changes in U.S. federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all common unitholders. For instance, our general partner could elect at some point to treat us as an association taxable as a corporation for U.S. federal (and applicable state) income tax purposes. If our general partner were to do this, the U.S. federal income tax consequences of owning our common units would be materially different. Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to common unitholders in a manner that reflects such common unitholders’ beneficial ownership of partnership items, taking into account variation in ownership interests during each taxable year because of trading activity. As a result, a common unitholder transferring units may be allocated income, gain, loss and deductions realized after the date of transfer. However, those assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Internal Revenue Code and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects common unitholders.

If we were treated as a corporation for U.S. federal income tax or state tax purposes or otherwise became subject to additional entity level taxation (including as a result of changes to current law), then our distributions to you would be substantially reduced and the value of our common units would be adversely affected.

The value of your investment in us depends in part on our being treated as a partnership for U.S. federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code and that our partnership not be registered under the 1940 Act. Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities and certain other forms of investment income. We may not meet these requirements or current law may change so as to cause, in either event, us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject to U.S. federal income tax. Moreover, the anticipated after-tax benefit of an investment in our common units depends largely on our being treated as a partnership for U.S. federal income tax purposes. We have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us.

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

Current law may change, causing us to be treated as a corporation for U.S. federal or state income tax purposes or otherwise subjecting us to additional entity level taxation. See “— Risks Related to Our Company— Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to you and the market price of our common units, could be reduced.” For example, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our distributions to you would be reduced.

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

As long as 90% of our gross income for each taxable year constitutes qualifying income as defined in Section 7704 of the Internal Revenue Code and we are not required to register as an investment company under the 1940 Act on a continuing basis, and assuming there is no change in law, we will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. Accordingly, you will be required to take into account your allocable share of our items of income, gain, loss and deduction. Distributions to you generally will be taxable for U.S. federal income tax purposes only to the extent the amount distributed exceeds your tax basis in the common unit. That treatment contrasts with the treatment of a shareholder in a corporation. For example, a shareholder in a corporation who receives a distribution of earnings from the corporation generally will report the distribution as dividend income for U.S. federal income tax purposes. In contrast, a holder of our common units who receives a distribution of earnings from us will not report the distribution as dividend income (and will treat the distribution as taxable only to the extent the amount distributed exceeds the unitholder's tax basis in the common units), but will instead report the holder's allocable share of

items of our income for U.S. federal income tax purposes. As a result, you may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on your allocable share of our items of income, gain, loss, deduction and credit (including our allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within your taxable years, regardless of whether or not you receive cash distributions from us. See “Material U.S. Federal Tax Considerations.” See also “— Risks Related to Our Company— Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to you and the market price of our common units, could be reduced.”

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

The Carlyle Group L.P.’s interest in certain of our businesses will be held through Carlyle Holdings I GP Inc., which will be treated as a corporation for U.S. federal income tax purposes; such corporation may be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of your investment.

In light of the publicly-traded partnership rules under U.S. federal income tax law and other requirements, The Carlyle Group L.P. will hold its interest in certain of our businesses through Carlyle Holdings I GP Inc., which will be treated as a corporation for U.S. federal income tax purposes. Such corporation could be liable for significant U.S. federal income taxes and applicable state, local and other taxes that would not otherwise be incurred, which could adversely affect the value of your investment. Those additional taxes have not applied to our existing owners in our organizational structure in effect before this offering and will not apply to our existing owners following this offering to the extent they own equity interests directly or indirectly in the Carlyle Holdings partnerships.

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

In order for us to be treated as a partnership for U.S. federal income tax purposes and not as an association or publicly traded partnership taxable as a corporation, we must meet the Qualifying Income Exception discussed above on a continuing basis and we must not be required to register as an investment company under the 1940 Act. In order to effect such treatment, we (or our subsidiaries) may be required to invest through foreign or domestic corporations subject to corporate income tax, forgo attractive investment opportunities or enter into acquisitions, borrowings, financings or other transactions we may not have otherwise entered into. This may adversely affect our ability to operate solely to maximize our cash flow.

Our structure also may impede our ability to engage in certain corporate acquisitive transactions because we generally intend to hold all of our assets through the Carlyle Holdings partnerships. In

addition, we may be unable to participate in certain corporate reorganization transactions that would be tax-free to our common unit holders if we were a corporation.

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

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

Because we do not intend to make, or cause to be made, an otherwise available election under Section 754 of the Internal Revenue Code to adjust our asset basis or the asset basis of certain of the Carlyle Holdings partnerships, a holder of common units could be allocated more taxable income in respect of those common units prior to disposition than if we had made such an election.

We currently do not intend to make, or cause to be made, an election to adjust asset basis under Section 754 of the Internal Revenue Code with respect to us, Carlyle Holdings II L.P. or Carlyle Holdings III L.P. If no such election is made, there generally will be no adjustment to the basis of the assets of Carlyle Holdings II L.P. or Carlyle Holdings III L.P. upon our acquisition of interests in Carlyle Holdings II L.P. or Carlyle Holdings III L.P. in connection with this offering, or to our assets or to the assets of Carlyle Holdings II L.P. or Carlyle Holdings III L.P. upon a subsequent transferee's acquisition of common units from a prior holder of such common units, even if the purchase price for those interests or units, as applicable, is greater than the share of the aggregate tax basis of our assets or the assets of Carlyle Holdings II L.P. or Carlyle Holdings III L.P. attributable to those interests or units immediately prior to the acquisition. Consequently, upon a sale of an asset by us, Carlyle Holdings II L.P. or Carlyle Holdings III L.P., gain allocable to a holder of common units could include built-in gain in the asset existing at the time we acquired those interests, or such holder acquired such units, which built-in gain would otherwise generally be eliminated if we had made a Section 754 election. See "Material U.S. Federal Tax Considerations — Consequences to U.S. Holders of Common Units — Section 754 Election."

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

In light of our intended investment activities we may be, or may become, engaged in a U.S. trade or business for U.S. federal income tax purposes in which case some portion of our income would be treated as effectively connected income with respect to non-U.S. holders ("ECI"), including as a result of investments in U.S. real property interests or entities owning such interests. In addition, certain income of non-U.S. holders from U.S. sources not connected to any such U.S. trade or business conducted by us could be treated as ECI. To the extent our income is treated as ECI, non-U.S. holders generally would be subject to withholding tax on their allocable shares of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable shares of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. holders that are corporations may also be subject to a 30% branch profits tax on their allocable share of such income. In addition, certain income from U.S. sources that is not ECI allocable to non-U.S. holders will be reduced by withholding taxes imposed at the highest effective applicable tax rate. A portion of any gain recognized by a non-U.S. holder on the sale or exchange of common units could also be treated as ECI.

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

In light of our intended investment activities, we may derive income that constitutes unrelated business taxable income (“UBTI”). We are under no obligation to minimize UBTI. Consequently, a holder of common units that is a tax-exempt organization may be subject to “unrelated business income tax” to the extent that its allocable share of our income consists of UBTI. A tax-exempt partner of a partnership could be treated as earning UBTI if the partnership regularly engages in a trade or business that is unrelated to the exempt function of the tax-exempt partner, if the partnership derives income from debt-financed property or if the partnership interest itself is debt-financed.

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

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

In addition, our taxable income and losses will be determined and apportioned among investors using conventions we regard as consistent with applicable law. As a result, if you transfer your common units, you may be allocated income, gain, loss and deduction realized by us after the date of transfer. Similarly, a transferee may be allocated income, gain, loss and deduction realized by us prior to the date of the transferee’s acquisition of our common units. A transferee may also bear the cost of withholding tax imposed with respect to income allocated to a transferor through a reduction in the cash distributed to the transferee.

The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. federal income tax purposes. We will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. Our termination would, among other things, result in the closing of our taxable year for all common unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income. See “Material U.S. Federal Tax Considerations” for a description of the consequences of our termination for U.S. federal income tax purposes.

Common unitholders may be subject to state and local taxes and return filing requirements as a result of investing in our common units.

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

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

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

In addition, it is possible that a common unitholder will be required to file amended income tax returns as a result of adjustments to items on the corresponding income tax returns of the partnership. Any obligation for a common unitholder to file amended income tax returns for that or any other reason, including any costs incurred in the preparation or filing of such returns, are the responsibility of each common unitholder.

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

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes. Such an entity may be a PFIC or a CFC for U.S. federal income tax purposes. U.S. holders of common units indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences. See “Material U.S. Federal Tax Considerations — Consequences to U.S. Holders of Common Units — Passive Foreign Investment Companies” and “— Consequences to U.S. Holders of Common Units Controlled Foreign Companies” for additional information regarding such consequences.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “believe,” “expect,” “potential,” “continue,” “may,” “will,” “should,” “seek,” “approximately,” “predict,” “intend,” “plan,” “estimate,” “anticipate” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under “Risk Factors.” These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this prospectus. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that we have derived from independent consultant reports, publicly available information, various industry publications, other published industry sources and our internal data and estimates. Independent consultant reports, industry publications and other published industry sources generally indicate that the information contained therein was obtained from sources believed to be reliable.

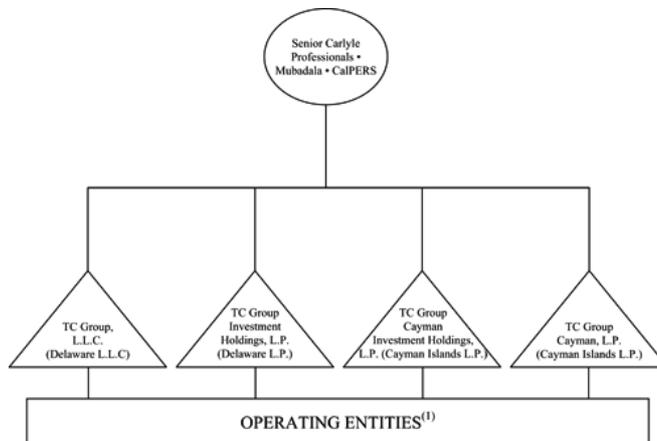
Our internal data and estimates are based upon information obtained from trade and business organizations and other contacts in the markets in which we operate and our management’s understanding of industry conditions.

ORGANIZATIONAL STRUCTURE

Our Current Organizational Structure

Our business is currently owned by four holding entities: TC Group, L.L.C., TC Group Cayman, L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. We refer to these four holding entities collectively as the “Parent Entities.” The Parent Entities are under the common ownership and control of the partners of our firm (who we refer to as our “senior Carlyle professionals”) and two strategic investors that own minority interests in our business — entities affiliated with Mubadala Development Company, an Abu-Dhabi based strategic development and investment company (“Mubadala”), and California Public Employees’ Retirement System (“CalPERS”). In addition, certain individuals engaged in our businesses own interests in the general partners of our existing carry funds. Certain of these individuals will contribute a portion of these interests to Carlyle Holdings as part of the reorganization. We refer to these individuals, together with the owners of the Parent Entities prior to this offering, collectively as our “existing owners.”

The diagram below depicts our current organizational structure.

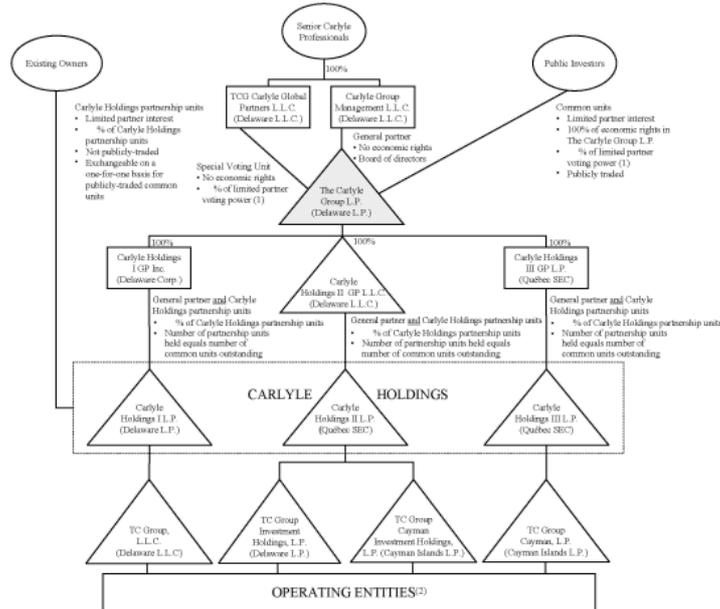


(1) Certain individuals engaged in our business own interests directly in selected subsidiaries of the Parent Entities.

Our Organizational Structure Following this Offering

Following the reorganization and this offering, The Carlyle Group L.P. will be a holding partnership and, through wholly-owned subsidiaries, will hold equity interests in three Carlyle Holdings partnerships (which we refer to collectively as “Carlyle Holdings”), which in turn will own the four Parent Entities. The Carlyle Group L.P. was formed as a Delaware limited partnership on July 18, 2011. The Carlyle Group L.P. has not engaged in any other business or other activities except in connection with the Reorganization and the Offering Transactions described below. Through its wholly-owned subsidiaries, The Carlyle Group L.P. will be the sole general partner of each of the Carlyle Holdings partnerships. Accordingly, The Carlyle Group L.P. will operate and control all of the business and affairs of Carlyle Holdings and will consolidate the financial results of the Carlyle Holdings partnerships and its consolidated subsidiaries, and the ownership interest of the limited partners of the Carlyle Holdings partnerships will be reflected as a non-controlling interest in The Carlyle Group L.P.’s consolidated financial statements.

The diagram below (which omits certain wholly-owned intermediate holding companies) depicts our organizational structure immediately following this offering.



- (1) The Carlyle Group L.P. common unitholders will have only limited voting rights and will have no right to remove our general partner or, except in limited circumstances, elect the directors of our general partner. TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, will hold a special voting unit in The Carlyle Group L.P. that will entitle it, on those few matters that may be submitted for a vote of The Carlyle Group L.P. common unitholders, to participate in the vote on the same basis as the common unitholders and provide it with a number of votes that is equal to the aggregate number of vested and unvested partnership units in Carlyle Holdings held by the limited partners of Carlyle Holdings on the relevant record date. See “Material Provisions of The Carlyle Group L.P. Partnership Agreement — Withdrawal or Removal of the General Partner,” “— Meetings; Voting” and “— Election of Directors of General Partner.”
- (2) Certain individuals engaged in our business will continue to own interests directly in selected operating subsidiaries including, in certain instances, entities that receive management fees from funds that we advise. The Carlyle Holdings partnerships will also directly own interests in selected operating subsidiaries.

The Carlyle Group L.P. intends to conduct all of its material business activities through Carlyle Holdings. Each of the Carlyle Holdings partnerships was formed to hold our interests in different businesses. We expect that Carlyle Holdings I L.P. will own all of our U.S. fee-generating businesses and many of our non-U.S. fee-generating businesses, as well as our carried interests (and other investment interests) that are expected to derive income that would not be qualifying income for purposes of the U.S. federal income tax publicly-traded partnership rules and certain of our carried interests (and other investment interests) that do not relate to investments in stock of corporations or in debt, such as equity investments in entities that are pass-through for U.S. federal income tax purposes. We anticipate that Carlyle Holdings II L.P. will hold a variety of assets, including our

carried interests in many of the investments by our carry funds in entities that are treated as domestic corporations for U.S. federal income tax purposes and in certain non-U.S. entities. Certain of our non-U.S. fee-generating businesses be held by Carlyle Holdings III L.P.

Accordingly, following the reorganization, subsidiaries of Carlyle Holdings generally will be entitled to:

- all management fees payable in respect of all current and future investment funds that we advise, as well as the fees for transaction advisory and oversight services that may be payable by these investment funds' portfolio companies (subject to certain third-party interests, as described below);
- all carried interest earned in respect of all current and future carry funds that we advise (subject to certain third-party interests, including those described below and to the allocation to our investment professionals who work in these operations of a portion of this carried interest as described below);
- all incentive fees (subject to certain interests in Claren Road and ESG and, with respect to other funds earning incentive fees, any performance-related allocations to investment professionals); and
- all returns on investments of our own balance sheet capital that we make following this offering (as well as on existing investments with an aggregate value of approximately \$ million as of June 30, 2011).

In certain cases, the entities that receive management fees from our investment funds are owned by Carlyle together with other persons. For example, management fees from our energy and renewables funds are received by an entity we own together with Riverstone, and the Claren Road, ESG and AlpInvest management companies are partially owned by the respective founders and managers of these businesses. We may have similar arrangements with respect to the ownership of the entities that advise our funds in the future.

In order to better align the interests of our senior Carlyle professionals and the other individuals who manage our carry funds with our own interests and with those of the investors in these funds, such individuals are allocated directly a portion of the carried interest in our carry funds. Prior to the reorganization, the level of such allocations vary by fund, but generally are at least 50% of the carried interests in the fund. As a result of the reorganization, the allocations to these individuals will be approximately 45% of all carried interest, on a blended average basis, earned in respect of investments made prior to the date of the reorganization and approximately 45% of any carried interest that we earn in respect of investments made from and after the date of the reorganization, in each case with the exception of the Riverstone funds, where we will retain essentially all of the carry to which we are entitled under our arrangements for those funds. In addition, under our arrangements with the historical owners and management team of AlpInvest, such persons are allocated all carried interest in respect of the historical investments and commitments to our fund of funds vehicles that existed as of December 31, 2010, 85% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 60% of the carried interest in respect of all other commitments (including all future commitments from third parties). See "Business — Structure and Operation of Our Investment Funds — Incentive Arrangements/Fee Structure."

The Carlyle Group L.P. has formed wholly-owned subsidiaries to serve as the general partners of the Carlyle Holdings partnerships: Carlyle Holdings I GP Inc., Carlyle Holdings II GP L.L.C. and Carlyle Holdings III GP L.P. We refer to Carlyle Holdings I GP Inc., Carlyle Holdings II GP L.L.C. and Carlyle Holdings III GP L.P. collectively as the "Carlyle Holdings General Partners." Carlyle Holdings I GP Inc. is a newly-formed Delaware corporation that is a domestic corporation for U.S. federal income tax purposes; Carlyle Holdings II GP L.L.C. is a newly-formed Delaware limited liability company that is a disregarded entity and not an association taxable as a corporation for U.S. federal income tax purposes; and Carlyle Holdings III GP L.P. is a newly-formed Québec *société*

en commandite that is a foreign corporation for U.S. federal income tax purposes. Carlyle Holdings I GP Inc. and Carlyle Holdings III GP L.P. will serve as the general partners of Carlyle Holdings I L.P. and Carlyle Holdings III L.P., respectively, either directly or indirectly through wholly-owned subsidiaries that are disregarded for federal income tax purposes. See “Material U.S. Federal Tax Considerations — Taxation of our Partnership and the Carlyle Holdings Partnerships” for more information about the tax treatment of The Carlyle Group L.P. and Carlyle Holdings.

Each of the Carlyle Holdings partnerships will have an identical number of partnership units outstanding, and we use the terms “Carlyle Holdings partnership unit” or “partnership unit in/of Carlyle Holdings” to refer collectively to a partnership unit in each of the Carlyle Holdings partnerships. The Carlyle Group L.P. will hold, through wholly-owned subsidiaries, a number of Carlyle Holdings partnership units equal to the number of common units that The Carlyle Group L.P. has issued. The Carlyle Holdings partnership units that will be held by The Carlyle Group L.P.’s wholly-owned subsidiaries will be economically identical in all respects to the Carlyle Holdings partnership units that will be held by our existing owners. Accordingly, the income of Carlyle Holdings will benefit The Carlyle Group L.P. to the extent of its equity interest in Carlyle Holdings.

The Carlyle Group L.P. is managed and operated by our general partner, Carlyle Group Management L.L.C., to whom we refer as “our general partner,” which is in turn wholly-owned by our senior Carlyle professionals. Our general partner will not have any business activities other than managing and operating us. We will reimburse our general partner and its affiliates for all costs incurred in managing and operating us, and our partnership agreement provides that our general partner will determine the expenses that are allocable to us. Although there are no ceilings on the expenses for which we will reimburse our general partner and its affiliates, the expenses to which they may be entitled to reimbursement from us, such as director fees, are not expected to be material.

Unlike the holders of common stock in a corporation, our common unitholders will have only limited voting rights and will have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. In addition, TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, will hold a special voting unit that provides it with a number of votes on any matter that may be submitted for a vote of our common unitholders that is equal to the aggregate number of vested and unvested Carlyle Holdings partnership units held by the limited partners of Carlyle Holdings. We refer to our common units (other than those held by any person whom our general partner may from time to time with such person’s consent designate as a non-voting common unitholder) and our special voting units as “voting units.” Our common unitholders’ voting rights will be further restricted by the provision in our partnership agreement stating that any common units held by a person that beneficially owns 20% or more of any class of The Carlyle Group L.P. common units then outstanding (other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates) cannot be voted on any matter.

Our common unitholders will have no right to elect the directors of our general partner unless, as determined on January 31 of each year, the total voting power held by holders of the special voting units in The Carlyle Group L.P. (including voting units held by our general partner and its affiliates) in their capacity as such, or otherwise held by then-current or former Carlyle personnel (treating voting units deliverable to such persons pursuant to outstanding equity awards as being held by them), collectively, constitutes less than 10% of the voting power of the outstanding voting units of The Carlyle Group L.P. See “Material Provisions of The Carlyle Group L.P. Partnership Agreement — Election of Directors of General Partner.” Unless and until the foregoing voting power condition is satisfied, our general partner’s board of directors will be elected in accordance with its limited liability company agreement, which provides that directors may be appointed and removed by members of our general partner holding a majority in interest of the voting power of the members, which voting power is allocated to each member ratably according to his or her aggregate ownership of our common units and partnership units. See “Material Provisions of The Carlyle Group L.P. Partnership Agreement — Election of Directors of General Partner.”

Reorganization

Restructuring and Purchase of Certain Third Party Interests. Certain existing and former owners of the Parent Entities (including CalPERS and former and current senior Carlyle professionals) have beneficial interests in investments in or alongside our funds that were funded by such persons indirectly through the Parent Entities. In order to minimize the extent of third-party ownership interests in firm assets, prior to the completion of the offering the Parent Entities will (i) purchase a portion of these beneficial interests at their fair value (approximately \$ million) and (ii) restructure the remainder of these beneficial interests (approximately \$ million as of June 30, 2011) so that they are held directly by such beneficial owners. In addition, prior to the offering the Parent Entities will restructure ownership of certain carried interest rights allocated to former owners so that such carried interest rights will be held directly by these former owners and reflected as non-controlling interests in our financial statements. Such restructured carried interest rights accounted for approximately \$ million of our performance fee revenue for the year ended December 31, 2010 and approximately \$ million of our performance fee revenue for the six months ended June 30, 2011.

Distribution of Earnings and Accumulated Cash. Prior to the date of the offering the Parent Entities will also make to their owners one or more cash distributions of previously undistributed earnings and accumulated cash totaling \$. These distributions will permit the existing owners to realize, in part, the earnings and cash accumulated by our business during the period of their ownership prior to this offering.

Conversion of Notes. In December 2010, entities affiliated with Mubadala, which made an initial investment in our business in October 2007, invested an additional \$500 million in Carlyle in exchange for (i) equity interests in Carlyle and (ii) \$500 million aggregate principal amount of convertible subordinated notes due December 31, 2020. On October 20, 2011, we borrowed \$265.5 million under our revolving credit facility to redeem \$250 million aggregate principal amount of the subordinated notes for a redemption price of \$260.0 million, representing a 4% premium, plus accrued interest of approximately \$5.5 million. As a result, an aggregate of \$250 million principal amount of notes remained outstanding as of such date. Immediately prior to the contribution of the Parent Entities to Carlyle Holdings as described below, the notes will be converted into additional equity interests in the Parent Entities. The amount of additional equity interests in the Parent Entities which Mubadala will receive upon conversion of the notes will be determined based on the initial public offering price of the common units in this offering. More specifically, Mubadala will receive upon conversion of the notes that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings as described below, entitle Mubadala to a number of Carlyle Holdings partnership units that is equal to the quotient of \$250 million (plus any accrued and unpaid interest on the notes) divided by the product of .925 multiplied by the initial public offering price per common unit in this offering. Based on an assumed initial offering price of \$ per common unit (the midpoint of the range indicated on the front cover of this prospectus), Mubadala will be entitled upon conversion of the notes to that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings as described below, entitle Mubadala to Carlyle Holdings partnership units. A \$1.00 increase in the assumed initial offering price per common unit would decrease the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. A \$1.00 decrease in the assumed initial public offering price per common unit would increase the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Our Balance Sheet and Indebtedness — Subordinated Notes Payable to Mubadala” and “Pricing Sensitivity Analysis.”

Contribution of the Parent Entities and Other Interests to Carlyle Holdings. Prior to the completion of this offering:

- our senior Carlyle professionals, Mubadala and CalPERS will contribute all of their interests in:
 - TC Group, L.L.C. to Carlyle Holdings I L.P.;
 - TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. to Carlyle Holdings II L.P.; and
 - TC Group Cayman, L.P. to Carlyle Holdings III L.P.; and
- our senior Carlyle professionals and other individuals engaged in our business will contribute to the Carlyle Holdings partnerships a portion of the equity interests they own in the general partners of our existing carry funds.

In consideration of these contributions our existing owners will receive an aggregate of _____ Carlyle Holdings partnership units.

Under the terms of the partnership agreements of the Carlyle Holdings partnerships, all of the Carlyle Holdings partnership units received by our existing owners in the reorganization will be subject to restrictions on transfer and, with the exception of Mubadala and CalPERS, minimum retained ownership requirements. In addition, approximately _____ % of the Carlyle Holdings partnership units received by our existing owners who are our employees will not be vested and, with specified exceptions, will be subject to forfeiture if the employee ceases to be employed by us prior to vesting. Holders of our Carlyle Holdings partnership units (other than Mubadala and CalPERS), including our founders and our other senior Carlyle professionals, will be prohibited from transferring or exchanging any such units until the _____ anniversary of this offering without our consent. See “Management — Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions.” The Carlyle Holdings partnership units held by Mubadala and CalPERS will be subject to transfer restrictions as described below under “Common Units Eligible For Future Sale — Lock-Up Arrangements.”

We refer to the above-described restructuring and purchase of third-party interests, distribution of earnings and accumulated cash, conversion of notes and contribution of the Parent Entities and other interests to Carlyle Holdings, collectively, as the “Reorganization.”

Exchange Agreement; Tax Receivable Agreement

At the time of this offering, we will enter into an exchange agreement with limited partners of the Carlyle Holdings partnerships so that these holders, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Carlyle Holdings partnerships, will have the right on a quarterly basis, from and after the first anniversary date of the closing of this offering (subject to the terms of the exchange agreement), to exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. 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. As the number of Carlyle Holdings partnership units held by the limited partners of the Carlyle Holdings partnerships declines, the number of votes to which TCG Carlyle Global Partners L.L.C. is entitled as a result of its ownership of the special voting unit will be correspondingly reduced. See “Certain Relationships and Related Person Transactions — Exchange Agreement.”

Future exchanges of Carlyle Holdings partnership units are expected to 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 our 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 our subsidiaries, including Carlyle Holdings I GP Inc., which we refer 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. We will enter into a tax receivable agreement with our existing owners whereby the corporate taxpayers will agree to pay to our existing owners 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax that it realizes as a result of these increases in tax basis and, in limited cases, transfers or prior increases in tax basis. See “Certain Relationships and Related Person Transactions — Tax Receivable Agreement.”

Offering Transactions

We estimate that the net proceeds to The Carlyle Group L.P. from this offering, after deducting estimated underwriting discounts, will be approximately \$, or \$ if the underwriters exercise in full their option to purchase additional common units. The Carlyle Group L.P. intends to use all of these proceeds to purchase newly issued Carlyle Holdings partnership units from Carlyle Holdings. See “Use of Proceeds.” Accordingly, The Carlyle Group L.P. will hold, through the Carlyle Holdings general partners, a number of Carlyle Holdings partnership units equal to the aggregate number of common units that The Carlyle Group L.P. has issued in connection with this offering from Carlyle Holdings.

At the time of this offering, we intend to grant to our employees deferred restricted units and phantom deferred restricted units. Additional common units and Carlyle Holdings partnership units will be available for future grant under our Equity Incentive Plan, which plan provides for automatic annual increases in the number of units available for future issuance. See “Management — IPO Date Equity Awards.”

We refer to the above described transactions as the “Offering Transactions.”

As a result, assuming an initial public offering price of \$ per common unit, immediately following the Offering Transactions:

- The Carlyle Group L.P., through its wholly-owned subsidiaries, will hold partnership units in Carlyle Holdings (or partnership units if the underwriters exercise in full their option to purchase additional common units) and will, through its wholly-owned subsidiaries, be the sole general partner of each of the Carlyle Holdings partnerships and, through Carlyle Holdings and its subsidiaries, operate the Contributed Businesses;
- our existing owners will hold vested partnership units and unvested partnership units in Carlyle Holdings;
- investors in this offering will hold common units (or common units if the underwriters exercise in full their option to purchase additional common units); and
- on those few matters that may be submitted for a vote of the limited partners of The Carlyle Group L.P.:
 - investors in this offering will collectively have % of the voting power of The Carlyle Group L.P. limited partners (or % if the underwriters exercise in full their option to purchase additional common units) and
 - our existing owners will collectively have % of the voting power of The Carlyle Group L.P. limited partners (or % if the underwriters exercise in full their option to purchase additional common units).

See “Pricing Sensitivity Analysis” to see how some of the information presented above would be affected by an initial public offering price per common unit at the low-, mid- and high-points of the price range indicated on the front cover of this prospectus.

Holding Partnership Structure

As discussed in “Material U.S. Federal Tax Considerations,” The Carlyle Group L.P. will be treated as a partnership and not as a corporation for U.S. federal income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether or not cash distributions are made. Investors in this offering will become partners in The Carlyle Group L.P. Distributions of cash by a partnership to a partner are generally not taxable unless the amount of cash distributed to a partner is in excess of the partner’s adjusted basis in its partnership interest. However, our partnership agreement does not restrict our ability to take actions that may result in our being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. See “Material U.S. Federal Tax Considerations” for a summary discussing certain U.S. federal income tax considerations related to the purchase, ownership and disposition of our common units as of the date of this prospectus.

We believe that the Carlyle Holdings partnerships will also be treated as partnerships and not as corporations for U.S. federal income tax purposes. Accordingly, the holders of partnership units in Carlyle Holdings, including The Carlyle Group L.P.’s wholly-owned subsidiaries, will incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of Carlyle Holdings. Net profits and net losses of Carlyle Holdings generally will be allocated to its partners (including The Carlyle Group L.P.’s wholly-owned subsidiaries) pro rata in accordance with the percentages of their respective partnership interests. Because The Carlyle Group L.P. will indirectly own % of the total partnership units in Carlyle Holdings (or % if the underwriters exercise in full their option to purchase additional common units), The Carlyle Group L.P. will indirectly be allocated % of the net profits and net losses of Carlyle Holdings (or % if the underwriters exercise in full their option to purchase additional common units). The remaining net profits and net losses will be allocated to the limited partners of Carlyle Holdings. These percentages are subject to change, including upon an exchange of Carlyle Holdings partnership units for The Carlyle Group L.P. common units and upon issuance of additional The Carlyle Group L.P. common units to the public. The Carlyle Group L.P. will hold, through wholly-owned subsidiaries, a number of Carlyle Holdings partnership units equal to the number of common units that The Carlyle Group L.P. has issued.

After this offering, we intend to cause Carlyle Holdings to make distributions to its partners, including The Carlyle Group L.P.’s wholly-owned subsidiaries, in order to fund any distributions The Carlyle Group L.P. may declare on the common units. 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. Because Carlyle Holdings I GP Inc. must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by The Carlyle Group L.P. to common unitholders are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the limited partners of Carlyle Holdings in respect of their Carlyle Holdings partnership units.

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). If we had effected the Reorganization on January 1, 2011, the assumed effective tax rate for 2011 would have been approximately % . 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.

USE OF PROCEEDS

We estimate that the net proceeds to The Carlyle Group L.P. from this offering, after deducting estimated underwriting discounts, will be approximately \$, or \$ if the underwriters exercise in full their option to purchase additional common units.

The Carlyle Group L.P. intends to use all of these proceeds to purchase newly issued Carlyle Holdings partnership units from Carlyle Holdings, as described under “Organizational Structure — Offering Transactions.” We intend to cause Carlyle Holdings to use approximately \$ of these proceeds to repay outstanding indebtedness and the remainder for general corporate purposes, including general operational needs, growth initiatives, acquisitions and strategic investments and to fund capital commitments to, and other investments in and alongside of, our investment funds. We anticipate that the acquisitions we may pursue will be those that would broaden our platform where we believe we can provide investors with differentiated products to meet their needs. Carlyle Holdings will also bear or reimburse The Carlyle Group L.P. for all of the expenses of this offering, which we estimate will be approximately \$.

See “Pricing Sensitivity Analysis” to see how the information presented above would be affected by an initial public offering price per common unit at the low-, mid- and high-points of the price range indicated on the front cover of this prospectus.

CASH DISTRIBUTION POLICY

Our general partner currently intends to cause The Carlyle Group L.P. to make quarterly distributions to our common unitholders of its share of distributions from Carlyle Holdings, net of taxes and amounts payable under the tax receivable agreement as described below. We currently anticipate that we will 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 \$ per common unit. In addition, we currently anticipate that we will cause Carlyle Holdings to make annual distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries, in an amount that, taken together with the other above-described quarterly distributions, represents substantially all of our Distributable Earnings in excess of the amount determined by our general partner to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our funds or to comply with applicable law or any of our financing agreements. We anticipate that the aggregate amount of our distributions for most years will be less than our Distributable Earnings for that year due to these funding requirements.

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, including our cash position, our net income and our realizations on investments made by our investment funds;
- working capital requirements and anticipated cash needs;
- contractual restrictions and obligations, including payment obligations pursuant to the tax receivable agreement and restrictions pursuant to our credit facility;
- 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 The Carlyle Group L.P. will be a holding partnership and will have 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., 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.

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 limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership 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.

Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the terms of our existing credit facility provide certain limits on our ability to make distributions. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Liquidity and Capital Resources.”

In addition, Carlyle Holdings’ cash flow from operations may be insufficient to enable it to make required minimum tax distributions to its partners, in which case Carlyle Holdings may have to borrow funds or sell assets, and thus our liquidity and financial condition could be materially adversely affected. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Cash distributions to the owners of the Parent Entities (including compensatory payments and distributions in respect of co-investments made by such owners indirectly through the Parent Entities) aggregated approximately \$787.8 million in 2010 (which included distributions of an aggregate of \$398.5 million of proceeds from the December 2010 investment in our firm by Mubadala), approximately \$ in 2011, and have aggregated approximately \$ to date in 2012. Prior to the date of the offering the Parent Entities will also make one or more cash distributions of previously undistributed earnings and accumulated cash to their owners totaling \$.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2011:

- on a historical basis; and
- on a pro forma basis for The Carlyle Group L.P. giving effect to the transactions described under “Unaudited Pro Forma Financial Information,” including the repayment of indebtedness with a portion of the proceeds from this offering as described in “Use of Proceeds.”

You should read this table together with the information contained in this prospectus, including “Organizational Structure,” “Use of Proceeds,” “Unaudited Pro Forma Financial Information,” “Selected Historical Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical financial statements and related notes included elsewhere in this prospectus.

	June 30, 2011	
	Actual	Pro Forma
	(Dollars in millions)	
Cash and cash equivalents	\$ 485.3	\$
Loans payable	\$ 580.5	\$
Subordinated loan payable to Mubadala	511.7	
Loans payable of Consolidated Funds	10,427.1	
Redeemable non-controlling interests in consolidated entities	1,011.2	
Members’ equity	1,241.9	
Accumulated other comprehensive loss	(40.9)	
Equity appropriated for Consolidated Funds	645.4	
Non-controlling interests in consolidated entities	364.0	
Total capitalization	\$ 14,740.9	\$

See “Pricing Sensitivity Analysis” to see how the information presented above would be affected by an initial public offering price per common unit at the low-, mid- and high-points of the price range indicated on the front cover of this prospectus or if the underwriters’ option to purchase additional common units is exercised in full.

DILUTION

If you invest in our common units, your interest will be diluted to the extent of the difference between the initial public offering price per common unit of our common units and the pro forma net tangible book value per common unit of our common units after this offering. Dilution results from the fact that the per common unit offering price of the common units is substantially in excess of the pro forma net tangible book value per common unit attributable to our existing owners.

Our pro forma net tangible book value as of June 30, 2011 was approximately \$, or \$ per common unit. Pro forma net tangible book value represents the amount of total tangible assets less total liabilities, after giving effect to the Reorganization, and pro forma net tangible book value per common unit represents pro forma net tangible book value divided by the number of common units outstanding, after giving effect to the Reorganization and assuming that all of the holders of partnership units in Carlyle Holdings (other than The Carlyle Group L.P.'s wholly-owned subsidiaries) exchanged their units for newly-issued common units on a one-for-one basis.

After giving effect to the transactions described under "Unaudited Pro Forma Financial Information," including the repayment of indebtedness with a portion of the proceeds from this offering as described in "Use of Proceeds," our adjusted pro forma net tangible book value as of June 30, 2011 would have been \$, or \$ per common unit. This represents an immediate increase in net tangible book value of \$ per common unit to our existing owners and an immediate dilution in net tangible book value of \$ per common unit to investors in this offering.

The following table illustrates this dilution on a per common unit basis assuming the underwriters do not exercise their option to purchase additional common units:

Assumed initial public offering price per common unit		\$
Pro forma net tangible book value per common unit as of June 30, 2011	\$	
Increase in pro forma net tangible book value per common unit attributable to investors in this offering	\$	
Adjusted pro forma net tangible book value per common unit after the offering		\$
Dilution in adjusted pro forma net tangible book value per common unit to investors in this offering		\$

See "Pricing Sensitivity Analysis" to see how some of the information presented above would be affected by an initial public offering price per common unit at the low-, mid- and high-points of the price range indicated on the front cover of this prospectus or if the underwriters exercise in full their option to purchase additional common units.

Because our existing owners do not own any of our common units, we have presented dilution in pro forma net tangible book value per common unit to investors in this offering assuming that all of the holders of partnership units in Carlyle Holdings (other than The Carlyle Group L.P.'s wholly-owned subsidiaries) exchanged their Carlyle Holdings partnership units for newly-issued common units on a one-for-one basis in order to more meaningfully present the dilutive impact on the investors in this offering.

The following table summarizes, on the same pro forma basis as of June 30, 2011, the total number of common units purchased from us, the total cash consideration paid to us and the average price per common unit paid by our existing owners and by new investors purchasing common units in this offering, assuming that all of the holders of partnership units in Carlyle Holdings (other than

The Carlyle Group L.P.'s wholly-owned subsidiaries) exchanged their Carlyle Holdings partnership units for our common units on a one-for-one basis.

	Common Units Purchased		Total Consideration		Average Price per Common Unit
	Number	Percent	Amount (Dollars in millions)	Percent	
Existing equityholders		%	\$	%	\$
Investors in this offering		%	\$	%	\$
Total		%	\$	%	\$

SELECTED HISTORICAL FINANCIAL DATA

The following selected historical combined financial and other data of Carlyle Group, which comprises TC Group, L.L.C., TC Group Cayman L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P., as well as their majority-owned subsidiaries, which are under common ownership and control by our individual senior Carlyle professionals, CalPERS and entities affiliated with Mubadala, should be read together with “Organizational Structure,” “Unaudited Pro Forma Financial Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical financial statements and related notes included elsewhere in this prospectus. Carlyle Group is considered our predecessor for accounting purposes, and its combined financial statements will be our historical financial statements following this offering.

We derived the selected historical combined and consolidated statements of operations data of Carlyle Group for each of the years ended December 31, 2010, 2009 and 2008 and the selected historical combined and consolidated balance sheet data as of December 31, 2010 and 2009 from our audited combined and consolidated financial statements which are included elsewhere in this prospectus. We derived the selected historical condensed combined and consolidated statements of operations data of Carlyle Group for the six months ended June 30, 2011 and 2010 and the selected historical condensed combined and consolidated balance sheet data as of June 30, 2011 from our unaudited condensed combined and consolidated financial statements which are included elsewhere in this prospectus. We derived the selected historical condensed combined and consolidated statements of operations data of Carlyle Group for the years ended December 31, 2007 and 2006 and the selected condensed combined and consolidated balance sheet data as of December 31, 2008, 2007 and 2006 from our audited combined and consolidated financial statements which are not included in this prospectus. The combined and consolidated financial statements of Carlyle Group 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.

Net income (loss) is determined in accordance with U.S. GAAP for partnerships and is not comparable to net income of a corporation. All distributions and compensation for services rendered by Carlyle’s individual partners have been reflected as distributions from equity rather than compensation expense in the historical combined and consolidated financial statements.

The selected historical combined and consolidated financial data is not indicative of the expected future operating results of The Carlyle Group L.P. following the Reorganization and the Offering Transactions. Prior to this offering, we will complete a series of transactions pursuant to which our business will be reorganized into a holding partnership structure as described in “Organizational Structure” whereby, among other things, the Parent Entities will distribute to our existing owners certain investments and equity interests that will not be contributed to Carlyle Holdings. See “Organizational Structure” and “Unaudited Pro Forma Financial Information.”

	Six Months Ended		Year Ended December 31,				
	June 30,		(Dollars in millions)				
	2011	2010	2010	2009	2008	2007	2006
Statement of Operations Data							
Revenues							
Fund management fees	\$ 447.2	\$ 386.7	\$ 770.3	\$ 788.1	\$ 811.4	\$ 668.9	\$ 186.3
Performance fees							
Realized	494.9	81.0	266.4	11.1	59.3	1,013.1	63.7
Unrealized	725.5	32.9	1,215.6	485.6	(944.0)	376.7	42.3
Total performance fees	1,220.4	113.9	1,482.0	496.7	(884.7)	1,389.8	106.0
Investment income (loss)	62.0	22.0	72.6	5.0	(104.9)	75.6	7.6
Interest and other income	13.1	8.9	21.4	27.3	38.2	36.3	22.9
Interest and other income of Consolidated Funds	330.4	231.0	452.6	0.7	18.7	51.9	41.3
Total Revenues	2,073.1	762.5	2,798.9	1,317.8	(121.3)	2,222.5	364.1
Expenses							
Compensation and benefits	317.9	153.8	429.0	348.4	97.4	775.5	500.2
General, administrative and other expenses	144.3	77.1	177.2	236.6	245.1	234.3	160.2
Interest	32.8	9.0	17.8	30.6	46.1	15.9	4.4
Interest and other expenses of Consolidated Funds	190.9	115.4	233.3	0.7	6.8	38.8	126.9
Other non-operating expenses	20.6	—	—	—	—	—	—
Loss (gain) from early extinguishment of debt, net of related expenses	—	—	2.5	(10.7)	—	—	—
Equity issued for affiliate debt financing	—	—	214.0	—	—	—	—
Loss on CCC liquidation	—	—	—	—	147.0	—	—
Total Expenses	706.5	355.3	1,073.8	605.6	542.4	1,064.5	791.7
Other Income (Loss)							
Net investment gains (losses) of Consolidated Funds	(277.0)	314.6	(245.4)	(33.8)	162.5	300.4	6,503.5
Income (loss) before provision for income taxes	1,089.6	721.8	1,479.7	678.4	(501.2)	1,458.4	6,075.9
Provision for income taxes	12.8	7.4	20.3	14.8	12.5	15.2	14.7
Net income (loss)	1,076.8	714.4	1,459.4	663.6	(513.7)	1,443.2	6,061.2
Net income (loss) attributable to non-controlling interests in consolidated entities	(191.1)	410.1	(66.2)	(30.5)	94.5	182.4	4,923.8
Net income (loss) attributable to Carlyle Group	<u>\$ 1,267.9</u>	<u>\$ 304.3</u>	<u>\$ 1,525.6</u>	<u>\$ 694.1</u>	<u>\$ (608.2)</u>	<u>\$ 1,260.8</u>	<u>\$ 1,137.4</u>

	As of June 30,	As of December 31,				
	2011	2010	2009	2008	2007	2006
(Dollars in millions)						
Balance Sheet Data						
Cash and cash equivalents	\$ 485.3	\$ 616.9	\$ 488.1	\$ 680.8	\$ 1,115.0	\$ 387.0
Investments and accrued performance fees	\$ 3,183.2	\$ 2,594.3	\$ 1,279.2	\$ 702.4	\$ 2,150.6	\$ 1,175.4
Investments of Consolidated Funds ⁽¹⁾	\$ 12,191.6	\$ 11,864.6	\$ 163.9	\$ 187.0	\$ 1,629.3	\$ 1,364.8
Total assets	\$ 17,690.2	\$ 17,062.6	\$ 2,509.4	\$ 2,095.8	\$ 5,788.3	\$ 3,232.4
Loans payable	\$ 580.5	\$ 597.5	\$ 412.2	\$ 765.5	\$ 691.4	\$ 19.0
Subordinated loan payable to Mubadala	\$ 511.7	\$ 494.0	\$ —	\$ —	\$ —	\$ —
Loans payable of Consolidated Funds	\$ 10,427.1	\$ 10,433.5	\$ —	\$ —	\$ 1,007.3	\$ —
Total liabilities	\$ 14,468.6	\$ 14,170.0	\$ 1,795.8	\$ 1,733.3	\$ 3,429.1	\$ 1,068.4
Redeemable non-controlling interests in consolidated entities	\$ 1,011.2	\$ 694.0	\$ —	\$ —	\$ —	\$ —
Total members' equity	\$ 1,201.0	\$ 895.2	\$ 437.5	\$ 59.6	\$ 1,256.1	\$ 980.9
Equity appropriated for Consolidated Funds	\$ 645.4	\$ 938.5	\$ —	\$ —	\$ —	\$ —
Non-controlling interests in consolidated entities	\$ 364.0	\$ 364.9	\$ 276.1	\$ 302.9	\$ 1,103.1	\$ 1,183.1
Total equity	\$ 2,210.4	\$ 2,198.6	\$ 713.6	\$ 362.5	\$ 2,359.2	\$ 2,164.0

(1) The entities comprising our Consolidated Funds are not the same entities for all periods presented. As of December 31, 2006, our Consolidated Funds primarily relate to certain funds and other co-investment entities for which we are the general partner and the presumption of control by the general partner had not been overcome. In February 2007, we formed a hedge fund which we consolidated into our financial statements and included in our Consolidated Funds prospectively from that date. In December 2007, we amended most of the co-investment entities so that the presumption of control by the general partner had been overcome, and therefore we ceased to consolidate those entities prospectively from that date. In 2008, the hedge fund that we had formed in February 2007 began an orderly liquidation and ceased operations. Pursuant to revised consolidation guidance that became effective January 1, 2010, we consolidated the existing and any subsequently acquired CLOs where we hold a controlling financial interest. The consolidation or deconsolidation of funds generally has the effect of grossing up or down, respectively, reported assets, liabilities, and cash flows, and has no effect on net income attributable to Carlyle Group or members' equity.

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

The following discussion and analysis should be read in conjunction with the historical financial statements and related notes included elsewhere in this prospectus and with the discussions under "Organizational Structure" and "Unaudited Pro Forma Financial Information." This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties, including those described under the section entitled "Risk Factors," contained elsewhere in this prospectus describing key risks associated with our business, operations and industry. Actual results may differ materially from those contained in our forward-looking statements. Percentages presented in the tables throughout our discussion and analysis of financial condition and results of operations may reflect rounding adjustments and consequently totals may not appear to sum.

The historical combined and consolidated financial data discussed below reflect the historical results of operations and financial position of Carlyle Group, which comprises TC Group, L.L.C., TC Group Cayman L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. (collectively, the "Parent Entities"), as well as their controlled subsidiaries, which are under common ownership and control by our individual senior Carlyle professionals, entities affiliated with Mubadala Development Company, the Abu-Dhabi based strategic development and investment company ("Mubadala") and California Public Employees' Retirement System ("CalPERS"). "Senior Carlyle professionals" refer to the partners of our firm who are, together with CalPERS and Mubadala, the owners of our Parent Entities prior to the reorganization. Carlyle Group is considered our predecessor for accounting purposes, and its combined and consolidated financial statements will be our historical financial statements following this offering.

Overview

We conduct our operations through four reportable segments: Corporate Private Equity, Real Assets, Global Market Strategies and Fund of Funds Solutions. We launched operations in our Fund of Funds Solutions segment with the acquisition of a 60% equity interest in AlpInvest Partners B.V. on July 1, 2011.

- *Corporate Private Equity* — Our Corporate Private Equity segment advises our buyout and growth capital funds, which seek a wide variety of investments of different sizes and growth potentials. As of June 30, 2011, our Corporate Private Equity segment had approximately \$55 billion in AUM and approximately \$39 billion in fee-earning AUM.
- *Real Assets* — Our Real Assets segment advises our U.S. and internationally focused real estate and infrastructure funds, as well as our energy and renewable resources funds. As of June 30, 2011, our Real Assets segment had approximately \$31 billion in AUM and approximately \$23 billion in fee-earning AUM.
- *Global Market Strategies* — Our Global Market Strategies segment advises a group of funds that pursue investment opportunities across various types of credit, equities and alternative instruments, and (as regards certain macroeconomic strategies) currencies, commodities and interest rate products and their derivatives. As of June 30, 2011, our Global Market Strategies segment had approximately \$21 billion in AUM and approximately \$18 billion in fee-earning AUM.
- *Fund of Funds Solutions* — Our Fund of Funds Solutions segment was launched upon our acquisition of a 60% equity interest in AlpInvest on July 1, 2011 and advises a global private equity fund of funds program and related co-investment and secondary activities. As of June 30, 2011, AlpInvest had approximately \$45 billion in AUM and approximately \$28 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 a performance fee from an investment fund, which may be

either an incentive fee or a special residual allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund. Under U.S. generally accepted accounting principles, 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, performance fees (consisting of incentive fees and carried interest allocations), investment income, including realized and unrealized 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 and performance payment arrangements, and general and administrative expenses.

Trends Affecting our Business

Our results of operations are affected by a variety of factors including global economic and market conditions, particularly in the United States, Europe and Asia. We believe that our investment philosophy and broad diversity of investments across industries, asset classes and geographies enhances the stability of our distributable earnings and management fee streams, reduces the volatility of our carried interest and performance fees and decreases our exposure to a negative event associated with any specific fund, investment or vintage. In general, a climate of low and stable interest rates and high levels of liquidity in the debt and equity capital markets provide a positive environment for us to generate attractive investment returns. We also believe that periods of volatility and dislocation in the capital markets present us with opportunities to invest at reduced valuations that position us for future revenue growth and to utilize investment strategies, such as our distressed debt strategies, which tend to benefit from such market conditions.

In addition to these global macro-economic and market factors, our future performance is also heavily dependent on our ability to attract new capital and investors, generate strong returns from our existing investments, deploy our funds' capital in appropriate and successful investments and meet evolving investor needs.

- *The attractiveness of the alternative asset management industry.* Our ability to attract new capital and investors is driven in part by the extent to which investors continue to see the alternative asset management industry as an attractive vehicle for capital preservation and growth. While our recent fundraising has resulted in new capital commitments at levels that remain below the historically high volume achieved during 2007 and early 2008, we believe our fundraising efforts will benefit from certain fundamental trends that include: (i) institutional investors' pursuit of higher relative investment returns which have historically been provided by top quartile alternative asset management funds; (ii) distributions to existing investors from historical commitments which could be used to fund new allocations; (iii) the entrance of new institutional investors from developing markets, including sovereign wealth funds and other entities; and (iv) increasing interest from high net worth individuals.
- *Our ability to generate strong returns.* The strength of our investment performance affects investors' willingness to commit capital to our funds. The capital we are able to attract drives the growth of our AUM and the management fees we earn. During the year ended December 31, 2010 and the six months ended June 30, 2011, we have distributed more than \$20 billion from our carry funds to our investors. Although we have recently exited several investments at attractive returns and the fair value of our funds' net assets has increased significantly with the economic recovery, there can be no assurance that these trends will continue. In addition, many of our funds across all of our business segments experienced volatility in light of the economic conditions that prevailed in 2008 and 2009, a trend which could occur again in the near- to medium-term.

During 2008 and 2009, many economies around the world, including the U.S. economy, experienced significant declines in employment, household wealth and lending. Those events

led to a significantly diminished availability of credit and an increase in the cost of financing. The lack of credit in 2008 and 2009 materially hindered the initiation of new, large-sized transactions for our Corporate Private Equity and Real Assets segments and adversely impacted our operating results in those periods. The capital market volatility we are currently experiencing from August 2011 will adversely impact valuations of a significant number of our funds' investments and fund performance while such volatility continues. However, in contrast to 2008 and 2009, credit remains available selectively for high quality corporate transactions, though financing costs remain elevated from pre-recession levels. Finally, a significant portion of our revenues are derived from performance fees, the size of which is dependent on the success of our fund investments. A decrease in valuations of our fund investments will result in a reduction of accrued performance fees which we would expect to be most significant in Corporate Private Equity, our largest business segment.

- *Our successful deployment of capital.* Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital that our investors have committed to our funds. During the year ended December 31, 2010 and the six months ended June 30, 2011, we have invested approximately \$16 billion in new and existing investments representing an investment pace that is comparable to our investment pace during the peak of private equity capital deployment during 2006 through 2008. As of June 30, 2011, we had approximately \$30 billion in capital available for investment (giving effect to our acquisition of AlpiInvest on July 1, 2011, which had approximately \$5 billion in capital available for investment as of June 30, 2011). We believe that this puts us in a position to grow our revenues over time. Our ability to identify and execute investments which our investment professionals determine to be attractive continues to depend on a number of factors, including competition, valuation, credit availability and pricing and other general market conditions.
- *Our ability to meet evolving investor requirements.* We believe that investors will seek to deploy their investment capital in a variety of different ways, including fund investments, separate accounts and direct coinvestments. We anticipate that this trend will result in a bifurcation within the global alternative asset management industry, with a limited number of large global market participants joined by numerous smaller and more specialized funds, providing investors with greater flexibility when allocating their investment capital. In addition, we expect that larger investors will seek to allocate more resources to managed accounts through which they can directly hold title to assets and better control their investments.

Our results of operations also reflect, among other things, the impact of the global financial crisis that began in mid-2007 and ultimately resulted in a deep global recession. The general tightening in credit availability adversely impacted the global investment industry, including our investment funds and their portfolio companies. This global downturn resulted in a relative scarcity of new, attractive investment opportunities and limited our ability to exit investments in our funds, which in turn reduced the carried interest we generated. We believe that our funds and their portfolio companies benefitted, however, from our efforts to work with management teams to access available liquidity, strategically reposition capital structures and focus on eliminating costs within core business operations. Beginning in the second half of 2009, the capital markets began to stabilize and recover from the economic recession and credit crisis, although they have experienced significant volatility following the downgrade by Standard & Poor's on August 5, 2011 of the long-term credit rating of U.S. Treasury debt from AAA to AA+. While access to capital markets and asset valuations have improved markedly since 2009, it is not known how extensive this recovery will be or whether it will continue. In addition, the recent speculation regarding the inability of Greece and certain other European countries to pay their national debt has created some uncertainty in the credit markets and potential strain on banks and other financial services participants that could have an adverse impact on our business.

Although our combined and consolidated financial statements for the nine months ended September 30, 2011 are not yet available, we currently expect that the total fair value of the assets held by our carry funds as of September 30, 2011 declined from June 30, 2011. Accordingly, we expect that our results for the nine months ended September 30, 2011 will be adversely affected by reversals of previously accrued performance fees and investment income due to these declines in the carrying value of our funds' investments.

Recent Transactions

On October 20, 2011, we borrowed \$265.5 million under our revolving credit facility to redeem \$250 million aggregate principal amount of the subordinated notes held by Mubadala for a redemption price of \$260.0 million, representing a 4% premium, plus accrued interest of approximately \$5.5 million. As a result, an aggregate of \$250 million principal amount of notes remained outstanding as of such date.

On August 3, 2011, we acquired the management contract for Foothill CLO I, Ltd. ("Foothill CLO"), with gross assets estimated to be \$500 million. As manager of Foothill CLO, Carlyle will be entitled to a management fee equal to 0.5% of assets per annum as well as an incentive fee if the equity investors in the CLO receive a return greater than 12% per annum.

On July 1, 2011, we completed the acquisition of a 60% interest in AlpInvest. As of July 1, 2011, we consolidate the financial position and results of operations of AlpInvest and have accounted for this transaction as a business combination.

On July 1, 2011, we completed the acquisition of 55% of ESG, an emerging markets equities and macroeconomic strategies investment manager. As of July 1, 2011, we consolidate the financial position and results of operations of ESG and have accounted for this transaction as a business combination.

On December 31, 2010, we completed the acquisition of 55% of Claren Road, a long/short credit hedge fund manager. As of December 31, 2010, we consolidate the financial position and results of operations of Claren Road, and have accounted for this transaction as a business combination.

On December 16, 2010, we issued \$500.0 million in subordinated notes and equity interests in the Parent Entities to Mubadala for \$494.0 million of cash (net of expense reimbursements). We have elected the fair value option to measure the subordinated notes at fair value. At June 30, 2011 and December 31, 2010, the fair value of the subordinated notes was \$511.7 million and \$494.0 million, respectively. Changes in the fair value of this instrument are recognized in earnings and included in other non-operating expenses in the consolidated statements of operations. See "— Our Balance Sheet and Indebtedness — Subordinated Notes Payable to Mubadala."

On December 6, 2010, we completed the acquisition of management contracts relating to four CLO vehicles previously managed by Mizuho Alternative Investment, LLC ("Mizuho"). The four CLOs totaled approximately \$1.2 billion in assets at the time of acquisition. Simultaneously with this transaction, Carlyle acquired approximately \$51 million par value of subordinated notes in the four CLOs from affiliates of Mizuho. In August 2010, we completed the acquisition of management contracts relating to CLO vehicles previously managed by Stanfield Capital Partners, LLC ("Stanfield"). At acquisition, the 11 CLOs had \$4.2 billion in assets.

For additional information concerning our recent transactions, please see Notes 3 and 15 to the combined and consolidated financial statements included elsewhere in this prospectus.

Reorganization

In connection with this offering we intend to effect a Reorganization described in greater detail under "Organizational Structure." The Reorganization has the following primary elements:

Restructuring and Purchase of Certain Third Party Interests. Certain existing and former owners of the Parent Entities (including CalPERS and former and current senior Carlyle professionals) have

beneficial interests in investments in or alongside our funds that were funded by such persons indirectly through the Parent Entities. In order to minimize the extent of third party ownership interests in firm assets, prior to the completion of the offering, the Parent Entities will (i) purchase a portion of these beneficial interests at their fair value (approximately \$ million) and (ii) restructure the remainder of these beneficial interests (approximately \$ million as of June 30, 2011) so that they are held directly by such beneficial owners. In addition, prior to the offering the Parent Entities will restructure ownership of certain carried interest rights allocated to former owners so that such carried interest rights will be held directly by these former owners and reflected as non-controlling interests in our financial statements. Such restructured carried interest rights accounted for approximately \$ million of our performance fee revenue for the year ended December 31, 2010 and approximately \$ million of our performance fee revenue for the six months ended June 30, 2011.

Distribution of Earnings and Accumulated Cash. Prior to the date of the offering the Parent Entities will also make to their owners one or more cash distributions of previously undistributed earnings and accumulated cash totaling \$.

Conversion of Subordinated Notes. Immediately prior to the contribution of the Parent Entities to Carlyle Holdings as described below, the outstanding principal amount of the subordinated notes issued to Mubadala in December 2010 will be converted into additional equity interests in the Parent Entities. The amount of additional equity interests in the Parent Entities which Mubadala will receive upon conversion of the notes will be determined based on the initial public offering price of the common units in this offering. More specifically, Mubadala will receive upon conversion of the notes that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings as described below, entitle Mubadala to a number of Carlyle Holdings partnership units that is equal to the quotient of \$250 million (plus any accrued and unpaid interest on the notes) divided by the product of .925 multiplied by the initial public offering price per common unit in this offering. Based on an assumed initial offering price of \$ per common unit (the midpoint of the range indicated on the front cover of this prospectus), Mubadala will be entitled upon conversion of the notes to that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings as described below, entitle Mubadala to Carlyle Holdings partnership units. A \$1.00 increase in the assumed initial offering price per common unit would decrease the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. A \$1.00 decrease in the assumed initial public offering price per common unit would increase the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. See "Pricing Sensitivity Analysis."

Contribution of the Parent Entities and Other Interests to Carlyle Holdings. Prior to the consummation of this offering:

- our senior Carlyle professionals, Mubadala and CalPERS will contribute all of their interests in:
 - TC Group, L.L.C. to Carlyle Holdings I L.P.;
 - TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. to Carlyle Holdings II L.P.; and
 - TC Group Cayman, L.P. to Carlyle Holdings III L.P.; and
- senior Carlyle professionals and other individuals engaged in our business will contribute to the Carlyle Holdings partnerships a portion of the equity interests they own in the general partners of our existing carry funds.

In consideration of these contributions our existing owners will receive an aggregate of Carlyle Holdings partnership units.

Accordingly, following the Reorganization and this offering, The Carlyle Group L.P. will be a holding partnership and, through wholly owned subsidiaries, will hold equity interests in three Carlyle Holdings partnerships (which we refer to collectively as “Carlyle Holdings”), which in turn will own the four Parent Entities. Through its wholly owned subsidiaries, The Carlyle Group L.P. will be the sole general partner of each of the Carlyle Holdings partnerships. Accordingly, The Carlyle Group L.P. will operate and control all of the business and affairs of Carlyle Holdings and will consolidate the financial results of the Carlyle Holdings partnerships and its consolidated subsidiaries, and the ownership interest of the limited partners of the Carlyle Holdings partnerships will be reflected as a non-controlling interest in The Carlyle Group L.P.’s consolidated financial statements.

Consolidation of Certain Carlyle Funds

Pursuant to U.S. GAAP, we consolidate certain Carlyle funds, related co-investment entities and CLOs that we advise, which we refer to collectively as the Consolidated Funds, in our combined and consolidated financial statements for certain of the periods we present. These funds represent approximately 11% of our AUM as of June 30, 2011; 8% and 5% of our fund management fees during the six months ended June 30, 2011 and the year ended December 31, 2010, respectively; and 1% and less than 1% of our performance fees during the six months ended June 30, 2011 and the year ended December 31, 2010, respectively.

We are not required under U.S. GAAP to consolidate most of the investment funds we advise in our combined and consolidated financial statements because such funds provide the limited partners with the right to dissolve the fund without cause by a simple majority vote of the non-Carlyle affiliated limited partners, which overcomes the presumption of control by Carlyle. Beginning in 2010, we consolidated the CLOs that we advise as a result of revisions to the accounting standards governing consolidations. As of June 30, 2011, our consolidated CLOs hold approximately \$12 billion of total assets and comprise 90% of the assets of the Consolidated Funds and 100% of the 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. For further information on consolidation of certain funds, see Note 2 to the combined and consolidated financial statements included elsewhere in this prospectus.

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 (loss) attributable to Carlyle Group and members’ equity. The majority of the net economic ownership interests of the Consolidated Funds are reflected as non-controlling interests in consolidated entities, redeemable non-controlling interests in consolidated entities, and equity appropriated for Consolidated Funds in the combined and consolidated financial statements. For further information, see Note 2 to the combined and consolidated financial statements included elsewhere in this prospectus.

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.

Key Financial Measures

Our key financial measures are discussed in the following pages.

Revenues

Revenues primarily consist of fund management fees, performance fees, investment income, including realized and unrealized gains of our investments in our funds and other trading securities, as well as interest and other income. See “— Critical Accounting Policies — Performance Fees” and Note 2 to the combined and consolidated financial statements included elsewhere in this prospectus

for additional information regarding the manner in which management fees and performance fees are generated.

Fund Management Fees. Fund management fees include (i) management fees earned on capital commitments or AUM and (ii) transaction and portfolio advisory fees. Management fees are fees we receive 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. Management fees are based on (a) third parties' capital commitments to our investment funds, (b) third parties' remaining capital invested in our investment funds or (c) the net asset value ("NAV") of certain of our investment funds, as described in our combined and consolidated financial statements. Fee-earning AUM based on NAV or fair value was less than 7% of our total fee-earning AUM during the six months ended June 30, 2011 and the year ended December 31, 2010.

Management fees for funds in our Corporate Private Equity and Real Assets segments generally range from 1.0% to 2.0% of commitments during the investment period of the relevant fund. Large funds tend to have lower effective management fee rates, while smaller funds tend to have effective management fee rates approaching 2.0%. Following the expiration or termination of the investment period of such funds the management fees generally step-down to between 0.6% and 2.0% of contributions for unrealized investments. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees are called semiannually in advance and are recognized as earned over the subsequent six month period. As a result, cash on hand and deferred revenue will generally be higher at or around January 1 and July 1, which are the semiannual due dates for management fees. Management fees for funds in our Fund of Funds Solutions segment generally range from 0.3% to 1.0% on the fund or vehicle's capital commitments during the first two to five years of the investment period and 0.3% to 1.0% on the lower of cost of the capital invested or fair value of the capital invested thereafter. Management fees for our Fund of Fund Solutions segment are due quarterly and recognized over the related quarter. Our hedge funds generally pay management fees quarterly that range from 1.5% to 2.0% of NAV per year. Management fees for our CLOs typically range from 0.4% to 0.5% on the total par amount of assets in the fund and are due quarterly or semiannually based on the terms and recognized over the relevant period. Our management fees for our CLOs and credit opportunities funds are governed by indentures and collateral management agreements. With respect to Claren Road, ESG and AlpInvest, we retain a specified percentage of the earnings of the businesses based on our ownership in the management companies of 55% in the case of Claren Road and ESG and 60% in the case of AlpInvest. Management fees are not subject to repayment but may be offset to the extent that other fees are earned as described below under "— Transaction and Portfolio Advisory Fee".

For the six months ended June 30, 2011, management fees attributable to CP V (one of our U.S. buyout funds with approximately \$13.0 billion of fee-earning AUM as of such date) were approximately 19.3% of total management fees recognized during the period. For the years ended December 31, 2010, 2009, and 2008, management fees attributable to CP V and CEP III (one of our European buyout funds) were approximately 21% and 13%, respectively, of total management fees recognized in each year. No other fund generated over 10% of total management fees in the periods presented.

Transaction and Portfolio Advisory Fees. Transaction and portfolio advisory fees are fees we receive for the transaction and portfolio advisory services we provide to our portfolio companies. When covered by separate contractual agreements, we recognize transaction and portfolio advisory fees for these services when the service has been provided 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." Such rebate offset percentages generally range from 50% to 80% of the transaction and advisory fees earned. While the portfolio advisory fees are relatively consistent, transaction fees vary in accordance with our investment pace.

Performance Fees. Performance fees consist principally of the special residual allocation of profits to which we are entitled, commonly referred to as carried interest, from certain of our investment funds, which we refer to as the “carry funds.” We are generally entitled to a 20% allocation (or 1.8% to 10% in the case of most of our fund of funds vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 8% to 9% and the return of certain fund costs (subject to catch-up provisions as set forth in the fund limited partnership agreement). Carried interest revenue, which is a component of performance fees in our combined and consolidated financial statements, 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 fees reflects our share of the fair value gains and losses of the associated funds’ underlying investments measured at their then-current fair values. As a result, the performance fees earned in an applicable reporting period are not indicative of any future period. Carried interest is ultimately realized and distributed when: (i) an underlying investment is profitably disposed of, (ii) the investment fund’s cumulative returns are in excess of the preferred return and (iii) we have decided to collect carry rather than return additional capital to limited partner investors. The portion of performance fees that are realized and unrealized in each period are separately reported in our statements of operations. As noted above, prior to the consummation of this offering, we will purchase or restructure certain carried interest rights allocated to certain former owners of the Parent Entities so that such carried interest rights are either held directly by such persons or are reflected as non-controlling interests in our financial statements. In addition, in connection with the Reorganization, the portion of carried interest allocated to our senior Carlyle professionals and other personnel who work in our fund operations will decrease from historical levels to approximately 45%. See “Organizational Structure — Reorganization.” Among other adjustments, the presentation of Economic Net Income in our pro forma financial statements includes adjustments to our historical Economic Net Income related to (i) income attributable to the carried interest rights which will be reflected as non-controlling interests, and (ii) the change in the portion of carried interest allocated to our senior Carlyle professionals and other personnel who work in our fund operations. See “Unaudited Pro Forma Financial Information.”

Under our arrangements with the historical owners and management team of AlpInvest, such persons are allocated all carried interest in respect of the historical investments and commitments to the fund of funds vehicles that existed as of December 31, 2010, 85% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 60% of the carried interest in respect of all other commitments (including all future commitments from third parties).

Our performance fees are generated by a diverse set of funds with different vintages, geographic concentrations, investment strategies and industry specialties. While we expect that our larger buyout funds generally will generate higher gross performance fees than other investment funds, the identity of funds contributing greater than 10% of performance fees may differ from period to period, and a single investment is unlikely to account for greater than 10% of performance fees in any period. Except as discussed in the following paragraph, none of our investment funds generated over 10% of performance fees for any of the three years ended December 31, 2010 or for the six months ended June 30, 2011.

Performance fees from CP V and CP IV, our two most recent US buyout funds (with total AUM of approximately \$15.6 billion and \$9.3 billion, respectively, as of June 30, 2011) were \$511.3 million and \$352.8 million, or approximately 42% and 29% of total performance fees, respectively, for the six months ended June 30, 2011. Performance fees from CP IV were \$668.7 million and losses of \$109.5 million, or approximately 45% and 12% of total performance fees, for the years ended December 31, 2010 and 2008, respectively. The investment by CAP I, our first Asia buyout fund and related coinvestment vehicles in

China Pacific Insurance (Group) Co. Ltd. (“China Pacific”) (with combined total AUM of approximately \$5.4 billion as of December 31, 2009), generated performance fees of \$525.5 million and losses of \$391.4 million, or approximately 106% and 44% of total performance fees, for the years ended December 31, 2009 and 2008, respectively.

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. If the fair value of a fund’s investments falls below the applicable return hurdles previously recognized carried interest and performance fees are reduced. In all cases, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. For any given period carried interest income could thus be negative; however, cumulative performance fees and allocations can never be negative over the life of a fund. In addition, Carlyle is not obligated to pay guaranteed returns or hurdles. If upon a hypothetical liquidation of a fund’s investments at the then-current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established in Carlyle’s financial statements for the potential giveback obligation. As discussed below, 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. Generally, the actual giveback liability, if any, does not become due until the end of a fund’s life.

In addition to the carried interest from our carry funds, we are also entitled to receive incentive fees or allocations from certain of our Global Market Strategies funds when the return on AUM exceeds previous calendar-year ending or date-of-investment high-water marks. Our hedge funds generally pay annual incentive fees or allocations equal to 20% of the fund’s profits for the year, subject to a high-water mark. The high-water mark is the highest historical NAV attributable to a fund investor’s account on which incentive fees were paid and means that we will not earn incentive fees with respect to such fund investor for a year if the NAV of such investor’s account at the end of the year is lower than any prior year-end NAV or the NAV at the date of such fund investor’s investment, generally excluding any contributions and redemptions for purposes of calculating NAV. We recognize the incentive fees from our hedge funds as they are earned. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved and are included in performance fees in our combined and consolidated statements of operations. These incentive fees are a component of performance fees in our combined and consolidated financial statements and are treated as accrued until paid to us.

As of June 30, 2011, accrued performance fees and accrued giveback obligations were \$2.7 billion and \$84.3 million, respectively. Each balance assumes a hypothetical liquidation of the funds’ investments at June 30, 2011 at their then current fair values. These assets and liabilities will continue to fluctuate in accordance with the fair values of the fund investments until they are realized.

In addition, realized performance fees may be reversed in future periods to the extent that such amounts become subject to a giveback obligation. If at June 30, 2011, all investments held by our carry funds were deemed worthless, the amount of realized and previously distributed performance fees subject to potential giveback would be \$572.6 million. See the related discussion of “Contingent Obligations (Giveback)” within “— Liquidity and Capital Resources.”

As described above, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. As a result, performance fees 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, we use the term “net performance fees” to refer to the carried interest from our carry funds and Global Market Strategies funds net of the portion allocated to our investment professionals which is reflected as performance fee related compensation expense.

See “— Non-GAAP Financial Measures” for the amount of realized and unrealized performance fees recognized and or reversed each period. See “— Segment Analysis” for the realized and unrealized performance fees by segment and related discussion for each period.

Investment Income (Loss) and Interest and Other Income. Investment income (loss) and interest and other income represent the unrealized and realized gains and losses on our principal investments, including our investments in Carlyle funds that are not consolidated, our equity method investments and other principal investments, as well as any interest and other income. Unrealized 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. As noted above, prior to the consummation of this offering, we will purchase beneficial ownership of certain investments in or alongside our funds beneficially owned by certain existing and former owners of the Parent Entities, or we will restructure such beneficial interests so that they are either held directly by such beneficial owners or are reflected as non-controlling interests in our financial statements. Among other adjustments, the presentation of Economic Net Income in our pro forma financial statements includes adjustments to our historical Economic Net Income related to the investment income that is attributable to any such investments which either will no longer be consolidated or will be reflected as non-controlling interests, as the case may be. See “Unaudited Pro Forma Financial Information.”

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds principally represent presently the interest earned on CLO assets. However, the Consolidated Funds are not the same entities in all periods presented and may change in future periods due to changes in U.S. GAAP, changes in fund terms 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. Therefore a gain or loss is not expected to have an impact on the revenues or profitability of Carlyle. 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 non-recourse to us. Therefore, a gain or loss from the Consolidated Funds does not impact the assets available to our equity holders.

Expenses

Compensation and Benefits. Compensation includes salaries, bonuses and performance payment arrangements for non-partners. Bonuses are accrued over the service period to which they relate. Compensation attributable to our senior Carlyle professionals has historically been accounted for as distributions from equity rather than as employee compensation. Accordingly, net income as determined in accordance with U.S. GAAP for partnerships is not comparable to net income of a corporation. Furthermore, any unpaid obligation to our senior Carlyle professionals has historically been presented as a separate liability to our senior Carlyle professionals. We recognize as compensation expense the portion of performance fees that are due to our employees and senior advisors in a manner consistent with how we recognize the performance fee revenue. These amounts are accounted for as compensation expense in conjunction with the related performance fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Compensation in respect of performance fees is not paid until the related performance fees are realized, and not when such performance fees are accrued.

Upon the effectiveness of this offering, we will account for compensation to senior Carlyle professionals as an expense in our statement of operations and have reflected the related adjustments in our pro forma financial statements. See “Unaudited Pro Forma Financial Information.” In our calculations of Economic Net Income, Net Fee Related Earnings from Operations and Distributable Earnings, which are used by management in assessing the performance of our segments, we include an adjustment to reflect a pro forma charge for partner compensation. See “— Combined and Consolidated Results of Operations — Non-GAAP Financial Measures” for a reconciliation of Income Before Provision for Income Taxes to Total Segments Economic Net Income, of Total Segments Economic Net Income to Fee Related Earnings and of Fee Related Earnings to Distributable Earnings.

Also upon the effectiveness of this offering, we will implement equity based arrangements that will require senior Carlyle professionals to vest ownership of a portion of their equity interests over a future service period of up to years, which under U.S. GAAP will result in compensation charges over future periods. Consistent with how we assess the performance of our segments, such charges will not be reflected in our calculations of Economic Net Income, Net Fee Related Earnings from Operations and Distributable Earnings.

We expect that we will hire additional individuals and that overall compensation levels will correspondingly increase, which will result in an increase in compensation and benefits expense. As a result of recent acquisitions, we will have charges associated with contingent consideration taking the form of earn-outs and profit participation some of which will be reflected as compensation expense in future periods. We also expect that our fundraising will increase in future periods and as a result we expect that our compensation expense will also increase in periods where we close on increased levels of new capital commitments. Amounts due to employees related to such fundraising will be expensed when earned even though the benefit of the new capital and related fees will be reflected in operations over the life of the related fund.

General, Administrative and Other Expenses. Other operating expenses represent general and administrative expenses including occupancy and equipment expenses, interest and other expenses, which consist principally of professional fees, travel and related expenses, communications and information services and depreciation and amortization and foreign currency transactions.

We anticipate that general, administrative and other expenses will fluctuate significantly from period to period due to the impact of foreign exchange transactions. Additionally, we expect that general, administrative and other expenses will vary due to infrequently occurring or unusual items. We also expect to incur greater expenses in the future related to our recent acquisitions including amortization of acquired intangibles, earn-outs to equity holders and market value adjustments on contingent consideration issued.

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

Income Taxes. Prior to the Reorganization in connection with this offering, we have operated as a group of pass-through entities for U.S. income tax purposes and our profits and losses are allocated to the individual senior Carlyle professionals, which are individually responsible for reporting such amounts. We record a provision for state and local income taxes for certain entities based on applicable laws. Based on applicable foreign tax laws, we record a provision for foreign income taxes for certain foreign entities.

Income taxes for foreign entities are accounted for using the 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 assets and liabilities of a change in tax rates is recognized in income in the period when 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. As of December 31, 2010, our U.S. federal income tax returns for the years 2007 through 2009 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 2006 to 2009. Specifically, our Washington, D.C. franchise tax years are currently open, as are our New York City returns, for the tax years 2008 to 2009. Foreign tax returns are generally subject to audit from 2004 to 2009. Certain of our foreign subsidiaries are currently under audit by foreign tax authorities.

Following this offering the Carlyle Holdings partnerships and their subsidiaries will continue to operate as pass-through entities for U.S. income tax purposes and record a provision for foreign income taxes for certain foreign entities. In addition, Carlyle Holdings I GP Inc. is subject to additional entity-level taxes that will be reflected in our consolidated financial statements. For information on the pro forma effective tax rate of The Carlyle Group L.P. following the Reorganization, see Note 1(e) in "Unaudited Pro Forma Financial Information."

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 and by subscriptions and redemptions in hedge funds which occur during the reporting period. Non-controlling interests related to hedge funds are subject to quarterly or monthly redemption by investors in these funds following the expiration of a specified period of time (typically one year), or may be withdrawn subject to a redemption fee in the hedge funds during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third-party interests in such consolidated funds are presented as redeemable non-controlling interests in consolidated entities within the combined and consolidated balance sheets. When redeemable amounts become legally payable to investors, they are classified as a liability and included in other liabilities of Consolidated Funds in the combined and consolidated balance sheets. Following this offering, we will also record significant non-controlling interests in income of consolidated entities relating to the ownership interest of our existing owners in Carlyle Holdings. As described in "Organizational Structure," The Carlyle Group L.P. will, through wholly-owned subsidiaries, be the sole general partner of each of the Carlyle Holdings partnerships. The Carlyle Group L.P. will consolidate the financial results of Carlyle Holdings and its consolidated subsidiaries, and the ownership interest of the limited partners of Carlyle Holdings will be reflected as a non-controlling interest in The Carlyle Group L.P.'s consolidated financial statements.

Non-GAAP Financial Measures

Economic Net Income. Economic net income or "ENI," is a key performance benchmark used in our industry. ENI represents segment net income which excludes the impact of income taxes, acquisition-related items including amortization of acquired intangibles and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation, corporate actions and infrequently occurring or unusual events. We believe the exclusion of these items provides investors with a meaningful indication of our core operating performance. For segment reporting purposes, revenues and expenses, and accordingly segment net income, are presented on a basis that deconsolidates the Consolidated Funds. ENI also reflects pro forma compensation expense for compensation to our senior Carlyle professionals, which we have historically accounted for as distributions from equity rather than as employee compensation. Total Segment ENI equals the aggregate of ENI for all segments. ENI is evaluated regularly by management in making resource deployment decisions and in assessing performance of our four segments and for compensation. We believe that reporting ENI is helpful to understanding our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance. This measure supplements and should be considered in addition to and not in lieu of

the results of operations discussed further under “Combined and Consolidated Results of Operations” prepared in accordance with U.S. GAAP.

Distributable Earnings. Distributable Earnings is derived from our segment reported results and is an additional measure to assess performance and amounts potentially available for distribution from Carlyle Holdings to its equity holders. Distributable Earnings, which is a non-GAAP measure, is intended to show the amount of net realized earnings without the effects of consolidation of the Consolidated Funds. Distributable Earnings is total ENI less unrealized performance fees, unrealized investment income and the corresponding unrealized performance fee compensation expense.

Fee Related Earnings from Operations. Fee related earnings from operations is a component of ENI and is used to measure our operating profitability exclusive of performance fees, investment income from investments in our funds and performance fee-related compensation. Accordingly, fee related earnings reflect the ability of the business to cover direct base compensation and operating expenses from fee revenues other than performance fees. Fee related earnings are reported as part of our segment results. We use fee related earnings from operations to measure our profitability from fund management fees. See Note 14 to the combined and consolidated financial statements included elsewhere in this prospectus.

Assets under Management

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

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

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

Fee-earning Assets under Management

Fee-earning assets under management or Fee-earning AUM refers to the assets we manage from which we derive recurring fund management fees. Our fee-earning AUM generally equals the sum of:

- (a) for carry funds and certain co-investment vehicles where the investment period has not expired, the amount of limited partner capital commitments;
- (b) for carry funds and certain co-investment vehicles where the investment period has expired, the remaining amount of limited partner invested capital;
- (c) the gross amount of aggregate collateral balance at par, adjusted for defaulted or discounted collateral, of our CLOs and the reference portfolio notional amount of our synthetic CLOs;
- (d) the external investor portion of the net asset value (pre-redemptions and subscriptions) of our long/short credit funds, emerging markets, multi-product macroeconomic and other hedge funds and certain structured credit funds; and
- (e) for fund of funds vehicles, the amount of external investor capital commitments during the commitment period, and the lower of cost or fair value of invested capital thereafter.

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

	As of June 30,		As of December 31,		
	2011	2010	2010	2009	2008
(Dollars in millions)					
Consolidated Results					
Components of Fee-earning AUM					
Fee-earning AUM based on capital commitments(1)	\$ 42,507	\$ 45,840	\$ 44,515	\$ 46,460	\$ 46,099
Fee-earning AUM based on invested capital(2)	21,310	17,834	19,306	18,456	18,848
Fee-earning AUM based on collateral balances, at par(3)	10,902	8,209	11,377	9,379	9,693
Fee-earning AUM based on net asset value(4)	4,908	258	4,782	298	117
Fee-earning AUM based on other(5)	806	814	816	818	1,569
Total Fee-earning AUM	\$ 80,433	\$ 72,955	\$ 80,796	\$ 75,411	\$ 76,326

- (1) Reflects limited partner capital commitments where the investment period has not expired.
(2) Reflects limited partner invested capital and includes amounts committed to or reserved for investments for certain real assets funds.
(3) Reflects the gross amount of aggregate collateral balances, at par, for our CLOs.
(4) Reflects the net asset value of our hedge funds (pre-redemptions and subscriptions).
(5) Includes funds with fees based on notional value, lower of cost or fair value of invested capital and gross asset value.

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

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2011	2010	2010	2009	2008
(Dollars in millions)					
Consolidated Results					
Fee-Earning AUM Rollforward					
Balance, Beginning of Period	\$ 80,796	\$ 75,411	\$ 75,411	\$ 76,326	\$ 64,848
Inflows, including Commitments and Subscriptions(1)	2,933	1,429	3,043	1,531	10,594
Acquisitions	—	—	9,604	—	—
Outflows, including Distributions and Redemptions(2)	(4,251)	(1,362)	(3,476)	(1,692)	(3,740)
Changes in CLO collateral balances	(804)	(262)	(2,534)	(1,140)	4,839
Market Appreciation/(Depreciation)(3)	275	15	38	129	(314)
Foreign exchange and other(4)	1,484	(2,276)	(1,290)	257	99
Balance, End of Period	\$ 80,433	\$ 72,955	\$ 80,796	\$ 75,411	\$ 76,326

- (1) Inflows represent limited partner capital raised by our carry funds, capital invested by our carry funds outside the investment period and subscriptions to our hedge funds.
(2) Outflows represent limited partner distributions from our carry funds, redemptions in our hedge funds and changes in basis for our carry funds where the investment period has expired.
(3) Market Appreciation/(Depreciation) represents changes in the net asset value of our hedge funds.
(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-USD 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.

Please 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. Our AUM equals the sum of the following:

(a) the fair value of the capital invested in our carry funds, co-investment vehicles and fund of funds vehicles plus the capital that we are entitled to call from investors in those funds and vehicles (including our 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 at par of our CLOs and the reference portfolio notional amount of our synthetic CLOs; and

(c) the net asset value of our long/short credit (pre-redemptions and subscriptions), emerging markets, multi-product macroeconomic and other hedge funds and certain structured credit funds.

Our carry funds are closed-ended funds and investors are not able to redeem their interests under the fund partnership agreements.

For our carry funds, co-investment vehicles and fund of funds vehicles, 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 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.

Available Capital

Available capital, commonly known as “dry powder,” for our carry funds refers to the amount of capital commitments available to be called for 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 Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

Consolidated Results	Available Capital	Fair Value of Capital (Dollars in millions)	Total AUM
Total AUM Rollforward			
Balance, As of December 31, 2007	\$ 35,364	\$ 45,245	\$ 80,609
Commitments and Subscriptions(1)	14,560	107	14,667
Capital Called, net(2)	(13,239)	12,618	(621)
Distributions and Redemptions, net(3)	545	(2,842)	(2,297)
Changes in CLO collateral balances	—	3,717	3,717
Market Appreciation/(Depreciation)(4)	—	(9,287)	(9,287)
Foreign exchange(5)	(48)	(401)	(449)
Balance, As of December 31, 2008	\$ 37,182	\$ 49,157	\$ 86,339
Commitments and Subscriptions(1)	969	43	1,012
Capital Called, net(2)	(5,812)	5,041	(771)
Distributions and Redemptions, net(3)	1,225	(2,270)	(1,045)
Changes in CLO collateral balances	—	(1,171)	(1,171)
Market Appreciation/(Depreciation)(4)	—	5,135	5,135
Foreign exchange(5)	84	249	333
Balance, As of December 31, 2009	\$ 33,648	\$ 56,185	\$ 89,832
Commitments and Subscriptions(1)	3,944	9	3,953
Acquisitions	—	10,463	10,463
Capital Called, net(2)	(14,819)	14,312	(507)
Distributions and Redemptions, net(3)	2,151	(10,500)	(8,349)
Changes in CLO collateral balances	—	(1,159)	(1,159)
Market Appreciation/(Depreciation)(4)	—	14,524	14,524
Foreign exchange(5)	(508)	(737)	(1,245)
Balance, As of December 31, 2010	\$ 24,416	\$ 83,096	\$ 107,512
Commitments and Subscriptions(1)	2,215	1,121	3,336
Capital Called, net(2)	(3,679)	3,389	(290)
Distributions and Redemptions, net(3)	2,674	(14,099)	(11,425)
Changes in CLO collateral balances	—	(424)	(424)
Market Appreciation/(Depreciation)(4)	—	7,717	7,717
Foreign exchange(5)	389	1,164	1,553
Balance, As of June 30, 2011	\$ 26,015	\$ 81,964	\$ 107,979

(1) Represents capital raised by our carry funds, net of expired available capital, and subscriptions to our hedge funds.

(2) Represents capital called by our carry funds, net of fund fees and expenses.

(3) Represents distributions from our carry funds, net of amounts recycled, and redemptions in our hedge funds.

(4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments and changes in the net asset value of our hedge funds.

(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-USD 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.

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

Subsequent to June 30, 2011, we completed the acquisitions of AlInvest and ESG which, in the aggregate, increased fee-earning AUM by approximately \$29 billion and total AUM by approximately \$46 billion. We revalue our remaining fund investments on a quarterly basis. We preliminarily expect that the remaining fair values of our fund investments will decrease in the third quarter and accordingly expect that our performance fee revenue will be negative in the third quarter. Negative performance fees impact our accrued performance fee balances but the change in fair values does not impact our current cash flows.

Combined and Consolidated Results of Operations

The following table and discussion sets forth information regarding our combined and consolidated results of operations for the six months ended June 30, 2011 and June 30, 2010 and the three years ended December 31, 2010, 2009 and 2008. The combined and consolidated financial statements of Carlyle Group 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.

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
(Dollars in millions)					
Statement of operations data					
Revenues					
Fund management fees	\$ 447.2	\$ 386.7	\$ 770.3	\$ 788.1	\$ 811.4
Performance fees					
Realized	494.9	81.0	266.4	11.1	59.3
Unrealized	725.5	32.9	1,215.6	485.6	(944.0)
Total performance fees	1,220.4	113.9	1,482.0	496.7	(884.7)
Investment income (loss)					
Realized	42.8	(3.1)	11.9	(5.2)	5.7
Unrealized	19.2	25.1	60.7	10.2	(110.6)
Total investment income (loss)	62.0	22.0	72.6	5.0	(104.9)
Interest and other income	13.1	8.9	21.4	27.3	38.2
Interest and other income of Consolidated Funds	330.4	231.0	452.6	0.7	18.7
Total revenues	2,073.1	762.5	2,798.9	1,317.8	(121.3)
Expenses					
Compensation and benefits					
Base compensation	175.3	145.1	265.2	264.2	297.2
Performance fee related					
Realized	84.8	—	46.6	1.1	23.3
Unrealized	57.8	8.7	117.2	83.1	(223.1)
Total compensation and benefits	317.9	153.8	429.0	348.4	97.4
General, administrative and other expenses	144.3	77.1	177.2	236.6	245.1
Interest	32.8	9.0	17.8	30.6	46.1
Interest and other expenses of Consolidated Funds	190.9	115.4	233.3	0.7	6.8
Loss (gain) from early extinguishment of debt, net of related expenses	—	—	2.5	(10.7)	—
Equity issued for affiliate debt financing	—	—	214.0	—	—
Other non-operating expenses	20.6	—	—	—	—
Loss on CCC liquidation	—	—	—	—	147.0
Total expenses	706.5	355.3	1,073.8	605.6	542.4
Net investment gains (losses) of Consolidated Funds	(277.0)	314.6	(245.4)	(33.8)	162.5
Income (loss) before provision for income taxes	1,089.6	721.8	1,479.7	678.4	(501.2)
Provision for income taxes	12.8	7.4	20.3	14.8	12.5
Net income (loss)	1,076.8	714.4	1,459.4	663.6	(513.7)
Net income (loss) attributable to non-controlling interests in consolidated entities	(191.1)	410.1	(66.2)	(30.5)	94.5
Net income (loss) attributable to Carlyle Group	\$ 1,267.9	\$ 304.3	\$ 1,525.6	\$ 694.1	\$ (608.2)

Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

Revenues

Total revenues were \$2,073.1 million for the six months ended June 30, 2011, an increase of 172% over total revenues in the comparable period in 2010. The increase in revenues was primarily attributable to an increase in performance fees of \$1,106.5 million, which represented a 971% increase over performance fees for the first six months of 2010. Fund management fees increased 16% to \$447.2 million for the six months ended June 30, 2011. Interest and other income of Consolidated Funds increased 43% to \$330.4 million from \$231.0 million in 2010.

Fund Management Fees. Fund management fees increased \$60.5 million, or 16%, to \$447.2 million for the six months ended June 30, 2011 as compared to the same 2010 period. In addition, fund management fees from consolidated funds increased \$21.0 million for the six months ended June 30, 2011 as compared to the same 2010 period. These fees eliminate upon consolidation of these funds.

Approximately \$56.0 million of the \$81.5 million increase was due to incremental management fees resulting from the acquisition of Claren Road at December 31, 2010 as well as acquired CLO contracts from Stanfield and Mizuho in the second half of 2010. In addition, during the six months ended June 30, 2011, management fees increased as a result of new capital raised for one of our US real estate funds and our South America buyout fund. Fund management fees includes transaction and portfolio advisory fees, net of rebate offsets, of \$47.2 million and \$20.8 million for the six months ended June 30, 2011 and 2010, respectively. The \$26.4 million increase in transaction and portfolio advisory fees resulted from greater investment activity during the first six months of 2011 as compared to the same period in 2010. These fee increases were offset by non-recurring management fees earned in the first quarter of 2010 from final closings of two corporate private equity funds and lower fees from our third European buyout fund in the fourth quarter of 2010.

Performance Fees. Performance fees in the first six months of 2011 were \$1,220.4 million compared to \$113.9 million in the same period in 2010. The increase in performance fees was due principally to increases in the fair value of the underlying funds which increased approximately 15% in total remaining value during the first six months of 2011. The net appreciation in the fair value of the investments was driven by improved asset performance and operating projections as well as increases in market comparables. Approximately \$963.8 million and \$119.5 million, or 79% and 105%, of performance fees for the first six months of 2011 and 2010, respectively, were generated by our Corporate Private Equity segment. Performance fees for the first six months of 2010 were \$22.6 million and negative \$28.2 million for the Global Market Strategies and Real Assets segments, respectively. Further, approximately \$864.1 million, or 71%, of our performance fees for the six months ended June 30, 2011 were related to two of our funds in our Corporate Private Equity segment.

Investment Income (Loss). Investment income of \$62.0 million in the first six months of 2011 increased 182% over the comparable period in 2010. The \$40.0 million increase relates primarily to appreciation of investments in our funds that are not consolidated. In addition, investment income from Consolidated Funds increased \$15.6 million for the six months ended June 30, 2011 as compared to the same period in 2010, primarily from the increase in fair value of our investments in the equity tranches of our CLOs. This income is eliminated upon consolidation.

Interest and Other Income. Interest and other income remained relatively unchanged with \$13.1 million earned in the first six months of 2011, as compared to \$8.9 million in the same period in 2010.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds was \$330.4 million in the first six months of 2011, an increase of \$99.4 million from \$231.0 million in the same period in 2010. This increase relates primarily to the acquired CLOs of Stanfield and Mizuho as well as the consolidated Claren Road funds. The 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 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 and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to Carlyle Group.

Expenses

Expenses were \$706.5 million for the six months ended June 30, 2011, an increase of \$351.2 million from \$355.3 million for the same period in 2010. Approximately 47% of the increase in expenses is due to the increase in compensation and benefits. The increase was primarily driven by performance related compensation, which is directly correlated to the increase in performance fees. Also contributing to the increase is the increase in headcount from June 30, 2010 to June 30, 2011, including an increase of 45 professionals relating to the acquisition of Claren Road in December 2010. All compensation to senior Carlyle professionals is accounted for as equity distributions in our combined and consolidated financial statements. Had such amounts been accounted for as compensation expense, then total expenses would have been \$1,276.4 million and \$479.5 million in the six months ended June 30, 2011 and 2010, respectively, due primarily to increases of \$462.5 million and \$44.6 million, respectively, of performance fee related compensation.

Compensation and Benefits. Base compensation and benefits increased \$30.2 million, or 21%, in the first six months of 2011 over the 2010 comparable period, which primarily relates to the acquisition of Claren Road on December 31, 2010 and the addition of their professionals. The balance of the increase primarily reflects the increase in other personnel referenced above and increases in base compensation reflecting promotions and merit pay adjustments. Performance related compensation expense increased \$133.9 million in the first six months of 2011 over the same period in 2010, of which \$84.8 million was an increase in realized performance fee related compensation and \$49.1 million was an increase in unrealized performance fee related compensation. Compensation and benefits excludes amounts earned by senior Carlyle professionals for compensation and carried interest allocated to our investment professionals as such amounts are accounted for as distributions from equity. Base compensation and benefits would have been \$282.7 million and \$224.7 million and performance related compensation would have been \$605.1 million and \$53.3 million in the first six months of 2011 and 2010, respectively, had compensation attributable to senior Carlyle professionals been treated as compensation expense. As adjusted for amounts related to senior Carlyle professionals, performance related compensation as a percentage of performance fees was 50% and 47% in the first six months of 2011 and 2010, respectively. Total compensation and benefits would have been \$887.8 million and \$278.0 million in the first six months of 2011 and 2010, respectively, had compensation attributable to senior Carlyle professionals been treated as compensation expense. These amounts represent 48.8% and 49.5% of total revenues before the impact of Consolidated Funds for the six months ended June 30, 2011 and 2010, respectively.

General, Administrative and Other Expenses. General, administrative and other expenses increased \$67.2 million in the six months ended June 30, 2011 compared to the same period in 2010. This increase was driven primarily by (i) approximately \$25.2 million of amortization expense associated with intangible assets acquired in 2010; (ii) an increase in professional fees for legal and accounting of approximately \$13.1 million; (iii) an increase in information technology expenses of \$6.2 million; (iv) an increase in office rent of \$5.5 million; (v) a negative variance of \$1.0 million related to foreign currency remeasurements; (vi) an increase of approximately \$1.4 million of severance and lease termination charges; and (vii) approximately \$3.3 million of expenses related to the operations of Claren Road.

Interest. Our interest expense for the six months ended June 30, 2011 was \$32.8 million, an increase of \$23.8 million from the six months ended June 30, 2010. This increase was primarily attributable to \$19.0 million of interest expense recorded in the first six months of 2011 on our

subordinated notes payable to Mubadala which we issued in connection with a December 2010 transaction. This borrowing will convert into equity in connection with our planned offering. See “— Reorganization — Conversion of Subordinated Notes.” The balance of the increase results from higher borrowings under our refinanced term loan and indebtedness incurred in connection with the acquisition of Claren Road.

Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds increased \$75.5 million in the first six months of 2011 as compared to the same period in 2010 due primarily to the acquisition of CLOs from Stanfield and Mizuho in 2010 and the consolidated Claren Road funds. 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 and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to Carlyle Group.

Other Non-operating Expenses. Other non-operating expenses of \$20.6 million in the first six months of 2011 reflects a \$17.7 million fair value adjustment on our subordinated notes payable to Mubadala which increased in fair value from \$494.0 million at December 31, 2010 to \$511.7 million at June 30, 2011. These notes have an aggregate face amount of \$500 million and will convert into equity upon the effectiveness of this offering as described above under “— Reorganization — Conversion of Subordinated Notes.” Also included in non-operating expenses are \$2.9 million of mark to market adjustments on the performance earn-out recorded in the acquisition of Claren Road.

Net Investment Gains (Losses) of Consolidated Funds

For the six months ended June 30, 2011, net investment gains (losses) of Consolidated Funds was a loss of \$277.0 million, as compared to the gain of \$314.6 million in the six months ended June 30, 2010. Beginning in 2010, this balance is predominantly driven by our consolidated CLOs and to a lesser extent by the other consolidated funds in our financial statements. The amount reflects the net gain or loss on the fair value adjustment of both the assets and liabilities of our consolidated CLOs. The components of net investment gains (losses) of consolidated funds for the respective periods are comprised of the following:

	Six Months Ended June 30.	
	2011	2010
	(Dollars in millions)	
Realized gains	\$ 143.1	\$ 0.5
Net change in unrealized gains	274.4	271.1
Total gains	417.5	271.6
Gains (losses) on liabilities of CLOs	(696.1)	39.2
Gains on other assets of CLOs	1.6	3.8
Total	\$ (277.0)	\$ 314.6

The realized and unrealized investment gains include the appreciation of the equity investments within the consolidated corporate private equity funds, appreciation of investments made by our consolidated hedge funds, and the appreciation of CLO investments in loans and bonds. The gains (losses) on the liabilities of the CLOs reflects the fair value adjustment on the debt of the CLOs. The liabilities of the CLOs have a lower degree of market liquidity and accordingly experience greater volatility than the CLO investments in bonds and loans. During the six months ended June 30, 2011, the liabilities appreciated more than the investments, creating a net investment loss.

Net (Loss) Income Attributable to Non-controlling Interests in Consolidated Entities

Net loss attributable to non-controlling interests in consolidated entities was \$191.1 million for the six months ended June 30, 2011 compared to the net income attributable to non-controlling interests in consolidated entities of \$410.1 million for the six months ended June 30, 2010. 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.

During the six months ended June 30, 2011, the net loss of our Consolidated Funds was approximately \$195.3 million. This loss was substantially due to our consolidated CLOs and the fair value adjustment from the CLO liabilities. The CLO liabilities appreciated in value greater than the CLO investments in loans and bonds, thereby creating a net loss. The amount of the loss was offset by approximately \$65.6 million of income allocated to the investors in the consolidated hedge funds which are reflected in redeemable non-controlling interests in consolidated entities on our combined and consolidated balance sheet. The loss was further reduced by CLO interest income in excess of interest expense. This is in contrast with the net income of our Consolidated Funds of approximately \$413.8 million for the six months ended June 30, 2010. The net income recognized during 2010 was substantially due to the gains on the CLO liabilities that were in excess of the losses on the CLO investments. The hedge funds were not acquired until December 31, 2010 with our acquisition of Claren Road and accordingly did not impact the first six months of 2010.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Revenues

Total revenues were \$2,798.9 million for the year ended December 31, 2010, an increase of approximately \$1.5 billion compared to total 2009 revenues of \$1,317.8 million. The increase in revenues was primarily attributable to an increase in performance fees of \$985.3 million to \$1,482.0 million for the year ended December 31, 2010 and an increase of \$451.9 million in interest and other income of Consolidated Funds. Investment income also increased \$67.6 million over 2009 while interest and other income decreased \$5.9 million in 2010 and fund management fees decreased \$17.8 million.

Fund Management Fees. Fund management fees decreased \$17.8 million, or 2%, to \$770.3 million for the year ended December 31, 2010 compared to 2009. The decrease in fund management fees was due to the consolidation of CLOs beginning in 2010 as a result of revisions to the accounting standards governing consolidations. The management fees from the consolidated CLOs eliminate upon consolidation of these funds. Fund management fees from consolidated CLOs of \$43.3 million for the year ended December 31, 2010 were eliminated from our financial statements. Fund management fees prior to elimination increased to \$813.6 million for 2010 from \$788.1 million in 2009, an increase of 3% or \$25.5 million. Fund management fees includes transaction and portfolio advisory fees, net of rebate offsets, of \$50.0 million and \$32.9 million for 2010 and 2009, respectively. The \$25.5 million increase in total fund management fees was due primarily to the acquisition of CLO contracts from Stanfield and Mizuho which contributed approximately \$6.1 million during 2010 and the increase in transaction and portfolio advisory fees of \$17.1 million, net of rebate offsets. This increase in transaction and portfolio advisory fees resulted from an increase in investment activity during 2010.

Performance Fees. Performance fees recognized in 2010 were \$1,482.0 million compared to \$496.7 million in 2009. The increase in performance fees was due principally to increases in the fair value of the underlying funds which increased in value a total of approximately 34% during 2010. The net appreciation in the fair value of the investments was driven by improved asset performance and operating projections of our funds' portfolio companies as well as increases in market comparables. Approximately \$668.7 million, or 45%, of 2010 performance fees are related to one of our funds in our Corporate Private Equity business.

Investment Income (Loss). Investment income for the year ended December 31, 2010 was \$72.6 million, and was primarily attributable to our equity investments in our funds and trading securities. Investment income increased \$67.6 million as compared to 2009, due principally to increases in the fair value of our funds' net assets. Investment income in 2010 excludes \$19.0 million of income which is primarily attributable to our investments in the equity tranches of our consolidated CLOs. This income is eliminated upon consolidation.

Interest and Other Income. Interest and other income decreased \$5.9 million from 2009 to \$21.4 million in 2010.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds was \$452.6 million in 2010, up from \$0.7 million in 2009. This income relates primarily to our CLOs which we were required to begin consolidating in 2010 upon a change in U.S. GAAP. The 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 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 and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to Carlyle Group.

Expenses

Total expenses were \$1,073.8 million for the year ended December 31, 2010, an increase of \$468.2 million from \$605.6 million for the year ended December 31, 2009. The significant increase in expenses was due primarily to a \$214.0 million expense associated with the issuance of the subordinated notes to Mubadala in December 2010, as well as the consolidation of our CLOs beginning on January 1, 2010 as a result of revisions to the accounting standards governing consolidations and the corresponding increase in interest and other expenses of Consolidated Funds, which increased \$232.6 million in 2010 from \$0.7 million in 2009. Also contributing to the increase in expenses was an increase in compensation and benefits related to performance fees which increased \$79.6 million due to higher performance fees in 2010 as previously described.

Compensation and Benefits. Base compensation and benefits remained relatively unchanged during 2010 with a net increase of \$1.0 million, or less than 1%. Performance fee related compensation expense increased \$79.6 million of which \$45.5 million was realized in 2010 and \$34.1 million is due to the increase in unrealized performance fees. Compensation and benefits excludes amounts earned by senior Carlyle professionals for compensation and carried interest allocated to our investment professionals as such amounts are accounted for as distributions from equity. Base compensation and benefits would have been \$462.7 million and \$446.4 million and performance related compensation would have been \$734.5 million and \$241.7 million in 2010 and 2009, respectively, had compensation attributable to senior Carlyle professionals been treated as compensation expense. As adjusted for amounts related to senior Carlyle professionals, base compensation and benefits increased 4% primarily reflecting merit pay adjustments. As adjusted for amounts related to senior Carlyle professionals, performance related compensation as a percentage of performance fees was 50% and 49% in 2010 and 2009, respectively. Total compensation and benefits would have been \$1,197.2 million and \$688.1 million in 2010 and 2009, respectively, had compensation attributable to senior Carlyle professionals been treated as compensation expense. These amounts represent 49.6% and 52.6% of total revenues before the impact of Consolidated Funds for 2010 and 2009, respectively.

General, Administrative and Other Expenses. General, administrative and other expenses decreased \$59.4 million compared to the year ended December 31, 2009. This decrease was driven by (i) the incurrence in 2009 of a \$20 million charge in connection with the resolution of an inquiry by the Office of the Attorney General of the State of New York regarding the use of placement agents by various asset managers, including Carlyle, to solicit New York public pension funds for private

equity and hedge fund commitments (the “NYAG Settlement”), (ii) approximately \$4.8 million of expenses in 2009 associated with the shut down of our Latin America real estate fund and (iii) a positive variance of \$34 million related to foreign currency remeasurements. In addition, severance and lease termination expenses were approximately \$20 million less in 2010 compared to 2009. This decrease in expense was substantially offset by higher professional fees in 2010.

Interest. Our interest expense for the year ended December 31, 2010 was \$17.8 million, a decrease of \$12.8 million from the prior year. This decrease was primarily due to lower outstanding borrowings during most of 2010 until we refinanced our term loan in November 2010 and borrowed \$494 million of subordinated debt in December 2010. In connection with these refinancing transactions we incurred \$2.5 million in early extinguishment charges in 2010 as compared to a gain of \$10.7 million from early repayment of debt in 2009.

Interest and Other Expenses of Consolidated Funds. Beginning on January 1, 2010 we were required to consolidate our CLOs as a result of revisions to the accounting standards governing consolidations. The loans of our Consolidated Funds have recourse only to the assets of the Consolidated Funds. Interest expense and other expenses of Consolidated Funds increased \$232.6 million in 2010 from \$0.7 million in 2009. 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 and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to Carlyle Group.

Equity Issued for Affiliate Debt Financing. In December 2010, we issued equity interests to Mubadala in connection with the placement of the subordinated notes. Because we elected the fair value option to account for the subordinated notes, we expensed the fair value of the equity interests as an upfront debt issuance cost totaling \$214.0 million.

Net Investment Gains (Losses) of Consolidated Funds

For the year ended December 31, 2010, net investment gains (losses) of Consolidated Funds was a loss of \$245.4 million, an increase of \$211.6 million compared to the loss of \$33.8 million for the year ended December 31, 2009. The Consolidated Funds include our CLOs beginning in 2010 as a result of revisions to the accounting standards governing consolidations. The components of net investment gains (losses) of Consolidated Funds for the respective periods are comprised of the following:

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
	(Dollars in millions)	
Realized gains (losses)	\$ 74.1	\$ (6.4)
Net change in unrealized gains	427.9	(27.4)
Total gains (losses)	502.0	(33.8)
Gains (losses) on liabilities of CLOs	(752.4)	—
Gains on other assets of CLOs	5.0	—
Total	<u>\$ (245.4)</u>	<u>\$ (33.8)</u>

The realized and unrealized investment gains include the appreciation of the equity investments within the consolidated corporate private equity funds as well as the appreciation of CLO investments in loans and bonds for 2010. The gains (losses) on the liabilities of the CLOs reflects the fair value adjustment on the debt of the CLOs. The liabilities of the CLOs have a lower degree of market liquidity and accordingly experience greater volatility than the CLO investments in bonds

and loans. During the year ended December 31, 2010, the liabilities appreciated more than the investments, creating a net investment loss. The comparative 2009 activity only includes the effect of consolidated corporate private equity funds.

Net Gain (Loss) Attributable to Non-controlling Interests in Consolidated Entities

Net loss attributable to non-controlling interests in consolidated entities was \$66.2 million for the year ended December 31, 2010 compared to \$30.5 million for the year ended December 31, 2009. This increase was primarily attributable to the net loss of the Consolidated Funds, which is substantially all allocated to the related funds' limited partners or CLO investors. During the year ended December 31, 2010, the net loss of our Consolidated Funds was approximately \$76.9 million and was substantially impacted by our consolidation of CLOs beginning in January 2010 due to a change in accounting standards. The 2010 loss was driven by the losses incurred on the CLO liabilities as the liabilities appreciated in value greater than the investments of the CLOs. The investment loss was reduced by interest income in excess of interest expense from the CLOs. This compares to a net loss of \$33.8 million from our Consolidated Funds in 2009 which is entirely due to net investment losses.

Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

Revenues

Total revenues were \$1.3 billion for the year ended December 31, 2009, an increase of \$1.4 billion compared to a loss of \$121.3 million for the year ended December 31, 2008. The increase in total revenues was primarily attributable to an increase of \$1.4 billion in performance fees, which were \$496.7 million for the year ended December 31, 2009, and an increase of \$109.9 million in investment income.

Fund Management Fees. Fund management fees were \$788.1 million for the year ended December 31, 2009, a decrease of \$23.3 million from \$811.4 million for the year ended December 31, 2008. Fund management fees decreased in the year ended December 31, 2009 due to a \$12.2 million reduction in management fees and a decrease in transaction and portfolio advisory fees of \$11.1 million. Management fees for the year ended December 31, 2009 decreased due to less capital raised in the year ended December 31, 2009 than in 2008, including final capital closings in 2008 in funds which began raising capital in 2007. Fund management fees includes transaction and portfolio advisory fees, net of rebate offsets, of \$32.9 million and \$44.0 million for 2009 and 2008, respectively. Transaction and portfolio advisory fees decreased \$11.1 million, primarily driven by decreased investment activity for the year ended December 31, 2009 as compared to the same period in 2008.

Performance Fees. Performance fees increased by \$1.4 billion. The improvements in performance fees were driven by the increase in fair value of our Corporate Private Equity funds, which was principally driven by the increase in the public stock price of one of our portfolio companies in CAP I, China Pacific. The change in carried interest income on unrealized transactions, including China Pacific, accounted for \$485.6 million of total performance fees of \$496.7 million for the year ended December 31, 2009.

Investment Income (Loss). Investment income (loss) increased by \$109.9 million. The improvement in investment income was due to \$5.0 million of income from equity investments and trading securities for the year ended December 31, 2009, as compared to a loss of \$104.9 million for the year ended December 31, 2008.

Interest and Other Income. Interest and other income decreased \$10.9 million from 2008 to \$27.3 million in 2009.

Expenses

Total expenses were \$605.6 million for the year ended December 31, 2009, an increase of \$63.2 million, compared to \$542.4 million for the year ended December 31, 2008. The increase in expenses was primarily attributable to an increase in compensation and benefits of \$251.0 million, which was partially offset by the impact in the prior year period of a \$147.0 million loss on the liquidation of CCC (See "Business — Legal Proceedings").

Compensation and Benefits. Base compensation and benefits decreased \$33.0 million, or 11%, in 2009 compared to 2008. At the end of 2008 and during the beginning of 2009, we reduced our total employees by approximately 10% in response to the economic downturn. This decrease in headcount is reflected in the savings in base compensation. Base compensation also includes severance costs which were \$35.6 million in 2008 and \$12.5 million in 2009 with the difference also contributing to the year over year reduction in expense. Performance related compensation increased \$284.0 million in 2009 to approximately \$84.2 million as compared to performance related compensation of negative \$199.8 million in 2008. The negative performance fee related compensation expense in 2008 results from the reversal of performance fees allocated to certain personnel due to a net reduction in the fair value of the underlying fund investments. The year ended December 31, 2009 also included compensation costs of \$84.2 million resulting from the increase in the carried interest allocated to certain employees resulting from an increase in the fair value of underlying fund investments. As noted above, amounts due to senior Carlyle professionals for compensation and carried interest allocated to them have historically been accounted for as distributions from equity rather than as compensation expense. Base compensation and benefits would have been \$446.4 million and \$431.5 million and performance related compensation would have been \$241.7 million and negative \$468.4 million in 2009 and 2008, respectively, had compensation attributable to senior Carlyle professionals been treated as compensation expense. Total compensation and benefits would have been \$688.1 million and negative \$36.9 million in 2009 and 2008, respectively, had compensation attributable to senior Carlyle professionals been treated as compensation expense. These amounts represent 52.6% and 40.7% of total revenues before the impact of Consolidated Funds for 2009 and 2008, respectively.

General, Administrative and Other Expenses. General, administrative and other expenses decreased \$8.5 million during the year ended December 31, 2009 due to firm-wide cost saving initiatives primarily reflected in reduced travel and entertainment expenses and reductions in external fundraising expenses. These savings were offset in part by the \$20 million NYAG Settlement.

Gain from Early Extinguishment of Debt, Net of Related Expenses. During 2009 we prepaid a portion of our term loan at a discount to par resulting in a net \$10.7 million gain.

Interest. Our interest expense for the year ended December 31, 2009 was \$30.6 million, a decrease of \$15.5 million from the same period in the prior year. This was primarily due to the repayment of \$303.6 million of loans payable.

Loss on CCC Liquidation. For the year ended December 31, 2009 expenses were also below those for 2008 due to the \$147.0 million loss on the liquidation of CCC in 2008. The loss was inclusive of a \$128.1 million impairment charge related to notes receivable from CCC, and other charges related to litigation, contract terminations, and severance. In addition, we recognized a loss of \$5.3 million for the value of investments in CCC and restricted stock for a total loss of \$152.3 million.

Net Investment (Losses) Gains of Consolidated Funds.

The Consolidated Funds incurred a net investment loss of \$33.8 million for the year ended December 31, 2009, compared to a net investment gain of \$162.5 million for the year ended December 31, 2008. Because only a small portion of our investment 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.

Net Income (Loss) Attributable to Non-controlling Interests in Consolidated Entities

Net income (loss) attributable to non-controlling interest in consolidated entities primarily reflects the income/loss allocation to the limited partner investors in our Consolidated Funds. The net loss attributable to non-controlling interests in consolidated entities for the year ended December 31, 2009 was \$30.5 million and was primarily related to net unrealized fair value declines on portfolio investments in one of our corporate private equity funds, which is consolidated during that period. The net income attributable to non-controlling interests in consolidated entities was \$94.5 million for the year ended December 31, 2008 and was primarily related to realized gains from sale of underlying fund investments.

Non-GAAP Financial Measures

The following table sets 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 six months ended June 30, 2011 and 2010 and the three years ended December 31, 2010, 2009 and 2008. The table below shows our total segment Economic Net Income which is composed of the sum of Fee Related Earnings, Net Performance Fees and Investment Income. This analysis excludes the effect of consolidated funds, amortization of intangible assets and acquisition related expenses, treats compensation attributable to senior Carlyle professionals as compensation expense, assumes that the subordinated notes were converted to equity as described in “— Reorganization — Conversion of Subordinated Notes,” and adjusts for other nonrecurring or unusual items and corporate actions. See Note 14 to the combined and consolidated financial statements included elsewhere in this prospectus.

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	(Dollars in millions)		
	2010	2009	2008		
Segment Revenues					
Fund level fee revenues					
Fund management fees	\$ 436.5	\$ 381.4	\$ 763.5	\$ 755.2	\$ 767.4
Portfolio advisory fees, net	24.3	9.0	19.8	18.2	18.4
Transaction fees, net	22.9	11.8	30.2	14.7	25.6
Total fund level fee revenues	483.7	402.2	813.5	788.1	811.4
Performance fees					
Realized	501.3	88.1	274.2	11.0	98.8
Unrealized	729.4	23.5	1,204.1	479.7	(948.8)
Total performance fees	1,230.7	111.6	1,478.3	490.7	(850.0)
Investment income (loss)					
Realized	35.4	(0.4)	10.4	(1.7)	17.7
Unrealized	33.0	28.7	61.2	9.4	(84.7)
Total investment income (loss)	68.4	28.3	71.6	7.7	(67.0)
Interest and other income	13.5	9.5	22.4	27.3	38.2
Total revenues	1,796.3	551.6	2,385.8	1,313.8	(67.4)

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
Segment Expenses			(Dollars in millions)		
Direct compensation and benefits					
Direct base compensation	205.1	171.5	350.1	340.4	297.7
Performance fee related					
Realized	234.4	42.8	140.7	3.6	53.5
Unrealized	365.4	10.5	593.8	238.1	(522.0)
Total direct compensation and benefits	804.9	224.8	1,084.6	582.1	(170.8)
General, administrative and other indirect expenses	188.4	127.4	269.4	284.8	316.9
Interest expense	32.8	9.0	17.8	30.6	46.1
Total expenses	1,026.1	361.2	1,371.8	897.5	192.2
Economic Net Income (Loss)	\$ 770.2	\$ 190.4	\$ 1,014.0	\$ 416.3	\$ (259.6)
Fee Related Earnings	\$ 70.9	\$ 103.8	\$ 198.6	\$ 159.6	\$ 188.9
Net Performance Fees	\$ 630.9	\$ 58.3	\$ 743.8	\$ 249.0	\$ (381.5)
Investment Income (Loss)	\$ 68.4	\$ 28.3	\$ 71.6	\$ 7.7	\$ (67.0)
Distributable Earnings	\$ 373.2	\$ 148.7	\$ 342.5	\$ 165.3	\$ 251.9

Income (loss) before provision for income taxes is the GAAP financial measure most comparable to economic net income, fee related earnings, and distributable earnings. The following table is a reconciliation of income (loss) before provision for income taxes to economic net income, to fee related earnings, and to distributable earnings.

	Six Months Ended		Year Ended December 31,		
	June 30, 2011	2010	2010	2009	2008
	(Dollars in millions)				
Income (loss) before provision for income taxes	\$ 1,089.6	\$ 721.8	\$ 1,479.7	\$ 678.4	\$ (501.2)
Partner compensation(1)	(569.9)	(124.2)	(768.2)	(339.7)	134.3
Acquisition related charges and amortization of intangibles	29.1	—	11.0	—	—
Equity issued for affiliate debt financing	—	—	214.0	—	—
Loss on CCC liquidation	—	—	—	—	152.3
Loss on NYAG settlement	—	—	—	20.0	—
Loss (gain) associated with early extinguishment of debt	—	—	2.5	(10.7)	—
Other non-operating expenses	26.0	—	—	—	—
Non-controlling interests in consolidated entities	191.1	(410.1)	66.2	30.5	(94.5)
Severance and lease terminations	4.3	2.9	8.5	29.0	49.5
Other	—	—	0.3	8.8	—
Economic Net Income (Loss)	\$ 770.2	\$ 190.4	\$ 1,014.0	\$ 416.3	\$ (259.6)
Net performance fees	630.9	58.3	743.8	249.0	(381.5)
Investment income (loss)	68.4	28.3	71.6	7.7	(67.0)
Fee Related Earnings	\$ 70.9	\$ 103.8	\$ 198.6	\$ 159.6	\$ 188.9
Realized performance fees, net of related compensation	266.9	45.3	133.5	7.4	45.3
Investment income (loss) — realized	35.4	(0.4)	10.4	(1.7)	17.7
Distributable Earnings	\$ 373.2	\$ 148.7	\$ 342.5	\$ 165.3	\$ 251.9

(1) Adjustments for partner compensation reflect amounts due to senior Carlyle professionals for compensation and carried interest allocated to them which amounts were classified as distributions from equity in our financial statements.

Economic Net Income (Loss) and Distributable Earnings for our reportable segments are as follows:

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Economic Net Income (Loss)					
Corporate Private Equity	\$ 537.4	\$ 184.0	\$ 819.3	\$ 400.4	\$ (138.9)
Real Assets	127.7	(21.0)	90.7	16.9	(78.1)
Global Market Strategies	105.1	27.4	104.0	(1.0)	(42.6)
Economic Net Income (Loss)	\$ 770.2	\$ 190.4	\$ 1,014.0	\$ 416.3	\$ (259.6)
Distributable Earnings:					
Corporate Private Equity	\$ 259.1	\$ 128.0	\$ 307.2	\$ 159.7	\$ 199.6
Real Assets	43.5	11.4	12.7	6.9	32.3
Global Market Strategies	70.6	9.3	22.6	(1.3)	20.0
Distributable Earnings	\$ 373.2	\$ 148.7	\$ 342.5	\$ 165.3	\$ 251.9

Segment Analysis

Discussed below is our ENI for our segments for the periods presented. We will begin reporting on our Fund of Funds Solutions segment in the quarter ending September 30, 2011. See “— Recent Transactions” and “Unaudited Pro Forma Financial Information.” Our segment information is reflected in the manner utilized by our senior management to make operating 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, performance fees and investment income are greater than those presented on a consolidated GAAP basis because fund management fees recognized in certain segments are received from Consolidated Funds and are eliminated in consolidation when presented on a consolidated GAAP basis. Furthermore, expenses are lower than related amounts presented on a consolidated GAAP basis due to the exclusion of fund expenses that are paid by the Consolidated Funds. Finally, ENI includes a compensation charge for senior Carlyle professionals, which is reflected in both the base compensation expense and in performance fee related compensation. As such, compensation and benefits expense is higher in ENI than in our historical GAAP results where all compensation earned by senior Carlyle professionals is accounted for as distributions from equity.

Corporate Private Equity

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

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	(Dollars in millions)		2008
Segment Revenues					
Fund level fee revenues					
Fund management fees	\$ 259.6	\$ 271.3	\$ 537.6	\$ 536.0	\$ 522.8
Portfolio advisory fees, net	22.2	7.0	14.9	15.9	14.0
Transaction fees, net	22.6	4.9	21.5	12.0	19.9
Total fund level fee revenues	<u>304.4</u>	<u>283.2</u>	<u>574.0</u>	<u>563.9</u>	<u>556.7</u>
Performance fees					
Realized	357.7	86.4	267.3	3.5	54.3
Unrealized	608.2	36.9	996.3	491.8	(742.6)
Total performance fees	<u>965.9</u>	<u>123.3</u>	<u>1,263.6</u>	<u>495.3</u>	<u>(688.3)</u>
Investment income (loss)					
Realized	27.0	(4.1)	4.2	(2.7)	18.6
Unrealized	9.2	22.3	40.6	9.5	(13.8)
Total investment income (loss)	<u>36.2</u>	<u>18.2</u>	<u>44.8</u>	<u>6.8</u>	<u>4.8</u>
Interest and other income	7.8	6.2	14.8	10.8	19.3
Total revenues	<u>1,314.3</u>	<u>430.9</u>	<u>1,897.2</u>	<u>1,076.8</u>	<u>(107.5)</u>
Segment Expenses					
Direct compensation and benefits					
Direct base compensation	126.4	113.5	237.6	227.4	195.0
Performance fee related					
Realized	179.4	42.0	136.0	0.6	33.3
Unrealized	339.1	3.2	524.8	260.6	(417.9)
Total direct compensation and benefits	<u>644.9</u>	<u>158.7</u>	<u>898.4</u>	<u>488.6</u>	<u>(189.6)</u>
General, administrative and other indirect expenses	111.8	82.4	168.1	168.0	188.1
Interest expense	20.2	5.8	11.4	19.8	32.9
Total expenses	<u>776.9</u>	<u>246.9</u>	<u>1,077.9</u>	<u>676.4</u>	<u>31.4</u>
Economic Net Income (Loss)	<u>\$ 537.4</u>	<u>\$ 184.0</u>	<u>\$ 819.3</u>	<u>\$ 400.4</u>	<u>\$ (138.9)</u>
Fee Related Earnings	<u>\$ 53.8</u>	<u>\$ 87.7</u>	<u>\$ 171.7</u>	<u>\$ 159.5</u>	<u>\$ 160.0</u>
Net Performance Fees	<u>\$ 447.4</u>	<u>\$ 78.1</u>	<u>\$ 602.8</u>	<u>\$ 234.1</u>	<u>\$ (303.7)</u>
Investment Income	<u>\$ 36.2</u>	<u>\$ 18.2</u>	<u>\$ 44.8</u>	<u>\$ 6.8</u>	<u>\$ 4.8</u>
Distributable Earnings	<u>\$ 259.1</u>	<u>\$ 128.0</u>	<u>\$ 307.2</u>	<u>\$ 159.7</u>	<u>\$ 199.6</u>

Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

Total fee revenues were \$304.4 million in the six months ended June 30, 2011 representing an increase of \$21.2 million, or 7%, over the comparable period in 2010. This increase reflects a \$17.7 million increase in net transaction fees and an increase in net portfolio advisory fees of

\$15.2 million offset by a decrease in fund management fees of \$11.7 million. The increase in net transaction fees resulted from higher investment activity in the first six months of 2011 compared to the same period in 2010. The decrease in fund management fees reflects a decrease in our weighted-average management fee rate from 1.33% in 2010 to 1.29% at June 30, 2011. The rate decrease is primarily a result of a rate reduction in our third European buyout fund. Although fee-earning AUM increased \$0.5 billion during the six months ended June 30, 2011, \$0.9 billion of the increase was due to foreign exchange. Absent the impact of foreign exchange rates, fee-earning AUM decreased from the distributions to investors upon asset sales.

Interest and other income was \$7.8 million in the six months ended June 30, 2011, an increase from \$6.2 million in the comparable period in 2010.

Total compensation and benefits was \$644.9 million and \$158.7 million in the first six months of 2011 and 2010, respectively. These amounts represented 49.1% and 36.8% of total segment revenues for the six months ended June 30, 2011 and 2010, respectively.

Direct base compensation expense increased \$12.9 million in the first six months of 2011, or 11%, over the comparable period in 2010, primarily reflecting adjustments to base compensation and bonuses as headcount increased. General, administrative and other indirect expenses increased \$29.4 million in the six months ended June 30, 2011 compared to the same period in 2010. The net expense increase primarily reflected allocated overhead costs related to our continued investment in infrastructure and back office support.

Interest expense increased \$14.4 million, or 248%, in the first six months of 2011 over the comparable period in 2010. This increase was primarily attributable to interest expense recorded in the first six months of 2011 on our subordinated notes payable to Mubadala, which we issued in connection with a December 2010 transaction. This borrowing will convert into equity in connection with our planned offering. See “— Reorganization — Conversion of Subordinated Notes.” The increase was also due to higher borrowings under our refinanced term loan.

Economic Net Income. ENI was \$537.4 million for the six months ended June 30, 2011, reflecting a 192% increase over ENI of \$184.0 million in the first six months of 2010 for this business. The increase in ENI in 2011 was driven by a \$369.3 million increase in net performance fees over the 2010 period offset in part by interest expense and our continued investment in infrastructure and back office support which resulted in a \$33.9 million decrease in fee related earnings.

Fee Related Earnings. Fee related earnings were \$53.8 million in the six months ended June 30, 2011, as compared to \$87.7 million for the same period in 2010, representing a decrease of \$33.9 million. The decrease in fee related earnings is primarily attributable to a net increase in expenses primarily reflecting allocated overhead costs related to our continued investment in infrastructure and back office support.

Net Performance Fees. Total performance fees increased \$842.6 million in the first six months of 2011 over the comparable period in 2010. The \$965.9 million in performance fee revenue in the six months ended June 30, 2011 was primarily driven by increases in unrealized performance fees in two U.S. buyout funds, CP IV (\$352.8 million) and CP V (\$511.3 million), as a result of total appreciation in the remaining value of assets of approximately 23%. Approximately 54% and 39%, respectively, of the remaining fair value of the investment portfolios of CP IV and CP V is held in publicly traded companies. Accordingly, this portion of the portfolio will move in valuation in accordance with changes in public market prices for the equity of these companies. Comparatively, the \$123.3 million of performance fees earned in the first six months of 2010 was primarily driven by increases in net asset values of CP III (\$83.2 million) and CEP II (\$20.0 million). During the first six months of 2010, realized carried interest was \$86.4 million, reflective of a less active market at that time. During the first six months of 2011, net performance fees retained by the firm were \$447.4 million or 46% of total performance fees and \$369.3 million over the net performance fees in the comparable period in 2010.

Investment Income. Investment income in the six months ended June 30, 2011 was \$36.2 million compared to \$18.2 million in the same period in 2010. During the first six months of 2011, realized investment income was \$27.0 million compared to a loss of \$4.1 million in the 2010 period.

Distributable Earnings. Distributable earnings increased 102% in the six months ended June 30, 2011 to \$259.1 million from \$128.0 million in the first six months of 2010. This reflects realized net performance fees of \$178.3 million in the first six months of 2011 compared to \$44.4 million in the same period in 2010.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Total fee revenues were \$574.0 million in 2010 representing an increase of \$10.1 million, or 2%, over 2009. This increase was driven almost entirely by net transaction fees which increased 79% or \$9.5 million over 2009 reflecting the higher investment activity in 2010 as compared to 2009. Fund management fees and portfolio advisory fees were largely unchanged from 2009. The weighted-average management fee rate decreased from 1.32% to 1.29% at December 31, 2010 due primarily to a reduction in the fee rate for our third European buyout fund. The effect of this decrease will primarily impact our fees earned in 2011 and thereafter.

Total compensation and benefits was \$898.4 million and \$488.6 million in 2010 and 2009, respectively. These amounts represented 47.4% and 45.4% of total segment revenues in 2010 and 2009, respectively.

Direct base compensation expense increased \$10.2 million, or 4%, over 2009, primarily as the result of adjustments to base compensation and bonuses as headcount remained relatively unchanged between years. General, administrative and other indirect expenses of \$168.1 million for 2010 were relatively consistent with 2009.

Interest expense decreased \$8.4 million, or 42%, over the comparable period in 2009. This decrease was primarily due to lower outstanding borrowings during most of 2010 until we refinanced our term loan in November 2010 and borrowed \$494 million of subordinated debt in December 2010.

Economic Net Income. ENI was \$819.3 million for 2010, or 205% of our 2009 ENI of \$400.4 million for this business. The composition of ENI in 2010 was substantially impacted by the growth in net performance fees and to a lesser extent by the improvement in investment income. Net performance fees and investment income represented 74% and 5% of segment ENI in 2010 as compared to 58% and 2% in 2009, respectively.

Fee Related Earnings. Fee related earnings increased \$12.2 million in 2010 over 2009 to a total of \$171.7 million.

Net Performance Fees. In 2010, net performance fees retained by the firm were 48% as compared to 47% in 2009. Net performance fees increased \$368.7 million, or 157%, in 2010 over 2009. During 2010, investments in our Corporate Private Equity funds appreciated approximately 46% reflecting both improved performance and outlook, as well as higher market comparables. Most significantly, during 2010, Carlyle Partners IV, L.P., a buyout fund focused on the United States, surpassed its carry threshold hurdles and we recognized \$668.7 million of performance fees in 2010, representing 53% of the performance fee revenue for this segment. CAP II generated total performance fees of \$173.4 million and CP III generated total performance fees of \$147.9 million, in each case driven by significant appreciation in value of the funds' assets. Approximately 42% of the remaining asset value in CP III at December 31, 2010 was in publicly listed companies, whereas the public portfolio in CAP II was only 6% at December 31, 2010. Realized performance fees of \$267.3 million in 2010 were substantially higher than the \$3.5 million earned in 2009.

Investment Income. Investment income in 2010 was \$44.8 million of which \$40.6 million was unrealized. Investment income increased \$38.0 million from 2009 reflecting the appreciation in the underlying funds.

Distributable Earnings. Distributable earnings nearly doubled to \$307.2 million in 2010 from \$159.7 million in 2009. The 2010 distributable earnings growth was driven primarily by an increase

in realized net performance fees of \$128.4 million and an increase in fee related earnings of \$12.2 million.

Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

Total fee revenues were \$563.9 million in 2009 representing an increase of \$7.2 million, or 1%, over 2008. This increase was driven by an increase in fund management fees of \$13.2 million or 3% offset by a decrease of \$7.9 million in net transaction fees due to a decrease in investment activity in 2009 stemming from the credit crisis. The net increase in fund management fees primarily reflects the raising of our Financial Services Fund which generated a \$13 million increase in management fees. The weighted-average management fee rate remained consistent for 2009 and 2008. Portfolio advisory fees were largely unchanged from 2008.

Total compensation and benefits was \$488.6 million in 2009 and negative \$189.6 million in 2008 due to the negative performance fee revenue in 2008. These amounts represented 45.4% and 176.4% of total segment revenues in 2009 and 2008, respectively.

Direct base compensation expense increased 17%, or \$32.4 million, to \$227.4 million reflecting merit and promotion adjustments in addition to foreign exchange. General, administrative and other operating expenses decreased \$20.1 million, or 11%, in 2009 as compared to 2008. Interest expense decreased \$13.1 million, or 40%, in 2009 as compared to 2008; this decrease was primarily due to the repayment of \$303.6 million of loans payable.

Economic Net Income. ENI was \$400.4 million for 2009, or an improvement of \$539.3 million over the 2008 loss of \$138.9 million. The favorable swing in net performance fees of \$537.8 million accounts for substantially all of the variance between years.

Fee Related Earnings. Fee related earnings decreased \$0.5 million in 2009 to \$159.5 million from \$160.0 million in 2008.

Net Performance Fees. In 2009, net performance fees retained by Carlyle were 47% as compared to 44% in 2008. Net performance fees increased \$537.8 million in 2009 to \$234.1 million from 2008's negative net performance fee revenue of \$303.7 million. Negative revenue in 2008 reflected the decrease in the value of the portfolio and the related reversal and potential giveback of net performance fees. Most of our performance fees in 2009 and a major component of our negative fees in 2008 are attributable to an investment in China Pacific by CAP I and a related external co-investment entity. Performance fees from this investment were \$525.5 million in 2009 and losses of \$391.4 million in 2008, or approximately 106% and 57% of total performance fees in 2009 and 2008, respectively.

Investment Income. Investment income in 2009 was \$6.8 million representing a \$2.0 million improvement over the 2008 investment income of \$4.8 million.

Distributable Earnings. Distributable earnings decreased \$39.9 million in 2009 to \$159.7 million from \$199.6 million in 2008. The decrease in distributable earnings resulted from a decrease in fee related earnings of \$0.5 million, a decrease of \$18.1 million in realized net performance fees and a decrease in realized investment income of \$21.3 million.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2010 and for each of the Six Month Periods Ended June 30, 2011 and June 30, 2010.

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.

Corporate Private Equity Components of Fee-earning AUM(1)	As of June 30,		As of December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Fee-earning AUM based on capital commitments	\$ 29,417	\$ 27,738	\$ 28,386	\$ 27,884	\$ 27,097
Fee-earning AUM based on invested capital	9,711	11,122	10,209	12,251	12,834
Fee-earning AUM based on other(2)	295	299	305	248	266
Total Fee-earning AUM	\$ 39,423	\$ 39,159	\$ 38,900	\$ 40,383	\$ 40,197
Weighted Average Management Fee Rates(3)					
All Funds	1.29%	1.33%	1.29%	1.32%	1.32%
Funds in Investment Period	1.37%	1.44%	1.37%	1.43%	1.43%

- (1) For additional information concerning the components of Fee-earning AUM, please see "— Fee-earning Assets under Management."
(2) Includes certain funds that are calculated on the lower of cost or fair value of invested capital and gross asset value.
(3) Represents the aggregate effective management fee rate for 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.

Corporate Private Equity Fee-Earning AUM Rollforward	As of June 30,		As of December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Balance, Beginning of Period	\$ 38,900	\$ 40,383	\$ 40,383	\$ 40,197	\$ 36,581
Inflows, including Commitments(1)	473	601	1,504	907	4,863
Outflows, including Distributions(2)	(860)	(1,066)	(2,441)	(826)	(1,178)
Foreign exchange(3)	910	(759)	(546)	105	(69)
Balance, End of Period	\$ 39,423	\$ 39,159	\$ 38,900	\$ 40,383	\$ 40,197

- (1) Inflows represent limited partner capital raised and capital invested by funds outside the investment period.
(2) Outflows represent limited partner distributions from funds outside the investment period and changes in basis for our carry funds where the investment period has expired.
(3) Represents the impact of foreign exchange rate fluctuations on the translation of our non-USD 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 \$39.4 billion at June 30, 2011, an increase of \$0.5 billion, or 1%, compared to \$38.9 billion at December 31, 2010. Inflows of \$0.5 billion were primarily related to limited partner commitments raised by our South America (CSABF) buyout fund and our first Renminbi denominated buyout fund (CBPF). Outflows of \$0.9 billion were principally a result of distributions from several buyout funds outside of their investment period. Distributions from funds still in the investment period do not impact fee-earning AUM as these funds are based on commitments and not invested capital. Changes in fair value have no material impact on fee-earning AUM for Corporate Private Equity 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.

Fee-earning AUM was \$39.2 billion at June 30, 2010, a decrease of \$1.2 billion, or 3%, compared to \$40.4 billion at December 31, 2009. Inflows of \$0.6 billion were primarily related to limited partner commitments raised by our South America (CSABF) buyout fund and our global financial services

fund (CGFSP). Outflows of \$1.1 billion were principally a result of distributions from several of the funds outside of their investment period.

Fee-earning AUM was \$38.9 billion at December 31, 2010, a decrease of \$1.5 billion, or 4%, compared to \$40.4 billion at December 31, 2009. Inflows of \$1.5 billion were primarily related to limited partner commitments raised by our Asia (CAP III) and South America (CSABF) buyout funds, our global financial services fund (CGFSP) and our first Renminbi denominated buyout fund (CBPF). Outflows of \$2.4 billion were principally a result of distributions from several of the funds outside of their investment period.

Fee-earning AUM was \$40.4 billion at December 31, 2009, an increase of \$0.2 billion, less than 1%, compared to \$40.2 billion at December 31, 2008. Inflows of \$0.9 billion were primarily related to limited partner commitments raised by our Asia (CAP III) and South America (CSABF) buyout funds, our global financial services fund (CGFSP) and our fourth Asia growth fund (CAGP IV). Outflows of \$0.8 billion were principally a result of distributions from several of our buyout funds and related coinvestments, all of which were outside of their investment period.

Fee-earning AUM was \$40.2 billion at December 31, 2008, an increase of \$3.6 billion, or 10%, compared to \$36.6 billion at December 31, 2007. Inflows of \$4.9 billion were primarily related to limited partner commitments raised by our US (CP V) and Asia (CAP III) buyout funds, our global financial services fund (CGFSP) and our fourth Asia growth fund (CAGP IV). Outflows of \$1.2 billion were principally a result of distributions from our fully invested US and Asia buyout funds.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2010 and for the Six Month Period Ended June 30, 2011.

The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Available Capital	Fair Value of Capital	Total AUM
		(Dollars in millions)	
Corporate Private Equity			
Balance, As of December 31, 2007	\$ 23,181	\$ 25,364	\$ 48,545
Commitments raised, net(1)	5,265	—	5,265
Capital Called, net(2)	(5,514)	5,268	(246)
Distributions, net(3)	212	(1,698)	(1,486)
Market Appreciation/(Depreciation)(4)	—	(6,955)	(6,955)
Foreign exchange(5)	62	1	63
Balance, As of December 31, 2008	\$ 23,206	\$ 21,980	\$ 45,186
Commitments raised, net(1)	89	—	89
Capital Called, net(2)	(2,303)	1,841	(462)
Distributions, net(3)	631	(920)	(289)
Market Appreciation/(Depreciation)(4)	—	4,217	4,217
Foreign exchange(5)	51	51	102
Balance, As of December 31, 2009	\$ 21,674	\$ 27,169	\$ 48,843
Commitments raised, net(1)	2,258	—	2,258
Capital Called, net(2)	(9,163)	8,830	(333)
Distributions, net(3)	700	(5,350)	(4,650)
Market Appreciation/(Depreciation)(4)	—	10,738	10,738
Foreign exchange(5)	(340)	(206)	(546)
Balance, As of December 31, 2010	\$ 15,129	\$ 41,181	\$ 56,310
Commitments raised, net(1)	816	—	816
Capital Called, net(2)	(1,451)	1,260	(191)
Distributions, net(3)	859	(8,176)	(7,317)
Market Appreciation/(Depreciation)(4)	—	5,328	5,328
Foreign exchange(5)	302	600	902
Balance, As of June 30, 2011	\$ 15,655	\$ 40,193	\$ 55,848

(1) Represents capital raised by our carry funds, net of expired available capital.

(2) Represents capital called by our carry funds, net of fund fees and expenses.

(3) Represents distributions from our carry funds, net of amounts recycled.

(4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments.

(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-USD 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.

Total AUM was \$55.8 billion at June 30, 2011, a decrease of \$0.5 billion, or 1%, compared to \$56.3 billion at December 31, 2010. This decrease was primarily driven by \$8.2 billion of distributions, of which approximately \$0.9 billion was recycled back into available capital. This decrease was partially offset by (a) \$5.3 billion of market appreciation across our portfolio and (b) commitments of \$0.8 billion raised by our South America buyout fund (CSABF), our US equity opportunities fund (CEOF) and various US buyout coinvestment vehicles.

Total AUM was \$56.3 billion at December 31, 2010, an increase of \$7.5 billion, or 15%, compared to \$48.8 billion at December 31, 2009. This increase was primarily driven by (a) \$10.7 billion of market appreciation across our portfolio and (b) commitments of \$2.3 billion raised primarily by our Asia (CAP III) and South America (CSABF) buyout funds, our global financial services fund (CGFSP) and our first Renminbi denominated buyout fund (CBPF). This increase was partially offset by \$5.3 billion of distributions, of which approximately \$0.7 billion was recycled back into available capital.

Total AUM was \$48.8 billion at December 31, 2009, an increase of \$3.6 billion, or 8%, compared to \$45.2 billion at December 31, 2008. This increase was primarily driven by \$4.2 billion of market appreciation across our portfolio.

Total AUM was \$45.2 billion at December 31, 2008, a decrease of \$3.3 billion, or 7%, compared to \$48.5 billion at December 31, 2007. This decrease was primarily driven by (a) \$7.0 billion of market depreciation across our portfolio and (b) distributions of \$1.7 billion, of which approximately \$0.2 billion was recycled back into available capital. These decreases were partially offset by commitments raised of \$5.3 billion by our latest Asia (CAP III) and US (CP V) buyout funds, our global financial services fund (CGFSP) and our latest Asia growth fund (CAGP IV).

Fund Performance Metrics

Fund performance information for our investment funds that have at least \$1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2011, 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. See “Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds, including those presented in this prospectus, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

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

Fund Inception Date(1)	Committed Capital	As of June 30, 2011						
		Total Investments			Realized/Partially Realized Investments(5)			
		Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	
(Reported in Local Currency, in Millions)								
Corporate Private Equity Fully Invested Funds(6)								
CP II	10/1994	\$ 1,331.1	\$ 1,362.4	\$ 4,049.5	3.0x	\$ 1,347.5	\$ 4,032.2	3.0x
CP III	2/2000	\$ 3,912.7	\$ 4,031.7	\$ 9,975.8	2.5x	\$ 3,851.7	\$ 9,807.7	2.5x
CP IV	12/2004	\$ 7,850.0	\$ 7,612.6	\$ 13,401.5	1.8x	\$ 2,941.3	\$ 6,922.2	2.4x
CEP I	12/1997	€ 1,003.6	€ 972.0	€ 2,119.5	2.2x	€ 972.0	€ 2,119.5	2.2x
CEP II	9/2003	€ 1,895.4	€ 2,039.8	€ 3,702.3	1.8x	€ 864.8	€ 2,489.5	2.9x
CAP I	12/1998	\$ 750.0	\$ 627.7	\$ 2,605.0	4.2x	\$ 627.7	\$ 2,605.0	4.2x
CAP II	2/2006	\$ 1,810.0	\$ 1,599.1	\$ 2,520.1	1.6x	\$ 305.1	\$ 1,097.0	3.6x
CJP I	10/2001	¥ 50,000.0	¥ 47,291.4	¥ 113,602.8	2.4x	¥ 30,009.4	¥ 104,486.3	3.5x
All Other Funds(7)	Various	\$	\$ 2,931.6	\$ 4,485.5	1.5x	\$ 2,050.8	\$ 3,431.8	1.7x
Co-investments and Other(8)	Various	\$	\$ 6,045.9	\$ 15,721.9	2.6x	\$ 3,638.1	\$ 12,784.2	3.3x
Total Fully Invested Funds			\$ 29,129.2	\$ 62,540.6	2.1x	\$ 17,976.1	\$ 48,603.2	2.7x
Funds in the Investment Period(6)								
CP V	5/2007	\$ 13,719.7	\$ 8,361.7	\$ 11,759.3	1.4x			
CEP III	12/2006	€ 5,294.9	€ 3,230.3	€ 3,379.2	1.0x			
CAP III	5/2008	\$ 2,551.6	\$ 1,113.4	\$ 1,354.8	1.2x			
CJP II	7/2006	¥ 165,600.0	¥ 112,039.7	¥ 103,343.2	0.9x			
CGSFP	9/2008	\$ 1,100.2	\$ 661.9	\$ 909.4	1.4x			
CAGP IV	6/2008	\$ 1,041.4	\$ 267.8	\$ 389.2	1.5x			
All Other Funds(9)	Various	\$	\$ 1,101.4	\$ 1,392.7	1.3x			
Total Funds in the Investment Period			\$ 17,538.7	\$ 21,944.6	1.3x			
TOTAL CORPORATE PRIVATE EQUITY(10)			\$ 46,667.9	\$ 84,485.2	1.8x	\$ 19,739.9	\$ 51,039.4	2.6x

The returns presented herein represent those of the applicable Carlyle funds and not those of The Carlyle Group L.P.

- (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 all capital called for investments since inception of the fund.

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- (3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest. Please see note 4 to the combined and consolidated financial statements for the year ended December 31, 2010 and the six months ended June 30, 2011 appearing elsewhere in this prospectus for further information regarding management's determination of fair value.
- (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 distributions in respect of such investment are a substantial majority of invested capital and such investment is not yet fully realized. 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 in relation to those investments where significant realization activity has occurred. 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) Includes the following funds: CP I, CMG, CVP I, CVP II, CEVP, CETP, CAVP I, CAVP II, CAGP III and Mexico.
- (8) Includes co-investments and certain other stand-alone investments arranged by us.
- (9) Includes the following funds: MENA, CSABF, CUSGF III, CETP II, CBPF and CEOF.
- (10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the spot rate as of the end of the reporting period.

	Fund Inception Date(1)	Committed Capital As of June 30, 2011	Inception to June 30, 2011		Realized/Partially Realized Gross IRR(4)
			Gross IRR(2)	Net IRR(3)	
(Reported in Local Currency, in Millions)					
Corporate Private Equity					
Fully Invested Funds(5)					
CP II	10/1994	\$ 1,331.1	34%	25%	34%
CP III	2/2000	\$ 3,912.7	27%	21%	27%
CP IV	12/2004	\$ 7,850.0	15%	11%	26%
CEP I	12/1997	€ 1,003.6	18%	11%	18%
CEP II	9/2003	€ 1,805.4	41%	24%	81%
CAP I	12/1998	\$ 750.0	26%	19%	26%
CAP II	2/2006	\$ 1,810.0	13%	9%	39%
CJP	10/2001	¥ 50,000.0	61%	36%	72%
All Other Funds(6)	Various		19%	8%	22%
Co-investments and Other(7)	Various		36%	33%	37%
Total Fully Invested Funds			29%	21%	32%
Funds in the Investment Period(5)					
CP V	5/2007	\$ 13,719.7	18%	11%	
CEP III	12/2006	€ 5,294.9	2%	(3)%	
CAP III	5/2008	\$ 2,551.6	14%	5%	
CJP II	7/2006	¥ 165,600.0	(4)%	(10)%	
CGFSP	9/2008	\$ 1,100.2	29%	18%	
CAGP IV	6/2008	\$ 1,041.4	37%	11%	
All Other Funds(8)	Various		13%	3%	
Total Funds in the Investment Period			12%	5%	
TOTAL CORPORATE PRIVATE EQUITY(9)			27%	19%	31%

The returns presented herein represent those of the applicable Carlyle funds and not those of The Carlyle Group L.P.

- (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) Gross Internal Rate of Return ("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.
- (3) 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.
- (4) 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 distributions in respect of such investment are a substantial majority of invested capital.

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and such investment is not yet fully realized. 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 in relation to those investments where significant realization activity has occurred. 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.

- (5) 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.
 - (6) Includes the following funds: CP I, CMG, CVP I, CVP II, CEVP, CETF, CAVP I, CAVP II, CAGP III and Mexico.
 - (7) Includes co-investments and certain other stand-alone investments arranged by us.
 - (8) Includes the following funds: MENA, CUSGF III, CETF II, CSABF, CBPF and CEOF.
 - (9) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the spot rate as of the end of the reporting period.
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Real Assets

The following table presents our results of operations for our Real Assets segment:

	Six Months Ended		Year Ended December 31,		
	June 30,	2010	2010	2009	2008
	2011		(Dollars in millions)		
Segment Revenues					
Fund level fee revenues					
Fund management fees	\$ 77.7	\$ 71.3	\$ 144.0	\$ 150.4	\$ 157.0
Portfolio advisory fees, net	0.7	0.9	2.6	1.6	3.5
Transaction fees, net	0.3	6.9	8.6	1.8	5.7
Total fund level fee revenues	78.7	79.1	155.2	153.8	166.2
Performance fees					
Realized	52.0	—	(2.9)	5.9	28.8
Unrealized	79.9	(34.2)	72.7	(13.6)	(192.7)
Total performance fees	131.9	(34.2)	69.8	(7.7)	(163.9)
Investment income (loss)					
Realized	0.5	0.9	1.4	0.8	5.8
Unrealized	4.2	(2.0)	3.7	0.1	(15.2)
Total investment income (loss)	4.7	(1.1)	5.1	0.9	(9.4)
Interest and other income	2.7	1.7	4.9	14.3	16.7
Total revenues	218.0	45.5	235.0	161.3	9.6
Segment Expenses					
Direct compensation and benefits					
Direct base compensation	38.9	37.4	72.4	74.2	68.7
Performance fee related					
Realized	5.7	—	0.5	2.8	16.3
Unrealized	(0.1)	(3.8)	(1.6)	(23.5)	(97.5)
Total direct compensation and benefits	44.5	33.6	71.3	53.5	(12.5)
General, administrative and other indirect expenses	39.8	30.9	69.2	84.2	90.3
Interest expense	6.0	2.0	3.8	6.7	9.9
Total expenses	90.3	66.5	144.3	144.4	87.7
Economic Net Income (Loss)	\$ 127.7	\$ (21.0)	\$ 90.7	\$ 16.9	\$ (78.1)
Fee Related Earnings	\$ (3.3)	\$ 10.5	\$ 14.7	\$ 3.0	\$ 14.0
Net Performance Fees	\$ 126.3	\$ (30.4)	\$ 70.9	\$ 13.0	\$ (82.7)
Investment Income (Loss)	\$ 4.7	\$ (1.1)	\$ 5.1	\$ 0.9	\$ (9.4)
Distributable Earnings	\$ 43.5	\$ 11.4	\$ 12.7	\$ 6.9	\$ 32.3

Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

Total fee revenues were \$78.7 million in the six months ended June 30, 2011, a decrease of \$0.4 million from the comparable period in 2010. The change in total fee revenues reflect the \$6.8 million decrease in net transaction and portfolio advisory fees, offset by a \$6.4 million increase

in fund management fees. The increase in management fees reflects the capital raised for our sixth U.S. real estate fund. However, the lower effective rate on this fund resulted in a decrease in our weighted-average management fee rate to 1.25% at June 30, 2011 from 1.28% at December 31, 2010.

Interest and other income was \$2.7 million in the six months ended June 30, 2011, an increase from \$1.7 million in the comparable period in 2010.

Total compensation and benefits was \$44.5 million and \$33.6 million in the first six months of 2011 and 2010, respectively. These amounts represented 20.4% and 73.8% of total segment revenues for the six months ended June 30, 2011 and 2010, respectively. The increase from the prior year period was primarily the result of the negative performance fee revenue for the first six months of 2010.

Direct base compensation was effectively unchanged at \$38.9 million in the six months ended June 30, 2011 as compared to \$37.4 million for the same period in 2010. General, administrative and other indirect operating expenses increased \$8.9 million to \$39.8 million in the first six months of 2011 compared to the same period in 2010. The net expense increase primarily reflects allocated overhead costs related to our continued investment in infrastructure and back office support.

Interest expense increased \$4.0 million or 200% in the first six months of 2011 over the comparable period in 2010. This increase was primarily attributable to interest expense recorded in the first six months of 2011 on our subordinated notes payable to Mubadala, which we issued in connection with a December 2010 transaction. This borrowing will convert into equity in connection with our planned offering. See “— Reorganization — Conversion of Subordinated Notes.” The increase was also due to higher borrowings under our refinanced term loan.

Economic Net Income. ENI was \$127.7 million in the six months ended June 30, 2011, an increase of \$148.7 million from a loss of \$21.0 million in the comparable period in 2010. The improvement in ENI in the six months ended June 30, 2011 as compared to the same 2010 period was primarily driven by an increase in net performance fees of \$156.7 million and, to a lesser extent, an increase in investment income of \$5.8 million, partially offset by a decrease in fee related earnings of \$13.8 million.

Fee Related Earnings. Fee related earnings decreased \$13.8 million in the six months ended June 30, 2011 to a loss of \$3.3 million.

Net Performance Fees. Performance fees earned from the Riverstone funds are allocated solely to Carlyle and are not otherwise shared or allocated with our investment professionals. To date, performance related compensation expense in Real Assets reflects amounts earned primarily by our real estate investment professionals as we generally incur no compensation expense for Riverstone and we have not yet generated any performance fees or related compensation from our infrastructure fund. Accordingly, net performance fees as a percentage of total performance fees is generally not a meaningful percentage for Real Assets.

Net performance fees in the first six months of 2011 were \$126.3 million, representing an improvement of \$156.7 million over the negative \$30.4 million in net performance fees for the first six months of 2010. Investments in our Real Assets portfolio increased 12% during the first six months of 2011 with energy investments appreciating 16% and real estate investments appreciating 5%. Three energy related investment funds aggregated to generate \$119.7 million of the \$131.9 million of total performance fee revenue recognized in the first six months of 2011.

Investment Income (Loss). Investment income was \$4.7 million in the six months ended June 30, 2011 compared to a loss of \$1.1 million in the same period in 2010. The 2011 income reflects the increase in values across the portfolio.

Distributable Earnings. Distributable earnings increased \$32.1 million to \$43.5 million in the six months ended June 30, 2011 from \$11.4 million in the comparable period in 2010. The increase was primarily due to a \$46.3 million increase in realized net performance fees offset by a decrease in fee

related earnings of \$13.8 million in the six months ended June 30, 2011 as compared to the same 2010 period.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Total fee revenues were \$155.2 million in 2010 representing an increase of \$1.4 million or 1% over 2009. The change in total fee revenues reflects the \$7.8 million increase in net transaction and portfolio advisory fees offset by a decrease in management fees of \$6.4 million. The increase in transaction fees reflects the increased investment activity in 2010 while the decrease in management fees primarily reflects a decrease in fees from our European real estate funds and to a lesser extent from the shutdown of our Latin America real estate fund. Our weighted-average management fee rate decreased from 1.37% to 1.28% over the period.

Interest and other income was \$4.9 million in 2010 representing a 66% decrease from \$14.3 million in 2009. The decrease was largely due to the sale of a real estate colocation property at the end of 2009, the results of which were previously included in this business segment.

Total compensation and benefits was \$71.3 million and \$53.5 million in 2010 and 2009, respectively. These amounts represented 30.3% and 33.2% of total segment revenues in 2010 and 2009, respectively.

Direct base compensation decreased \$1.8 million to \$72.4 million in 2010. General, administrative and other indirect operating expenses decreased 18%, or \$15.0 million, in 2010 compared to 2009. The net expense reduction reflects cost saving initiatives derived in part from closing our Latin America real estate initiative and favorable variances in foreign currency remeasurements in 2010.

Interest expense decreased \$2.9 million, or 43%, over the comparable period in 2009. This decrease was primarily due to lower outstanding borrowings during most of 2010 until we refinanced our term loan in November 2010 and borrowed \$494 million of subordinated debt in December 2010.

Economic Net Income. ENI was \$90.7 million for 2010, an improvement of nearly 437% from \$16.9 million in 2009 for this business. The improvement in ENI was primarily driven by the performance fees earned from our energy portfolio resulting in a \$57.9 million increase in net performance fees. Fee related earnings and investment income contributed \$11.7 million and \$4.2 million, respectively to the improvement in ENI.

Fee Related Earnings. Fee related earnings were \$14.7 million for 2010, an increase of \$11.7 million over fee related earnings for 2009.

Net Performance Fees. Net performance fees in 2010 were \$70.9 million, representing an improvement of \$57.9 million over \$13.0 million in 2009 performance fee revenue. Investments in our Real Assets portfolio increased 16% over 2009 with energy investments appreciating 21% and real estate appreciating 6%. The 2010 unrealized performance fees represent approximately \$85.9 million from our energy funds managed with Riverstone offset by negative performance fees of \$13.2 million from our real estate funds which continued to be adversely affected during 2010. Although our overall real estate portfolio appreciated, the funds that are generating performance fee revenue did not appreciate in 2010 and accordingly, generated negative performance fees.

Investment Income (Loss). Investment income was \$5.1 million in 2010 compared to \$0.9 million in 2009. The 2010 income reflects the increase in values across the portfolio.

Distributable Earnings. Distributable earnings increased \$5.8 million to \$12.7 million in 2010 from \$6.9 million in 2009. The 2010 distributable earnings growth was driven primarily by the \$11.7 million increase in fee related earnings.

Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

Total fee revenues were \$153.8 million in 2009 representing a decrease of \$12.4 million or 7% from 2008. This decrease was driven by a decrease in fund management fees of \$6.6 million or 4% as well as decreases in net portfolio advisory fees and transaction fees of \$1.9 million and \$3.9 million, respectively. The decrease in fund management fees resulted in part from our decision to waive fees for one of our European real estate funds due to its poor performance. In addition, 2008 management fees were \$6.6 million higher as a result of fees earned accruing back to 2007 upon the final closing of a new fund. Our weighted-average management fee rate decreased to 1.37% from 1.38% over the period. The decreases in portfolio advisory and transaction fees reflect a decrease in investment activity in 2009 stemming from the credit crisis.

Total compensation and benefits was \$53.5 million and negative \$12.5 million in 2009 and 2008, respectively. Negative compensation and benefits expense in 2008 was due to the negative performance fee revenue. These amounts represented 33.2% and 130.2% of total segment revenues in 2009 and 2008, respectively.

Direct base compensation expense increased \$5.5 million to \$74.2 million in 2009 from \$68.7 million in 2008. The net expense increase of 8% primarily reflects additional bonus compensation. General, administrative and other expenses decreased \$6.1 million to \$84.2 million in 2009 reflecting lower fundraising costs. Interest expense decreased \$3.2 million, or 32%, in 2009 as compared to 2008; this decrease was primarily due to the repayment of \$303.6 million of loans payable.

Economic Net Income. ENI was \$16.9 million in 2009 for this business compared to negative \$78.1 million in 2008. The improvement in ENI was primarily driven by the stabilization of the portfolio and resulting improvement in performance fees and investment income.

Fee Related Earnings. Fee related earnings decreased \$11.0 million to \$3.0 million in 2009 from \$14.0 million in 2008. The decrease in fee related earnings was driven by the reduction in fee related revenues as fee related expenses remained relatively constant between years with a net decrease of \$3.8 million in 2009.

Net Performance Fees. Net performance fees were \$13.0 million in 2009 compared to negative \$82.7 million in 2008. The \$13.0 million of net performance fees in 2009 was due to the reversal of \$20.7 million of performance related compensation expense offset by \$7.7 million of negative performance fees. In 2009, our performance fees were negative reflecting the reversal of accrued carried interest income upon the decrease in the fair value of our real estate investments offset in part by positive performance fees from our energy funds. Performance related compensation for our real estate professionals reversed as our carried interest revenue decreased. The negative fees and related reversal of compensation in 2009 were less than the 2008 levels as our real estate asset values did not recover until 2010.

Investment Income (Loss). Investment income in 2009 was \$0.9 million, an improvement of \$10.3 million over 2008, which was significantly impacted by the collapse in asset values.

Distributable Earnings. Distributable earnings decreased \$25.4 million to \$6.9 million in 2009 from \$32.3 million in 2008. The decline in distributable earnings was due to a decrease in fee related earnings of \$11.0 million, a decrease in realized net performance fees of \$9.4 million and a decrease in realized investment income of \$5.0 million.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2010 and for each of the Six Month Periods Ended June 30, 2011 and June 30, 2010

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.

Real Assets Components of Fee-earning AUM (1)	As of June 30,		As of December 31,		
	2011	2010	2010	2009	2008
			(Dollars in millions)		
Fee-earning AUM based on capital commitments	\$ 12,286	\$ 16,276	\$ 14,155	\$ 16,750	\$ 17,176
Fee-earning AUM based on invested capital(2)	10,305	6,352	8,782	5,796	5,581
Total Fee-earning AUM(3)	\$ 22,591	\$ 22,628	\$ 22,937	\$ 22,546	\$ 22,757
Weighted Average Management Fee Rates(4)					
All Funds	1.25%	1.32%	1.28%	1.37%	1.38%
Funds in Investment Period	1.31%	1.36%	1.35%	1.35%	1.38%

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

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

(3) Carlyle/Riverstone Global Energy and Power, L.P., Carlyle/Riverstone Global Energy and Power II, L.P. Carlyle/Riverstone Global Energy and Power III, L.P., Riverstone/Carlyle Global Energy and Power IV, L.P., Carlyle/Riverstone Renewable Energy Infrastructure, L.P. and Riverstone/Carlyle Renewable Energy Infrastructure II, L.P. (collectively, the "Energy Funds"), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Energy Funds. With the exception of Riverstone/Carlyle Global Energy and Power IV, L.P. and Riverstone/Carlyle Renewable Energy Infrastructure II, L.P., where Carlyle has a minority representation on the funds' management committees, management of each of the Energy Funds is vested in committees with equal representation by Carlyle and Riverstone, and the consent of representatives of both Carlyle and Riverstone are required for investment decisions. As of June 30, 2011, the Energy Funds had, in the aggregate, approximately \$16 billion in AUM and \$13 billion in fee-earning AUM.

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

Real Assets Fee-Earning AUM Rollforward	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
			(Dollars in millions)		
Balance, Beginning of Period	\$ 22,937	\$ 22,546	\$ 22,546	\$ 22,757	\$ 19,982
Inflows, including Commitments(1)	1,345	813	1,375	542	4,482
Outflows, including Distributions(2)	(1,937)	(178)	(788)	(811)	(2,182)
Foreign exchange(3)	246	(553)	(196)	58	475
Balance, End of Period	\$ 22,591	\$ 22,628	\$ 22,937	\$ 22,546	\$ 22,757

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

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

(3) Represents the impact of foreign exchange rate fluctuations on the translation of our non-USD 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 \$22.6 billion at June 30, 2011, a decrease of \$0.3 billion, or 2%, compared to \$22.9 billion at December 31, 2010. Inflows of \$1.3 billion were primarily related to limited partner commitments raised by our latest US real estate fund (CRP VI). Outflows of \$1.9 billion were principally a result of (a) the change in basis of our latest Europe real estate fund (CEREP III) from commitments to invested capital and (b) distributions primarily from our fully invested US real estate funds and related coinvestments. Distributions from funds still in the investment period do not impact fee-earning AUM as these funds are based on commitments and not invested capital. Changes in fair value have no 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.

Fee-earning AUM was \$22.6 billion at June 30, 2010, an increase of \$0.1 billion, or less than 1%, compared to \$22.5 billion at December 31, 2009. Inflows of \$0.8 billion were primarily related to limited partner commitments raised by various real estate coinvestment vehicles. Outflows of \$0.2 billion were principally a result of distributions from several fully invested funds across both real estate and energy.

Fee-earning AUM was \$22.9 billion at December 31, 2010, an increase of \$0.4 billion, or 2%, compared to \$22.5 billion at December 31, 2009. Inflows of \$1.4 billion were primarily related to limited partner commitments raised by our latest US real estate fund (CRP VI) as well as real estate coinvestments. Outflows of \$0.8 billion were principally a result of (a) the change in basis of the predecessor US real estate fund (CRP V) from commitments to invested capital and (b) distributions from several fully invested funds across both real estate and energy.

Fee-earning AUM was \$22.5 billion at December 31, 2009, a decrease of \$0.3 billion, or 1%, compared to \$22.8 billion at December 31, 2009. Inflows of \$0.5 billion were primarily related to equity invested by the Energy III and Renew I funds, both of which are outside of their investment period and are therefore based on invested capital, at cost. Outflows of \$0.8 billion were principally a result of (a) the change in basis of the predecessor Asia real estate fund (CAREP I) from commitments to invested capital and (b) distributions from some of the fully invested energy funds.

Fee-earning AUM was \$22.8 billion at December 31, 2008, an increase of \$2.8 billion, or 14%, compared to \$20.0 billion at December 31, 2007. Inflows of \$4.5 billion were primarily related to limited partner commitments raised for the second renewable energy fund (Renew II) as well as the most recent Asia (CAREP II) and Europe (CEREP III) real estate funds. Outflows of \$2.2 billion were principally a result of (a) the change in basis of the predecessor energy (Energy III) and renewable energy (Renew I) funds from commitments to invested capital and (b) the voluntary decision by our second Europe real estate fund (CEREP II) to waive management fees.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2010 and for the Six Month Period Ended June 30, 2011.

The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Available Capital	Fair Value of Capital	Total AUM
		(Dollars in millions)	
Real Assets			
Balance, As of December 31, 2007	\$ 11,504	\$ 10,162	\$ 21,666
Commitments raised, net(1)	8,203	—	8,203
Capital Called, net(2)	(6,900)	6,668	(232)
Distributions, net(3)	217	(529)	(312)
Market Appreciation/(Depreciation)(4)	—	(1,848)	(1,848)
Foreign exchange(5)	(110)	(89)	(199)
Balance, As of December 31, 2008	\$ 12,914	\$ 14,364	\$ 27,278
Commitments raised, net(1)	880	—	880
Capital Called, net(2)	(2,992)	2,791	(201)
Distributions, net(3)	439	(1,089)	(650)
Market Appreciation/(Depreciation)(4)	—	276	276
Foreign exchange(5)	33	100	133
Balance, As of December 31, 2009	\$ 11,274	\$ 16,442	\$ 27,716
Commitments raised, net(1)	1,400	—	1,400
Capital Called, net(2)	(4,955)	4,745	(210)
Distributions, net(3)	811	(2,136)	(1,325)
Market Appreciation/(Depreciation)(4)	—	3,235	3,235
Foreign exchange(5)	(168)	(32)	(200)
Balance, As of December 31, 2010	\$ 8,362	\$ 22,254	\$ 30,616
Commitments raised, net(1)	1,267	—	1,267
Capital Called, net(2)	(1,811)	1,714	(97)
Distributions, net(3)	1,176	(3,424)	(2,248)
Market Appreciation/(Depreciation)(4)	—	1,776	1,776
Foreign exchange(5)	87	227	314
Balance, As of June 30, 2011	\$ 9,081	\$ 22,547	\$ 31,628

(1) Represents capital raised by our carry funds, net of expired available capital.

(2) Represents capital called by our carry funds, net of fund fees and expenses.

(3) Represents distributions from our carry funds, net of amounts recycled.

(4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments.

(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-USD 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.

Total AUM was \$31.6 billion at June 30, 2011, an increase of \$1.0 billion, or 3%, compared to \$30.6 billion at December 31, 2010. This increase was primarily driven by (a) \$1.8 billion of market appreciation across our portfolio and (b) commitments raised of \$1.3 billion by our latest US real estate fund (CRP VI). These increases were partially offset by distributions of \$3.4 billion, of which approximately \$1.2 billion was recycled back into available capital.

Total AUM was \$30.6 billion at December 31, 2010, an increase of \$2.9 billion, or 10%, compared to \$27.7 billion at December 31, 2009. This increase was primarily driven by (a) \$3.2 billion of market appreciation across our portfolio and (b) commitments raised of \$1.4 billion by our latest US real estate fund (CRP VI) and various coinvestment vehicles. These increases were partially offset by distributions of \$2.1 billion, of which approximately \$0.8 billion was recycled back into available capital.

Total AUM was \$27.7 billion at December 31, 2009, an increase of \$0.4 billion, or 1%, compared to \$27.3 billion at December 31, 2008. This increase was primarily driven by (a) commitments raised of \$0.9 billion by the latest renewable energy fund (Renew II) and various coinvestment vehicles and (b) \$0.3 billion of market appreciation across our portfolio. These increases were partially offset by distributions of \$1.1 billion, of which approximately \$0.4 billion was recycled back into available capital.

Total AUM was \$27.3 billion at December 31, 2008, an increase of \$5.6 billion, or 26%, compared to \$21.7 billion at December 31, 2007. This increase was driven by commitments raised of \$8.2 billion by the latest energy (Energy IV) and renewable energy (Renew II) funds as well as our latest Europe (CEREP III) and Asia (CAREP II) real estate funds. These increases were partially offset by (a) \$1.8 billion of market depreciation across our portfolio and (b) distributions of \$0.5 billion, of which approximately \$0.2 billion was recycled back into available capital.

Fund Performance Metrics

Fund performance information for our investment funds that have at least \$1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2011, 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. See “Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds, including those presented in this prospectus, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

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

Fund Inception Date(1)	Committed Capital	As of June 30, 2011						
		Total Investments			Realized/Partially Realized Investments(5)			
		Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	
(Reported in Local Currency, in Millions)								
Real Assets								
Fully Invested Funds(6)								
CRP III	11/2000	\$ 564.1	\$ 522.5	\$ 1,261.0	2.4x	\$ 451.3	\$ 1,179.7	2.6x
CRP IV	12/2004	\$ 950.0	\$ 1,185.9	\$ 1,035.3	0.9x	\$ 325.1	\$ 463.3	1.4x
CRP V	11/2006	\$ 3,000.0	\$ 2,892.8	\$ 3,389.9	1.2x	\$ 1,223.9	\$ 1,531.0	1.3x
CEREP I	3/2002	€ 426.6	€ 517.0	€ 799.0	1.5x	€ 441.1	€ 792.9	1.8x
CEREP II	4/2005	€ 762.7	€ 827.1	€ 551.5	0.7x	€ 261.7	€ 225.4	0.9x
Energy II	7/2002	\$ 1,100.0	\$ 1,311.9	\$ 3,443.9	2.6x	\$ 681.7	\$ 2,584.5	3.8x
Energy III	10/2005	\$ 3,800.0	\$ 3,438.7	\$ 6,233.4	1.8x	\$ 1,030.0	\$ 2,253.7	2.2x
All Other Funds(7)	Various	\$ 1,720.6	\$ 1,894.9	\$ 1,894.9	1.1x	\$ 794.7	\$ 1,451.5	1.8x
Co-investments and Other(8)	Various	\$ 3,773.0	\$ 6,624.8	\$ 6,624.8	1.8x	\$ 1,372.7	\$ 3,598.0	2.6x
Total Fully Invested Funds		\$ 16,779.7	\$ 25,826.6	\$ 25,826.6	1.5x	\$ 6,890.7	\$ 14,526.8	2.1x
Funds in the Investment Period(6)								
CRP VI	9/2010	\$ 1,577.8	\$ 126.1	\$ 116.4	0.9x			
CIP	9/2006	\$ 1,143.7	\$ 519.4	\$ 582.4	1.1x			
CEREP III	5/2007	€ 2,229.5	€ 1,157.0	€ 1,197.9	1.0x			
Energy IV	12/2007	\$ 5,979.1	\$ 4,010.3	\$ 6,174.6	1.5x			
Renew II	3/2008	\$ 3,417.5	\$ 1,802.0	\$ 2,248.3	1.2x			
All Other Funds(9)	Various	\$ 291.8	\$ 278.6	\$ 278.6	1.0x			
Total Funds in the Investment Period		\$ 8,414.5	\$ 11,124.1	\$ 11,124.1	1.3x			
TOTAL REAL ASSETS(10)		\$ 25,194.2	\$ 36,950.7	\$ 36,950.7	1.5x	\$ 7,552.8	\$ 15,454.0	2.0x

The returns presented herein represent those of the applicable Carlyle funds and not those of The Carlyle Group L.P.

(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 all capital called for investments since inception of the fund.

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- (3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest. Please see Note 4 to the combined and consolidated financial statements for the year ended December 31, 2010 and the six months ended June 30, 2011 appearing elsewhere in this prospectus for further information regarding management's determination of fair value.
- (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 distributions in respect of such investment are a substantial majority of invested capital and such investment is not yet fully realized. 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 in relation to those investments where significant realization activity has occurred. 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) Includes the following funds: CRP I, CRP II, CAREP I, ENERGY I and RENEW I.
- (8) Includes Co-Investments, prefund investments and certain other stand-alone investments arranged by us.
- (9) Includes the following fund: CAREP II.
- (10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the spot rate as of the end of the reporting period.

	Fund Inception Date(1)	Committed Capital As of June 30, 2011	Inception to June 30, 2011		Realized/Partially Realized Gross IRR(4)
			Gross IRR(2)	Net IRR(3)	
(Reported in Local Currency, in Millions)					
Real Assets					
Fully Invested Funds(5)					
CRP III	11/2000	\$ 564.1	44%	30%	50%
CRP IV	12/2004	\$ 950.0	(5)%	(10)%	27%
CRP V	11/2006	\$ 3,000.0	7%	1%	11%
CEREP I	3/2002	€ 426.6	15%	9%	20%
CEREP II	4/2005	€ 762.7	(18)%	(19)%	(13)%
Energy II	7/2002	\$ 1,100.0	82%	56%	111%
Energy III	10/2005	\$ 3,800.0	18%	13%	26%
All Other Funds(6)	Various		6%	(1)%	19%
Co-investments and Other(7)	Various		24%	19%	31%
Total Fully Invested Funds			18%	12%	31%
Funds in the Investment Period(5)					
CRP VI(8)	9/2010	\$ 1,577.8	n/m	n/m	
CIP	9/2006	\$ 1,143.7	5%	(2)%	
CEREP III	5/2007	€ 2,229.5	2%	(6)%	
Energy IV	12/2007	\$ 5,979.1	31%	21%	
Renew II	3/2008	\$ 3,417.5	14%	8%	
All Other Funds(9)	Various		(2)%	(8)%	
Total Funds in the Investment Period			18%	9%	
TOTAL REAL ASSETS(10)			18%	11%	31%

The returns presented herein represent those of the applicable Carlyle funds and not those of The Carlyle Group L.P.

- (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) Gross Internal Rate of Return ("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.

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- (3) 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.
- (4) 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 distributions in respect of such investment are a substantial majority of invested capital and such investment is not yet fully realized. 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 in relation to those investments where significant realization activity has occurred. 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.
- (5) 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.
- (6) Includes the following funds: CRP I, CRP II, CAREP I, ENERGY I and RENEW I.
- (7) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us.
- (8) Gross IRR and Net IRR for CRP VI are not meaningful as the investment period commenced in September 2010.
- (9) Includes the following fund: CAREP II.
- (10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the spot rate as of the end of the reporting period.

Global Market Strategies

The following table presents our results of operations for our Global Market Strategies segment:

	Six Months Ended		Year Ended December 31,		
	June 30,	2010	2010	2009	2008
	2011	2010	(Dollars in millions)		
Segment Revenues					
Fund level fee revenues					
Fund management fees	\$ 99.2	\$ 38.8	\$ 81.9	\$ 68.8	\$ 87.6
Portfolio advisory fees, net	1.4	1.1	2.3	0.7	0.9
Transaction fees, net	—	—	0.1	0.9	—
Total fund level fee revenues	100.6	39.9	84.3	70.4	88.5
Performance fees					
Realized	91.6	1.7	9.8	1.6	15.7
Unrealized	41.3	20.8	135.1	1.5	(13.5)
Total performance fees	132.9	22.5	144.9	3.1	2.2
Investment income (loss)					
Realized	7.9	2.8	4.8	0.2	(6.7)
Unrealized	19.6	8.4	16.9	(0.2)	(55.7)
Total investment income (loss)	27.5	11.2	21.7	—	(62.4)
Interest and other income	3.0	1.6	2.7	2.2	2.2
Total revenues	264.0	75.2	253.6	75.7	30.5
Segment Expenses					
Direct compensation and benefits					
Direct base compensation	39.8	20.6	40.1	38.8	34.0
Performance fee related					
Realized	49.3	0.8	4.2	0.2	3.9
Unrealized	26.4	11.1	70.6	1.0	(6.6)
Total direct compensation and benefits	115.5	32.5	114.9	40.0	31.3
General, administrative and other indirect expenses	36.8	14.1	32.1	32.6	38.5
Interest expense	6.6	1.2	2.6	4.1	3.3
Total expenses	158.9	47.8	149.6	76.7	73.1
Economic Net Income (Loss)	\$ 105.1	\$ 27.4	\$ 104.0	\$ (1.0)	\$ (42.6)
Fee Related Earnings	\$ 20.4	\$ 5.6	\$ 12.2	\$ (2.9)	\$ 14.9
Net Performance Fees	\$ 57.2	\$ 10.6	\$ 70.1	\$ 1.9	\$ 4.9
Investment Income (Loss)	\$ 27.5	\$ 11.2	\$ 21.7	\$ —	\$ (62.4)
Distributable Earnings	\$ 70.6	\$ 9.3	\$ 22.6	\$ (1.3)	\$ 20.0

Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

Total fee revenues were \$100.6 million in the six months ended June 30, 2011, an increase of \$60.7 million from the comparable period in 2010. The increase was due to the acquisition of Claren Road at December 31, 2010 and CLO contracts from Stanfield and Mizuho in the second half of 2010. The weighted-average management fee rate on our hedge funds remained the same during the period while our weighted-average fee rate on our carry funds decreased to 1.39% from 1.65% during the period due to the rate step-down by CSP II, which occurred when CSP II reached the end of its investment period. This decrease in rates will decrease our management fees from these funds in future periods.

Total performance fees in the first six months of 2011 were \$132.9 million, of which \$91.6 million was realized carried interest generated primarily from our US structured credit funds and our distressed funds. Unrealized performance fees of \$41.3 million in the first six months of 2011 were comprised of approximately \$58.6 million of unrealized performance fees related to the Claren Road funds which we expect to realize at year end, partially offset by the realization of previously unrealized performance fees in our US structured credit funds.

Interest and other income was \$3.0 million in the six months ended June 30, 2011, as compared to \$1.6 million in the same period in 2010.

Total compensation and benefits was \$115.5 million and \$32.5 million in the first six months of 2011 and 2010, respectively. These amounts represented 43.8% and 43.2% of total segment revenues for the six months ended June 30, 2011 and 2010, respectively.

Direct base compensation increased \$19.2 million in the six months ended June 30, 2011 as compared to the same 2010 period, which primarily relates to the acquisition of Claren Road on December 31, 2010 and the hiring of other professionals in the Global Market Strategies business. General, administrative and other indirect operating expenses increased \$22.7 million to \$36.8 million in the first six months of 2011 compared to the same period in 2010, also reflecting the acquisition of Claren Road on December 31, 2010.

Interest expense increased \$5.4 million, or 450%, in the first six months of 2011 over the comparable period in 2010. This increase was primarily attributable to interest expense recorded in the first six months of 2011 on our subordinated notes payable to Mubadala, which we issued in connection with a December 2010 transaction. This borrowing will convert into equity in connection with our planned offering. See “— Reorganization — Conversion of Subordinated Notes.” The increase was also due to higher borrowings under our refinanced term loan and indebtedness incurred in connection with the acquisition of Claren Road.

Economic Net Income. ENI was \$105.1 million in the six months ended June 30, 2011, an increase of \$77.7 million from \$27.4 million in the comparable period in 2010. The improvement in ENI, in the six months ended June 30, 2011 as compared to the prior year period, was primarily driven by an increase in net performance fees of \$46.6 million and investment income of \$16.3 million and fee related earnings of \$14.8 million, primarily due to the acquisition of Claren Road on December 31, 2010 and CLO contracts from Stanfield and Mizuho in the second half of 2010.

Fee Related Earnings. Fee related earnings increased \$14.8 million to \$20.4 million in the first six months of 2011 as compared to the same period in 2010.

Net Performance Fees. Net performance fees for Global Market Strategies increased \$46.6 million to \$57.2 million in the six months ended June 30, 2011, as compared to \$10.6 million in the same period in 2010.

Investment Income (Loss). Investment income was \$27.5 million in the six months ended June 30, 2011 compared to \$11.2 million in the same period in 2010. The 2011 income reflects the increase in values across the portfolio.

Distributable Earnings. Distributable earnings increased \$61.3 million to \$70.6 million in the six months ended June 30, 2011 from \$9.3 million in the comparable period in 2010. The increase related primarily to realized net performance fees which increased \$41.4 million in the six months ended June 30, 2011 as compared to the prior year period.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Total fee revenues were \$84.3 million in 2010, representing a 20% increase over 2009. Approximately \$13.1 million of the \$13.9 million increase was driven by an increase in fund management fees with portfolio advisory fees making up the balance of the increase. Of the

\$13.1 million increase in fund management fees approximately \$10.4 million was due to the resumption of subordinated fees on our CLOs and the balance is a result of the acquisition of CLO management contracts from Stanfield and Mizuho in August and November 2010. The weighted-average management fee rate on our carry funds remained consistent over the period. The increase in portfolio advisory fees was largely from portfolio companies in our distressed business.

Performance fees in 2010 were \$144.9 million, of which \$135.1 million was unrealized. Our two closed-end distressed funds, CSP II and CSP I generated approximately \$110.9 million of performance fees and the remainder was generated by our U.S. structured credit funds. Investments in our distressed funds appreciated in excess of 40% during 2010 which drove our performance fees.

Total compensation and benefits was \$114.9 million and \$40.0 million in 2010 and 2009, respectively. These amounts represented 45.3% and 52.8% of total segment revenues in 2010 and 2009, respectively.

Direct base compensation expense increased \$1.3 million in 2010 compared to 2009, reflecting costs of the new management team we brought on board to manage this business. General, administrative and other operating expenses of \$32.1 million in 2010 were relatively consistent with 2009.

Interest expense decreased \$1.5 million, or 37%, over the comparable period in 2009. This decrease was primarily due to lower outstanding borrowings during most of 2010 until we refinanced our term loan in November 2010 and borrowed \$494 million of subordinated debt in December 2010.

Economic Net Income. ENI was \$104.0 million in 2010, a substantial improvement from the loss of \$1.0 million recognized in 2009. The improvement in ENI reflected the return and stabilization in the credit markets from the credit crisis.

Fee Related Earnings. Fee related earnings increased \$15.1 million in 2010 over the loss of \$2.9 million in 2009 to a total of \$12.2 million.

Net Performance Fees. Net performance fees for Global Market Strategies increased \$68.2 million to \$70.1 million in 2010. We retained net performance fees of approximately 48% of total performance fees in 2010.

Investment Income (Loss). Investment income was \$21.7 million in 2010 compared to \$0.0 million in 2009. The 2010 income reflects the increase in values across the portfolio.

Distributable Earnings. Distributable earnings increased \$23.9 million to \$22.6 million in 2010 from negative 1.3 million in 2009. The increase in distributable earnings was driven by the \$15.1 million increase in fee related earnings, \$4.2 million increase in realized net performance fees and a \$4.6 million increase in realized investment income.

Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

Total fee revenues were \$70.4 million, a decrease of \$18.1 million or 20% from 2008. Fund management fees accounted for all of the revenue decrease with an \$18.8 million erosion or 21% from 2008. This decrease in management fees was offset in part by modest increases in portfolio advisory and transaction fees totaling \$0.7 million from 2008 to 2009. The fund management fee decrease was driven by decreased fees from the structured credit products due mostly to the absence of subordinated fees. The weighted-average management fee rate on our carry funds remained consistent over the period.

Total compensation and benefits was \$40.0 million and \$31.3 million in 2009 and 2008, respectively. These amounts represented 52.8% and 102.6% of total segment revenues in 2009 and 2008, respectively. This change primarily resulted from the realized and unrealized investment loss in 2008.

Direct base compensation expense increased \$4.8 million in 2009. General, administrative and other operating expenses decreased \$5.9 million in 2009 as compared to 2008. Interest expense increased \$0.8 million in 2009 as compared to 2008. In total the increase in direct base compensation expense and interest expense was offset by the reduction in general, administrative, and other operating expenses.

Economic Net Income. ENI was a loss of \$1.0 million in 2009 reflecting an improvement from the \$42.6 million loss in 2008. The 2008 ENI loss was primarily related to unrealized investment losses. Absent the unrealized investment losses in 2009 and 2008, ENI would have been negative \$0.8 million and \$13.1 million, respectively, primarily reflecting the \$17.8 million decrease in fee related earnings.

Fee Related Earnings. Fee related earnings decreased \$17.8 million in 2009 to a loss of \$2.9 million.

Net Performance Fees. Net performance fees for Global Market Strategies were \$1.9 million in 2009 down from \$4.9 million in 2008, both years reflecting the effects of the credit crisis. Performance fees in 2009 were \$3.1 million, and approximately half were unrealized.

Investment Income (Loss). Investment income was \$0.0 million in 2009, which was substantially better than the 2008 loss, most of which was unrealized.

Distributable Earnings. Distributable earnings decreased \$21.3 million to negative \$1.3 million in 2009 from \$20.0 million in 2008. The decrease in distributable earnings was primarily the result of the \$17.8 million decrease in fee related earnings.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2010 and for each of the Six Month Periods ended June 30, 2011 and June 30, 2010

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

	As of June 30,		As of December 31,		
	2011	2010	2010	2009	2008
Global Market Strategies	(Dollars in millions)				
Components of Fee-earning AUM(1)					
Fee-earning AUM based on capital commitments	\$ 804	\$ 1,826	\$ 1,974	\$ 1,826	\$ 1,826
Fee-earning AUM based on invested capital	1,294	360	315	409	433
Fee-earning AUM based on collateral balances, at par	10,902	8,209	11,377	9,379	9,693
Fee-earning AUM based on net asset value	4,908	258	4,782	298	117
Fee-earning AUM based on other(2)	511	515	511	570	1,303
Total Fee-earning AUM	\$ 18,419	\$ 11,168	\$ 18,959	\$ 12,482	\$ 13,372
Weighted Average Management Fee Rates(3)					
Carry Funds	1.39%	1.66%	1.65%	1.64%	1.64%
Hedge Funds	2.00%	n/m	2.00%	n/m	n/m

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

(2) Includes funds with fees based on notional value.

(3) Represents the aggregate effective management fee rate for carry funds and hedge 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) in the fund and are not calculated as a percentage of equity and are therefore not comparable.

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2011	2010	2010	2009	2008
(Dollars in millions)					
Global Market Strategies					
Fee-earning AUM Rollforward					
Balance, Beginning of Period	\$ 18,959	\$ 12,482	\$ 12,482	\$ 13,372	\$ 8,285
Inflows, including Commitments and Subscriptions(1)	1,115	15	164	82	1,249
Acquisitions	—	—	9,604	—	—
Outflows, including Distributions and Redemptions(2)	(1,454)	(118)	(247)	(55)	(380)
Changes in CLO collateral balances	(804)	(262)	(2,534)	(1,140)	4,839
Market Appreciation/(Depreciation)(3)	275	15	38	129	(314)
Foreign exchange and other(4)	328	(964)	(548)	94	(307)
Balance, End of Period	\$ 18,419	\$ 11,168	\$ 18,959	\$ 12,482	\$ 13,372

(1) Inflows represent limited partner capital raised by our carry funds, capital invested by our carry funds outside the investment period and subscriptions to our hedge funds.

(2) Outflows represent limited partner distributions from our carry funds, redemptions in our hedge funds and changes in basis for our carry funds where the investment period has expired.

(3) Market Appreciation/(Depreciation) represents changes in the net asset value of our hedge funds.

(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-USD 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 \$18.4 billion at June 30, 2011, a decrease of \$0.6 billion, or 3%, compared to \$19.0 billion at December 31, 2010. Inflows of \$1.1 billion were primarily related to subscriptions to our hedge funds and commitments raised by our energy mezzanine fund (CEMOF). Outflows of \$1.5 billion exceeded our inflows by \$0.4 billion. 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. The aggregate par value of our CLO collateral balances decreased \$0.8 billion. Market appreciation of \$0.3 billion was primarily due to increases in the net asset value of Claren Road, which charges fees based on net asset value.

Fee-earning AUM was \$11.2 billion at June 30, 2010, a decrease of \$1.3 billion, or 10%, compared to \$12.5 billion at December 31, 2009. This decrease was primarily attributable to a foreign exchange rate adjustment of \$1.0 billion resulting from the volatility of the Euro during the period.

Fee-earning AUM was \$19.0 billion at December 31, 2010, an increase of \$6.5 billion, or 52%, compared to \$12.5 billion at December 31, 2009. This increase was primarily a result of acquisitions during the period, totaling \$9.6 billion, of the Mizuho and Stanfield CLO management contracts as well as a 55% interest in Claren Road (for further discussion of these acquisitions, please refer to “— Recent Transactions”). The increase was partially offset by a decrease of \$2.5 billion in the par value of our CLO collateral balances.

Fee-earning AUM was \$12.5 billion at December 31, 2009, a decrease of \$0.9 billion, or 7%, compared to \$13.4 billion at December 31, 2008. This decrease was primarily a result of a \$1.1 billion decrease in the aggregate par value of our CLO collateral balances.

Fee-earning AUM was \$13.4 billion at December 31, 2008, an increase of \$5.1 billion, or 61%, compared to \$8.3 billion at December 31, 2007. This increase was primarily driven by a \$4.8 billion increase in the aggregate par value of our CLO collateral balances. Inflows of \$1.2 billion were

primarily related to new fund commitments raised by our second distressed and corporate opportunities fund (CSP II) and our second corporate mezzanine fund (CMP II) fund. Outflows of \$0.4 billion were principally a result of distributions from our carry funds that are outside of their investment period, as well as redemptions from our open-ended structured credit funds.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2010 and for the Six Month Period Ended June 30, 2011.

The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Available Capital	Fair Value of Capital (Dollars in millions)	Total AUM
Global Market Strategies			
Balance, As of December 31, 2007	\$ 679	\$ 9,719	\$ 10,398
Commitments and Subscriptions(1)	1,092	107	1,199
Capital Called, net(2)	(825)	682	(143)
Distributions and Redemptions, net(3)	116	(615)	(499)
Changes in CLO collateral balances	—	3,717	3,717
Market Appreciation/(Depreciation)(4)	—	(484)	(484)
Foreign exchange(5)	—	(313)	(313)
Balance, As of December 31, 2008	\$ 1,062	\$ 12,813	\$ 13,875
Commitments and Subscriptions(1)	—	43	43
Capital Called, net(2)	(517)	409	(108)
Distributions and Redemptions, net(3)	155	(261)	(106)
Changes in CLO collateral balances	—	(1,171)	(1,171)
Market Appreciation/(Depreciation)(4)	—	642	642
Foreign exchange(5)	—	98	98
Balance, As of December 31, 2009	\$ 700	\$ 12,573	\$ 13,273
Commitments and Subscriptions(1)	286	9	295
Acquisitions	—	10,463	10,463
Capital Called, net(2)	(701)	737	36
Distributions and Redemptions, net(3)	640	(3,014)	(2,374)
Changes in CLO collateral balances	—	(1,159)	(1,159)
Market Appreciation/(Depreciation)(4)	—	551	551
Foreign exchange(5)	—	(499)	(499)
Balance, As of December 31, 2010	\$ 925	\$ 19,661	\$ 20,586
Commitments and Subscriptions(1)	132	1,121	1,253
Capital Called, net(2)	(417)	415	(2)
Distributions and Redemptions, net(3)	639	(2,499)	(1,860)
Changes in CLO collateral balances	—	(424)	(424)
Market Appreciation/(Depreciation)(4)	—	613	613
Foreign exchange(5)	—	337	337
Balance, As of June 30, 2011	\$ 1,279	\$ 19,224	\$ 20,503

(1) Represents capital raised by our carry funds, net of expired available capital, and subscriptions to our hedge funds.
(2) Represents capital called by our carry funds, net of fund fees and expenses.
(3) Represents distributions from our carry funds, net of amounts recycled, and redemptions in our hedge funds.

- (4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments and changes in the net asset value of our hedge funds.
(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-USD 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.

Total AUM was \$20.5 billion at June 30, 2011, a decrease of \$0.1 billion, or less than 1%, compared to \$20.6 billion at December 31, 2010. This decrease was driven by (a) distributions and redemptions totaling \$2.5 billion, of which approximately \$0.6 billion was recycled back into available capital, and (b) a net decrease of \$0.4 billion in the par value of our CLO collateral balances. These decreases were partially offset by (a) new fund commitments and subscriptions of \$1.3 billion to our energy mezzanine fund (CEMOF) and Claren Road and (b) \$0.6 billion of market appreciation across our portfolio.

Total AUM was \$20.6 billion at December 31, 2010, an increase of \$7.3 billion, or 55%, compared to \$13.3 billion at December 31, 2009. This increase was primarily driven by acquisitions during the period, totaling \$10.7 billion, of the Mizuho and Stanfield CLO management contracts and as well a 55% interest in Claren Road (for further discussion of these acquisitions, please refer to “— Recent Transactions”). This increase was partially offset by (a) distributions and redemptions totaling \$3.0 billion, of which approximately \$0.6 billion was recycled back into available capital, and (b) a net decrease of \$1.2 billion in the par value of our CLO collateral balances.

Total AUM was \$13.3 billion at December 31, 2009, a decrease of \$0.6 billion, or 4%, compared to \$13.9 billion at December 31, 2008. This decrease was driven by a net decrease of \$1.2 billion in the par value of our CLO collateral balances, and was partially offset by \$0.6 billion of market appreciation across our portfolio.

Total AUM was \$13.9 billion at December 31, 2008, an increase of \$3.5 billion, or 33%, compared to \$10.4 billion at December 31, 2007. This increase was driven by (a) new fund commitments and subscriptions of \$1.2 billion primarily to our second distressed and corporate opportunities fund (CSP II) and our second corporate mezzanine fund (CMP II) and (b) a net increase of \$3.7 billion in the par value of our CLO collateral balances. These increases were partially offset by (a) \$0.5 billion of market depreciation across our portfolio and (b) distributions of \$0.6 billion, of which approximately \$0.1 billion was recycled back into available capital.

Fund Performance Metrics

Fund performance information for certain of our Global Market Strategies 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. See “Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds including those presented in this prospectus should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

The following tables reflect the performance of certain funds in our Global Market Strategies business. These tables separately present funds that, as of the periods presented, had at least

\$1.0 billion in capital commitments, cumulative equity invested or total equity value. Please see “Business — Our Family of Funds” for a legend of the fund acronyms listed below.

	As of June 30, 2011			Inception to June 30, 2011(1)	
	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(5)	Net IRR(6)
			(Dollars in millions)		
CSP II	\$ 1,352.3	\$ 2,119.6	1.6x	22%	15%

The returns presented herein represent those of the applicable Carlyle funds and not those of The Carlyle Group L.P.

- (1) The data presented herein that provides “inception to June 30, 2011” performance results for CSP II relates to the period following the formation of the fund in June 2007.
- (2) 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.
- (3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest. Please see Note 4 to the combined and consolidated financial statements for the year ended December 31, 2010 and the six months ended June 30, 2011 appearing elsewhere in this prospectus for further information regarding management’s determination of fair value.
- (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 (“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 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.

The following table reflects the performance of the Claren Road Master Fund, which had AUM of approximately \$4.3 billion as of June 30, 2011:

	1 Year(2)	3-Year(2)	5-Year(2)	Inception(3)
Net Annualized Return(1)				
Claren Road Master Fund	5%	12%	12%	12%
Barclays Aggregate Bond Index	7%	6%	6%	6%
Volatility(4)				
Claren Road Master Fund Standard Deviation (Annualized)	5%	5%	4%	4%
Barclays Aggregate Bond Index Standard Deviation (Annualized)	3%	4%	4%	4%
Sharpe Ratio (1M LIBOR)(5)				
Claren Road Master Fund	0.90	2.43	2.33	2.44
Barclays Aggregate Bond Index	2.15	1.15	0.85	0.92

The returns presented herein represent those of the applicable Carlyle funds and not those of The Carlyle Group L.P.

- (1) Net annualized return is presented for fee-paying investors only on a total return basis, net of all fees and expenses.
- (2) As of December 31, 2010.
- (3) The Claren Road Master Fund was established in January 2006. Performance is from inception through June 30, 2011.
- (4) Volatility is the annualized standard deviation of monthly net investment returns.
- (5) The Sharpe Ratio compares the historical excess return on an investment over the risk free rate of return with its historical annualized volatility.

Liquidity and Capital Resources

We require limited capital resources to support the working capital and operating needs of our business. Historically, our management fees have largely covered our operating costs and we have distributed all realized performance fees after related compensation to senior Carlyle professionals. 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 and employees. Upon the completion of the offering, we intend to have Carlyle commit to fund

approximately 2% of the capital commitments to our future carry funds. 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.

Proceeds from our existing indebtedness have been used to: (1) finance our global expansion and acquisitions, (2) cover losses incurred in connection with the liquidation of CCC, (3) fund the capital investments of Carlyle in our funds, (4) make distributions to senior Carlyle professionals and (5) finance short term loans to our funds. While our funds generally will use their own credit facilities to bridge capital calls from our limited partner investors, we have on occasion made such loans to seed investments for new or first-time funds that do not yet have their own credit facilities or to bridge the raising of external co-investment. In addition, we have funded working capital on behalf of our funds and portfolio companies.

Cash Flows

The significant captions and amounts from our combined and 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,		Year Ended December 31,		
	2011	2010	2010	2009	2008
(Dollars in millions)					
Statements of Cash Flows Data					
Net cash provided by operating activities	\$ 1,310.5	\$ 412.8	\$ 2,877.0	\$ 418.7	\$ 54.3
Net cash used in investing activities	(33.2)	(12.7)	(185.6)	(27.5)	(15.5)
Net cash used in financial activities	(1,438.0)	(443.2)	(2,533.4)	(587.3)	(469.4)
Effect of foreign exchange rate change	29.1	(7.9)	(29.2)	3.4	(3.6)
Net change in cash and cash equivalents	\$ (131.6)	\$ (51.0)	\$ 128.8	\$ (192.7)	\$ (434.2)

Our combined and consolidated statements of cash flows are complicated due to the effect of our Consolidated Funds and CLOs. In order to more clearly present the cash flows of our operating entities, the significant captions and amounts from our combined and consolidated statements of cash flows, excluding the effect of our Consolidated Funds and CLOs (see Note 16 to our combined and consolidated financial statements included elsewhere in this prospectus), are summarized below.

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
(Dollars in millions)					
Statement of Cash Flows Data					
Net cash provided by (used in) operating activities	\$ 521.7	\$ 41.5	\$ 433.3	\$ 402.8	\$ (35.4)
Net cash used in investing activities	(33.2)	(12.7)	(185.6)	(27.5)	(15.5)
Net cash used in financing activities	(626.4)	(71.9)	(117.7)	(570.7)	(376.7)
Effect of foreign exchange rate change	6.3	(7.9)	(1.2)	2.7	(6.6)
Net change in cash and cash equivalents	\$ (131.6)	\$ (51.0)	\$ 128.8	\$ (192.7)	\$ (434.2)

Net Cash Provided by (Used in) Operating Activities. Net cash provided by operating activities is primarily driven by our earnings in the respective periods after adjusting for non-cash performance

fees and related non-cash compensation that are included in earnings. Cash flows from operating activities do not reflect any amounts paid or distributed to senior Carlyle professionals as these amounts are included as a use of cash for distributions in financing activities. As a public company, we will record cash compensation expense to senior Carlyle professionals which will have the effect of reducing cash provided by operating activities and cash used in financing activities. 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. Over time investment proceeds may be greater than investment purchases. During the six months ended June 30, 2011, proceeds were \$263.6 million while purchases were \$84.5 million. However, in the year ended December 31, 2010, investment purchases were \$114.8 million as compared to proceeds of \$41.9 million. Cash flows from operating activities of our Consolidated Funds for the six months ended June 30, 2011 and the year ended December 31, 2010 were \$968.6 million and \$2,533.0 million, respectively, which relates primarily to sales of Consolidated Fund investments.

Net Cash Used in Investing Activities. Our investing activities generally reflect cash used for acquisitions, fixed assets and software for internal use and investments in restricted cash and securities. The acquisition of Claren Road and the purchase of the CLO management contracts from Stanfield and Mizuho resulted in the net use of cash of \$164.1 million during 2010. Purchases of fixed assets were \$17.8 million, \$21.2 million, \$27.5 million and \$36.1 million, in the six months ended June 30, 2011 and years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

Net Cash Used in Financing Activities. Financing activities are a net use of cash in each of the historical periods presented. As noted above, financing activities include distributions to senior Carlyle professionals of \$787.8 million, \$215.6 million and \$253.9 million in years ended December 31, 2010, 2009 and 2008, respectively, and \$657.0 million and \$91.1 million in the six months ended June 30, 2011 and 2010, respectively. During 2010, our borrowing proceeds excluding amounts of Consolidated Funds exceeded our principal payment reductions by \$582.1 million reflecting the \$494 million of net proceeds from our subordinated notes from Mubadala and from net proceeds obtained when we amended and extended the terms of our term loan in 2010. Cash flows from financing activities of our Consolidated Funds for the six months ended June 30, 2011 and the year ended December 31, 2010 were \$983.4 million and \$2,281.2 million, respectively, which relates primarily to net payments on loans payable of our consolidated CLOs.

Our Sources of Cash and Liquidity Needs

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 other obligations as they arise;
- fund capital expenditures;
- repay borrowings and related interest costs and expenses;
- pay income taxes;
- make distributions to Carlyle Holdings unit holders; and
- fund the capital investments of Carlyle in our funds.

We generally use our working capital and cash flows to invest in growth initiatives, service our debt, fund the working capital needs of our investment funds and pay distributions to our equity owners. 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, including a term

loan facility and \$150 million available under our revolving credit facility as of June 30, 2011, and we believe these sources will be sufficient to fund our capital needs for at least the next 12 months. On September 30, 2011, we amended the terms of our senior credit facility to increase the revolving credit facility from \$150.0 million to \$750.0 million. We are not dependent upon the proceeds from this offering to meet our liquidity needs for the next 12 months. After completion of this offering, we intend to pay distributions from cash flow from operations, and, as needed, from draws on available borrowings from our revolving credit facility or sales of assets.

Since our inception through June 30, 2011, we and our senior Carlyle professionals, senior advisors and other professionals have invested or committed to invest in excess of \$4 billion in or alongside our funds. The current invested capital and unfunded commitment of Carlyle and our senior Carlyle professionals, senior advisors and other professionals to our investment funds as of June 30, 2011, consisted of the following:

Asset Class	Current Equity Invested	Unfunded Commitment	Total Current Equity Invested and Unfunded Commitment
	(Dollars in millions)		
Corporate Private Equity	\$ 1,323.6	\$ 1,050.5	\$ 2,374.1
Real Assets	506.7	267.4	774.1
Global Market Strategies	438.7	77.8	516.5
Total	\$ 2,269.0	\$ 1,395.7	\$ 3,664.7

A substantial majority of these investments have been funded by, and a substantial majority of the remaining commitments are expected to be funded by, senior Carlyle professionals, senior advisors and other professionals through our internal co-investment program.

Another source of liquidity we may use to meet our capital needs is the realized carried interest and incentive fee revenue generated by our investment funds. Carried interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return. Incentive fees earned on hedge fund structures are realized at the end of each fund's measurement period. Incentive fees earned on our CLO vehicles are paid upon the dissolution of such vehicles.

Our accrued performance fees by segment as of June 30, 2011, gross and net of accrued giveback obligations, are set forth below:

Asset Class	Accrued Performance Fees	Accrued Giveback Obligation	Net Accrued Performance Fees
	(Dollars in millions)		
Corporate Private Equity	\$ 2,264.6	\$ 33.9	\$ 2,230.7
Real Assets	298.1	49.2	248.9
Global Market Strategies	167.2	1.2	166.0
Total	\$ 2,729.9	\$ 84.3	\$ 2,645.6

Our Balance Sheet and Indebtedness

Total assets were \$17.1 billion at December 31, 2010, an increase of \$14.6 billion from December 31, 2009. The increase in total assets was primarily attributable to the consolidation of our CLOs, which are variable interest entities under U.S. GAAP and were required to be consolidated on January 1, 2010 as a result of revisions to accounting standards governing consolidations and to a lesser extent to the acquisition of Claren Road on December 31, 2010. Assets of Consolidated Funds were approximately \$13.0 billion at December 31, 2010 representing an increase of \$12.7 billion over December 31, 2009. Total liabilities were \$14.2 billion at December 31, 2010, an increase of \$12.4 billion from December 31, 2009. Liabilities of Consolidated Funds (including CLOs) comprised

\$11.0 billion of the increase. 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.

Total assets increased to \$17.7 billion at June 30, 2011, an increase of \$627.6 million over December 31, 2010. Assets of Consolidated Funds contributed to \$212.3 million of the increase in total assets. The remaining increase of \$415.3 million in our assets relates primarily to an increase in accrued carry reflecting the higher valuations of our fund portfolios.

Our balance sheet without the effect of the Consolidated Funds can be seen in Note 16 to our combined and consolidated financial statements included elsewhere in this prospectus. At June 30, 2011, our total assets were \$4.6 billion, including cash and cash equivalents of \$485.3 million and investments of approximately \$3.3 billion. Investments include accrued performance fees of approximately \$2.8 billion at June 30, 2011 which is the amount of carried interest that we would have received had we sold all of our funds' investments at their reported fair values at that date.

Loans Payable. Loans payable on our balance sheet at June 30, 2011 reflects \$500.0 million outstanding under our Senior Secured Credit Facility and \$80.5 million of Claren Road acquisition related indebtedness.

Senior Secured Credit Facility. In 2007, we entered into an \$875.0 million Senior Secured Credit Facility with financial institutions under which we could borrow up to \$725.0 million in a term loan and \$150.0 million in a revolving credit facility. Subsequent to the bankruptcy of one of the financial institutions that was a party to the credit facility, the borrowing availability under the revolving credit facility was effectively reduced to \$115.7 million. Both the term loan facility and revolving credit facility were scheduled to mature on August 20, 2013.

In November 2010, we modified the Senior Secured Credit Facility and repaid the \$370.3 million outstanding principal amount. The amended facility includes \$500.0 million in a term loan and \$150.0 million in a revolving credit facility. Availability of this revolving credit facility is restricted by the amount of our guarantee related to our co-investment loan program for eligible employees investing in our sponsored funds (approximately \$16.6 million at June 30, 2011). Both the term loan and the revolving credit facility mature on November 29, 2015. Principal amounts outstanding under the term loan facility (\$500.0 million at June 30, 2011 and December 31, 2010) accrue interest at LIBOR plus 2.25% per annum (2.44% and 2.51% at June 30, 2011 and December 31, 2010, respectively) with interest payable monthly. Outstanding principal amounts are payable quarterly beginning in September 2013. See "— Contractual Obligations" for additional information.

On September 30, 2011, the Senior Secured Credit Facility was amended and extended to increase the revolving credit facility to \$750.0 million. The amended term loan and revolving credit facility will mature on September 30, 2016. Principal amounts outstanding under the amended term loan and revolving credit facility will accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.75%, or (b) at LIBOR plus an applicable margin not to exceed 1.75%. Outstanding principal amounts due under the term loan are payable quarterly beginning in September 2014 as follows: \$75.0 million in 2014, \$175 million in 2015 and \$250 million in 2016.

In March 2008, we entered into an interest rate swap to fix the interest rate on \$239.3 million of the \$725.0 million in term loan facility borrowings at 5.319%. This instrument has been designated as a cash flow hedge and remains in place after the amendment of the Senior Secured Credit Facility. The interest rate swap, which expires August 20, 2013, continues to be designated as a cash flow hedge.

The Senior Secured Credit Facility is secured by management fees and carried interest allocable to our senior Carlyle professionals from certain funds and requires us to comply with certain financial and other covenants, which include maintaining management fee earning assets (as defined

in the amended agreement) of at least \$50.1 billion, a senior debt leverage ratio of less than or equal to 2.5 to 1.0, a total debt leverage ratio of less than 5.5 to 1.0 (or 5.0 to 1.0 from and after December 2013), and a minimum interest coverage ratio of not less than 4.0 to 1.0, in each case, tested on a quarterly basis. The Senior Secured Credit Facility also contains nonfinancial covenants that restrict some of our corporate activities, including our ability to incur additional debt, pay certain dividends, create liens, make certain acquisitions or investments and engage in specified transactions with affiliates. Non compliance with any of the financial or nonfinancial covenants without cure or waiver would constitute an event of default under the Senior Secured Credit Facility. An event of default resulting from a breach of a financial or nonfinancial covenant 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 Secured 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. We were in compliance with the financial and non-financial covenants of the Senior Secured Credit Facility as of June 30, 2011.

On October 20, 2011, we borrowed \$265.5 million under our revolving credit facility to redeem \$250 million aggregate principal amount of the subordinated notes held by Mubadala for a redemption price of \$260.0 million, representing a 4% premium, plus accrued interest of approximately \$5.5 million. As a result, an aggregate of \$250 million principal amount of notes remained outstanding as of such date. The redemption is expected to reduce our debt service costs and to reduce the dilution to equity holders that would otherwise result upon conversion of the notes. Interest on the amounts borrowed under the revolving credit facility (assuming LIBOR rates as of October 20, 2011) would be approximately \$3.25 million less on a quarterly basis than interest on the redeemed subordinated notes.

In connection with the acquisitions of AlpInvest in July 2011, we borrowed on the revolving credit facility. The amount outstanding on the revolving credit facility at August 31, 2011 is \$125.0 million, and such borrowings accrue interest at LIBOR plus 2.25% per annum.

Claren Road Loans. As part of the Claren Road acquisition, we entered into a loan agreement for \$47.5 million. The loan matures on December 31, 2015 and interest is payable semi-annually, commencing June 30, 2011 at an adjustable annual rate, currently 6.0%. Also in connection with the Claren Road acquisition, Claren Road entered into a loan agreement with a financial institution for \$50.0 million. The loan matures on January 3, 2017 and interest is payable quarterly, commencing June 30, 2011 at an annual rate of 8.0%. Outstanding principal amounts are payable quarterly beginning April 29, 2011 and vary based on annual gross revenue as defined in the loan agreement. Beginning April 3, 2013 additional quarterly principal payments will commence equal to the lesser of (a) \$2.0 million and (b) the then unpaid principal amount of the loan. We include the indebtedness of Claren Road on our combined and consolidated balance sheets due to our 55% ownership of and control over Claren Road.

Subordinated Notes Payable to Mubadala. In December 2010, we received net cash proceeds of \$494.0 million from Mubadala in exchange for \$500.0 million in subordinated notes, equity interests in Carlyle and certain additional rights. On October 20, 2011, we borrowed \$265.5 million under our revolving credit facility to redeem \$250 million aggregate principal amount of the subordinated notes for a redemption price of \$260.0 million, representing a 4% premium, plus accrued interest of approximately \$5.5 million. As a result, an aggregate of \$250 million principal amount of notes remained outstanding as of such date.

Interest on the subordinated notes is payable semi-annually, commencing June 30, 2011 at an annual rate of 7.25% per annum to the extent paid in cash or 7.5% per annum to the extent paid by issuing payment-in-kind notes ("PIK Notes"). Interest payable on the first interest payment date is payable in cash. For any subsequent interest period, we may elect to pay up to 50% of the interest payment due by issuing PIK Notes on the same terms and conditions as the originally issued notes.

Further, we may pay up to 50% of the interest payment due on any PIK Notes by issuing additional PIK Notes. We have elected to pay all interest payable for the interest payment period ending December 31, 2011 entirely in cash. We elected the fair value option to measure the subordinated notes at fair value. At June 30, 2011 and December 31, 2010, the fair value of the subordinated notes is \$511.7 million and \$494.0 million, respectively. The primary reasons for electing the fair value option are to (i) reflect economic events in earnings on a timely basis and (ii) address simplification and cost-benefit considerations. Changes in the fair value of this instrument of \$17.7 million for the six months ended June 30, 2011 were recognized in earnings and included in other non-operating expenses in the combined and consolidated statements of operations included elsewhere in this prospectus.

As noted above, immediately prior to the contribution of the Parent Entities to Carlyle Holdings, the outstanding principal amount of the subordinated notes will be converted into additional equity interests in the Parent Entities. The amount of additional equity interests in the Parent Entities which Mubadala will receive upon conversion of the notes will be determined based on the initial public offering price of the common units in this offering. More specifically, Mubadala will receive upon conversion of the notes that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings, entitle Mubadala to a number of Carlyle Holdings partnership units that is equal to the quotient of \$250 million (plus any accrued and unpaid interest on the notes) divided by the product of .925 multiplied by the initial public offering price per common unit in this offering. Based on an assumed initial offering price of \$ per common unit (the midpoint of the range indicated on the front cover of this prospectus), Mubadala will be entitled upon conversion of the notes to that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings, entitle Mubadala to Carlyle Holdings partnership units. A \$1.00 increase in the assumed initial offering price per common unit would decrease the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. A \$1.00 decrease in the assumed initial public offering price per common unit would increase the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. See "Pricing Sensitivity Analysis."

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 combined and consolidated balance sheets.

As of June 30, 2011, the following borrowings were outstanding at our CLOs, including preferred shares classified as liabilities.

	<u>Borrowing Outstanding</u>	<u>Weighted Average Interest Rate</u>	<u>Weighted Average Remaining Maturity in Years</u>
	(Dollars in millions)		
Senior secured notes	\$ 10,410.4	1.26%	9.23
Subordinated notes, income notes and preferred shares	675.2	n/a(1)	9.02
Combination notes	11.5	n/a(2)	11.72
Total	<u>\$ 11,097.1</u>		

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

(2) The combination notes do not have contractual interest rates and have recourse only to U.S. Treasury securities and OATS specifically held to collateralize such combination notes.

The fair value of senior secured notes, subordinated notes, income notes and preferred shares, and combination notes of our CLOs as of June 30, 2011 was \$9.7 billion, \$730.8 million, and \$9.5 million, respectively.

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. Included in loans payable of the CLOs are loan revolvers (the "APEX Revolvers") which the CLOs entered into with financial institutions on their respective closing dates. The APEX Revolvers provide credit enhancement to the securities issued by the CLOs by allowing the CLOs to draw down on the revolvers in order to offset a certain level of principal losses upon any default of the investment assets held by that CLO. The APEX Revolvers allow for a maximum borrowing of \$38.3 million as of June 30, 2011 and bear weighted interest at LIBOR plus 0.37% per annum. Amounts borrowed under the APEX Revolvers are repaid based on cash flows available subject to priority of payments under each CLO's governing documents. As of June 30, 2011, the principal amount borrowed under the APEX Revolvers was \$1.8 million.

In addition, certain CLOs entered into liquidity facility agreements with various liquidity facility providers on or about the various closing dates in order to fund payments of interest when there are insufficient funds available. The proceeds from such draw-downs are available for payments of interest at each interest payment date and the acquisition or exercise of an option or warrant comprised in any collateral enhancement obligation. The liquidity facilities, in aggregate, allow for a maximum borrowing of \$31.7 million and bear weighted average interest at EURIBOR plus 0.44% per annum. Amounts borrowed under the liquidity facilities are repaid based on cash flows available subject to priority of payments under each CLO's governing documents. There were no borrowings outstanding under this liquidity facility as of June 30, 2011.

Unconsolidated Entities

Our Corporate Private Equity funds have not historically utilized substantial leverage at the fund level other than short-term borrowings under certain fund level lines of credit which are used to fund liquidity needs in the interim between the date of an investment and the receipt of capital from the investing fund's investors. These funds do, however, make direct or indirect investments in companies that utilize leverage in their capital structure. The degree of leverage employed varies among portfolio companies.

Certain of our real estate funds have entered into lines of credits secured by their investors' unpaid capital commitments. Due to the relatively large number of investments made by these funds, the lines of credit are primarily employed to reduce the overall number of capital calls. In certain instances, however, they may be used for other investment related activities, including serving as bridge financing for investments.

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.

See Note 10 to the combined and consolidated financial statements included elsewhere in this prospectus for further disclosure regarding our off-balance sheet arrangements.

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of June 30, 2011 on a consolidated basis and on a basis excluding the obligations of the Consolidated Funds:

Contractual Obligations	July 1, 2011 to	2012-2013	2014-2015	Thereafter	Total
	December 31, 2011				
	(Dollars in millions)				
Loans payable(a)	\$ 20.5	\$ 110.0	\$ 450.0	\$ —	\$ 580.5
Interest payable(b)	11.8	41.4	28.5	—	81.7
Operating lease obligations(c)	23.1	66.7	60.6	137.4	287.8
Capital commitments to Carlyle funds(d)	1,395.7	—	—	—	1,395.7
Loans payable of Consolidated Funds(e)	1.7	6.7	103.3	10,987.2	11,098.9
Interest on loans payable of Consolidated Funds(f)	66.3	263.3	261.1	671.1	1,261.8
Unfunded commitments of the CLOs(g)	13.4	—	—	—	13.4
Redemptions payable of Consolidated Funds(h)	52.1	2.8	—	—	54.9
Consolidated contractual obligations	1,584.6	490.9	903.5	11,795.7	14,774.7
Loans payable of Consolidated Funds(e)	(1.7)	(6.7)	(103.3)	(10,987.2)	(11,098.9)
Interest on loans payable of Consolidated Funds(f)	(66.3)	(263.3)	(261.1)	(671.1)	(1,261.8)
Unfunded commitments of the CLOs(g)	(13.4)	—	—	—	(13.4)
Redemptions payable of Consolidated Funds(h)	(52.1)	(2.8)	—	—	(54.9)
Carlyle Operating Entities' contractual obligations(i)	\$ 1,451.1	\$ 218.1	\$ 539.1	\$ 137.4	\$ 2,345.7

- (a) These obligations exclude the subordinated notes payable to Mubadala, which will be converted into additional equity interests in the Parent Entities upon the consummation of this offering as described under "— Our Balance Sheet and Indebtedness — Subordinated Notes Payable to Mubadala" and assume that no prepayments are made on outstanding loans. These obligations also exclude amounts borrowed on the revolving credit facility subsequent to June 30, 2011, which totaled \$125.0 million at August 31, 2011.
- (b) These obligations exclude interest on the subordinated notes payable to Mubadala and interest on amounts borrowed on the revolving credit facility subsequent to June 30, 2011. Borrowings on our revolving credit facility accrue interest at LIBOR plus 2.25% per annum (2.47% as of August 31, 2011). Interest payments on the term loan are based on a rate of 5.3% for the hedged portion of the term loan and variable rates ranging from 2.4% to 6.0% for the unhedged portion of the term loan (based on the one-month LIBOR forward rate curve at June 30, 2011 and a 2.25% spread). Interest payments on fixed-rate loans are based on rates ranging from 6.0% to 8.0%. Interest payments assume that no prepayments are made and loans are held until maturity.
- (c) We lease office space in various countries around the world and maintain our headquarters in Washington, D.C., where we lease our primary office space under a non-cancelable lease agreement expiring on July 31, 2026. Our office leases in other locations expire in various years from 2011 through 2020. The amounts in this table represent the minimum lease payments required over the term of the lease.
- (d) These obligations 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 remaining \$1.4 billion of commitments, approximately \$1.3 billion is expected to be funded individually by senior Carlyle professionals, senior advisors and other professionals, with the balance funded directly by the firm.
- (e) These obligations represent amounts due to holders of debt securities issued by the consolidated CLO vehicles.
- (f) These obligations represent 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, 2011, at spreads to market rates pursuant to the debt agreements, and range from 0.5% to 12.7%.
- (g) 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.
- (h) Our consolidated hedge funds are subject to quarterly or monthly redemption by investors in these funds. These obligations represent the amount of redemptions where the amount requested in the redemption notice has become fixed and payable.
- (i) The amounts shown in this table exclude certain contingent consideration payments that we may pay in connection with the Business Acquisitions (defined below) if certain performance criteria are met. See Note 3 and Note 15 to our combined and consolidated financial statements included elsewhere in this prospectus for additional information.

Guarantees

In 2001, we entered into an agreement with a financial institution pursuant to which we are 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 \$16.6 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 2% (3.03% at June 30, 2011), reset quarterly. At June 30, 2011, approximately \$16.6 million was outstanding under the credit facility and payable by the employees. No material funding under the guarantee has been required, and we believe the likelihood of any material funding under the guarantee to be remote.

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 condensed combined and consolidated financial statements as of June 30, 2011.

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 on a quarterly basis, from and after the first anniversary of the date of the closing of this offering (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.

As described in greater detail under "Certain Relationships and Related Person Transactions — Tax Receivable Agreement," we will enter into a tax receivable agreement with our existing owners that will provide for the payment by the corporate taxpayers to our existing owners 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 to our existing owners will be substantial. The payments under the tax receivable agreement are not conditioned upon our existing owners' continued ownership of us. In the event that The Carlyle Group L.P. or any of its wholly-owned subsidiaries that are not treated as corporations for U.S. federal income tax purposes become taxable as a corporation for U.S. federal income tax purposes, these entities will also be obligated to make payments under the tax receivable agreement on the same basis and to the same extent as the corporate taxpayers.

The tax receivable agreement provides that upon certain changes of control, or if, at any time, the corporate taxpayers elect an early termination of the tax receivable agreement, the corporate taxpayers' obligations under the tax receivable agreement (with respect to all Carlyle Holdings partnership units whether or not previously exchanged) would be calculated by reference to the value of all future payments that our existing owners would have been entitled to receive under the tax receivable agreement using certain valuation assumptions, including that the corporate taxpayers' will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement and, in the case of an early termination election, that any Carlyle Holdings partnership units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination. In addition, our existing owners will not reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase is successfully challenged by the IRS. The corporate taxpayers' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, including the timing and amount of our future income. As a result, even in the absence of a change of control or an election to terminate the tax receivable agreement, payments to our existing owners under the tax receivable agreement could be in excess of the corporate taxpayers' actual cash tax savings.

Contingent Obligations (Giveback)

An accrual for potential repayment of previously received performance fees of \$84.3 million at June 30, 2011 is shown as accrued giveback obligations on the condensed combined and consolidated balance sheet, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at June 30, 2011. However, the ultimate giveback obligation, if any, does not arise until the end of a fund's life. We have recorded \$20.1 million of unbilled receivables from former and current employees and our individual senior Carlyle professionals as of June 30, 2011 related to giveback obligations, which are included in due from affiliates and other receivables, net in our condensed combined and consolidated balance sheet as of such date.

If, as of June 30, 2011, all of the investments held by our funds were deemed worthless the amount of realized and distributed carried interest subject to potential giveback would be \$572.6 million, on an after-tax basis where applicable.

Our senior Carlyle professionals and employees who have received carried interest distributions are severally responsible for funding their proportionate share of any giveback obligations. However, the governing agreements of certain of our funds provide that to the extent a current or former employee from such funds does not fund his or her respective share, then we may have to fund additional amounts beyond what we received in carried interest, although we will generally retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations.

Contingencies

From time to time we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us.

In September 2006 and March 2009, we received requests for certain documents and other information from the Antitrust Division of the DOJ in connection with the DOJ's investigation of alternative asset management firms to determine whether they have engaged in conduct prohibited by U.S. antitrust laws. We have fully cooperated with the DOJ's investigation. There can be no assurance as to the direction this inquiry may take in the future or whether it will have an adverse impact on the private equity industry in some unforeseen way.

On February 14, 2008, a private class-action lawsuit challenging “club” bids and other alleged anti-competitive business practices was filed in the U.S. District Court for the District of Massachusetts. (*Police and Fire Retirement System of the City of Detroit v. Apollo Global Management, LLC*). The complaint alleges, among other things, that certain alternative asset management firms, including Carlyle, violated Section 1 of the Sherman Act by, among other things, forming multi-sponsor consortiums for the purpose of bidding collectively in certain going private transactions, which the plaintiffs allege constitutes a “conspiracy in restraint of trade.” The plaintiffs seek damages as provided for in Section 4 of the Clayton Act and an injunction against such conduct in restraint of trade in the future. While Carlyle believes the lawsuit is without merit and is contesting it vigorously, it is difficult to determine what impact, if any, this litigation (and any future related litigation), together with any increased governmental scrutiny or regulatory initiatives, will have on the private equity industry generally or on Carlyle.

Along with many other companies and individuals in the financial sector, Carlyle and one of our funds, CMP I, are named as defendants in *Foy v. Austin Capital*, a case filed in June 2009, pending in the State of New Mexico’s First Judicial District Court, County of Sante Fe, which purports to be a *qui tam* suit on behalf of the State of New Mexico. 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, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including Carlyle and CMP I on the ground that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has brought two civil actions against certain of those defendants, not including the Carlyle defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions. We are currently unable to anticipate when the litigation will conclude, or what impact the litigation may have on us.

In July 2009, a former shareholder of Carlyle Capital Corporation Limited (“CCC”), claiming to have lost \$20.0 million, filed a claim against CCC, Carlyle and certain of our affiliates and one of our officers (*Huffington v. TC Group L.L.C.*) alleging violations of Massachusetts “blue sky” law provisions and related claims involving material misrepresentations and omissions allegedly made during and after the marketing of CCC. The plaintiff seeks treble damages, interest, expenses and attorney’s fees and to have the subscription agreement deemed null and void and a full refund of the investment. In March 2010, the United States District Court for the District of Massachusetts dismissed the plaintiff’s complaint on the grounds that it should have been filed in Delaware instead of Massachusetts, and the plaintiff subsequently filed a notice of appeal to the United States Court of Appeals for the First Circuit. The plaintiff has lost its appeal to the First Circuit and has filed a renewed claim in Delaware state court. Defendants are vigorously contesting all claims alleged by the plaintiff. In November 2009, another CCC investor has instituted legal proceedings on similar grounds in Kuwait’s Court of First Instance against Carlyle (*National Industries Group v. The Carlyle Group*) seeking to recover losses incurred in connection with an investment in CCC. In July 2011, the Delaware Court of Chancery precluded the plaintiff from proceeding in Kuwait based on the forum selection clause in the plaintiff’s subscription agreement, which provided for exclusive jurisdiction in Delaware courts. We believe the claims are without merit and will vigorously contest all such allegations.

The Guernsey liquidators who took control of CCC in March 2008 filed suit in July 2010 against Carlyle, certain of its affiliates and the former directors of CCC (*Carlyle Capital Corporation Limited v. Conway*), seeking \$1.0 billion in damages. They allege that Carlyle and the CCC board of directors were negligent, grossly negligent or willfully mismanaged the CCC investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. Plaintiffs further allege (among other things) that the directors and Carlyle put the interests of Carlyle ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing Carlyle’s

reputation and its “brand” over the best interests of CCC. The plaintiffs’ lawsuit is currently pending in the Superior Court of the District of Columbia, the Supreme Court of New York, County of New York and the Royal Court of Guernsey. We believe the claims are without merit and will vigorously contest all allegations. We recognized a loss of \$152.3 million in 2008 in connection with the winding up of CCC.

In June 2011, August 2011, and September 2011, three putative shareholder class actions were filed against Carlyle, certain of our affiliates and former directors of CCC alleging that the fund offering materials and various public disclosures were materially misleading or omitted material information. Two of the shareholder class actions, (*Phelps v. Stomber, et. al.*) and (*Glaubach v. Carlyle Capital Corporation Limited, et. al.*), were filed in the United States District Court for the District of Columbia. The most recent shareholder class action (*Phelps v. Stomber, et. al.*) was filed in the Supreme Court of New York, New York County and has subsequently been removed to the United States District Court for the Southern District of New York. The plaintiffs seek all compensatory damages sustained as a result of the alleged misrepresentations, costs and expenses, as well as reasonable attorney fees. We believe the claims are without merit and will vigorously contest all claims.

Critical Accounting Policies

Principles of Consolidation. Our policy is to consolidate those entities in which we have control over significant operating, financing or investing decisions of the entity. All significant inter-entity transactions and balances have been eliminated.

For entities that are determined to be variable interest entities (“VIEs”), we consolidate those entities where we are deemed to be the primary beneficiary. Where VIEs have not qualified for the deferral of the revised consolidation guidance as described in Note 2 to our consolidated financial statements, an enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a variable interest entity that most significantly impact’s the entity’s economic financial 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. The revised consolidation guidance requires analysis to (a) determine whether an entity in which Carlyle holds a variable interest is a VIE, and (b) whether Carlyle’s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires judgment. Our involvement with entities that have been subject to the revised consolidation guidance has generally been limited to our CLOs and the recent acquisitions of Claren Road in December 2010 and AlpInvest and ESG in July 2011.

Where VIEs have qualified for the deferral of the revised consolidation guidance, the analysis is based on previously existing consolidation guidance pursuant to U.S. GAAP. Generally, with the exception of the CLOs, our funds qualify for the deferral of the revised consolidation rules under which the primary beneficiary is the entity that absorbs a majority of the expected losses of the VIE or a majority of the expected residual returns of the VIE, or both. We determine whether we are the primary beneficiary at the time we first become involved with a VIE and subsequently reconsider that we are the primary beneficiary based on certain events. The evaluation of whether a fund is a VIE is subject to the requirements of ASC 810-10, originally issued as FASB Interpretation No. 46(R), and the determination of whether we should consolidate such VIE requires judgment. These judgments include whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support; evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity; determining whether two or more parties’ equity interests should be aggregated; determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity; evaluating the nature of relationships and activities of the

parties involved in determining which party within a related-party group is most closely associated with a VIE; and estimating cash flows in evaluating which member within the equity group absorbs a majority of the expected losses and hence would be deemed the primary beneficiary.

For all Carlyle funds and co-investment entities (collectively the “funds”) that are not determined to be VIEs, we consolidate those funds where, as the sole general partner, we have not overcome the presumption of control pursuant to U.S. GAAP.

Consolidation and Deconsolidation of Carlyle Funds and Certain Co-investment Entities. Most Carlyle funds provide a dissolution right upon a simple majority vote of the non-Carlyle affiliated limited partners such that the presumption of control by us is overcome. Accordingly, these funds are not consolidated in our combined and consolidated financial statements. Certain Carlyle-sponsored funds near the end of their partnership term do not provide the same dissolution right. These funds consist mainly of CP II, CRP I and CRP II, and CVP I and their related entities, and these are consolidated in our combined and consolidated financial statements. The assets of the Consolidated Funds are classified principally within investments of Consolidated Funds. The assets and liabilities of the Consolidated Funds are generally within separate legal entities. Therefore, the liabilities of the Consolidated Funds are non-recourse to us and our general creditors.

Performance Fees. Performance fees consist principally of the preferential allocation of profits to which we are entitled from certain of our funds (commonly known as carried interest). We are generally entitled to a 20% allocation (or 1.8% to 10% in the case of most of our fund of funds vehicles) of income as a carried interest after returning the invested capital, the allocation of preferred returns and return of certain fund costs (subject to catch-up provisions). Carried interest is recognized upon appreciation of the funds’ investment values above certain return hurdles set forth in each respective partnership agreement. We recognize revenues attributable to performance fees based on 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 performance fees reflects our share of the fair value gains and losses of the associated funds’ underlying investments.

We may be required to return realized carried interests in the future if the funds’ investment values decline below certain levels. When the fair value of a fund’s investments fall below certain return hurdles, previously recognized performance fees are reduced, as occurred for certain funds in 2009 and 2008. In all cases, each fund is considered separately in that regard and for a given fund, performance fees can never be negative over the life of a fund. If upon a hypothetical liquidation of a fund’s investments at the current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established for the potential giveback obligation. Senior Carlyle professionals and employees who have received distributions of carried interest which are ultimately returned are contractually obligated to reimburse us for the amount returned. We record a receivable from current and former employees and our current and former senior Carlyle professionals for their individual portion of any giveback obligation that we establish. These receivables are included in due from affiliates and other receivables, net in our combined and consolidated balance sheets.

In addition to our performance fees from our private equity funds, we are also entitled to receive performance fees from certain of our other global credit alternatives funds when the return on AUM exceeds certain benchmark returns or other performance targets. In such arrangements, performance fees are recognized when the performance benchmark has been achieved and are included in performance fees in the accompanying combined and consolidated statements of operations.

Performance Fees due to Employees and Advisors. We have allocated a portion of the performance fees due to us to our employees and advisors. These amounts are accounted for as compensation expense in conjunction with the related performance fee revenue and, until paid, recognized as a component of the accrued compensation and benefits liability. Upon any reversal of performance fee

revenue, as occurred during the year ended December 31, 2008, the related compensation expense is also reversed.

Income Taxes. No provision has been made for U.S. federal income taxes in our combined and consolidated financial statements since we are a group of pass-through entities for U.S. income tax purposes and our profits and losses are allocated to the senior Carlyle professionals who are individually responsible for reporting such amounts. Based on applicable foreign, state and local tax laws, we record a provision for income taxes for certain entities. We record a provision for state and local income taxes for certain entities based on applicable laws. Tax positions taken by us are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

Upon completion of our Reorganization and related offering, certain of the wholly owned subsidiaries of Carlyle and the Carlyle Holdings partnerships will be subject to federal, state and local corporate income taxes at the entity level and the related tax provision attributable to Carlyle's share of this income will be reflected in the consolidated financial statements. The Reorganization and offering may result in Carlyle recording a significant deferred tax asset based on then enacted tax rates, which will result in future tax deductions. Over time, a substantial portion of this asset will be offset by a liability associated with the tax receivable agreement with our senior Carlyle professionals. The realization of our deferred tax assets will be dependent on the amount of our future taxable income before deductions related to the establishment of the deferred tax asset.

We use the liability method of accounting for deferred income taxes pursuant to U.S. GAAP. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the statutory tax rates expected to be applied in the periods in which those temporary differences are settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change. A valuation allowance is recorded on our net deferred tax assets when it is more likely than not that such assets will not be realized.

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. When appropriate, we record a liability for uncertain tax positions, which is included in accounts payable, accrued expenses and other liabilities in our combined and consolidated balance sheets. These balances include interest and penalties associated with uncertain tax positions. We recognize interest accrued 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.

Fair Value Measurement. U.S. GAAP establishes a hierarchal disclosure framework which ranks the "observability" of 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 instruments and their specific characteristics. Financial instruments with readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

The three-level hierarchy for fair value measurement is defined 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 type of financial instruments included in Level I include unrestricted securities, including equities and derivatives, listed in active markets. Carlyle does not adjust the quoted price for these instruments, even in situations where Carlyle 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.
Financial

instruments which are included in this category include securities traded in other than active markets, derivatives, corporate bonds and loans.

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 type of financial instruments in this category includes 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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to any of our fair value measurements requires judgment and considers factors specific to each relevant investment, non-investment grade residual interests in securitizations, collateralized loan obligations, and certain over-the-counter derivatives where the fair value is based on unobservable inputs.

When valuing private securities or assets without readily determinable market prices, Carlyle 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 flows 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, we will realize the values presented herein.

Investments include our ownership interests in the funds and the investments held by the Consolidated Funds. 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. Upon the sale of a security, the realized net gain or loss is computed on a weighted average cost basis.

Non-equity securities, which may include instruments that are not listed on an exchange, will be fair-valued after considering, among other factors, external pricing sources, such as dealer quotes or independent pricing services, recent trading activity or other information that, in our opinion, may not have been reflected in pricing obtained from external sources.

The fair value of collateral assets in the consolidated CLOs, including bank loans and non-investment grade bonds, is based in part 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 valuation of the consolidated CLO liabilities is based on both discounted cash flow analyses that consider inputs and assumptions such as prepayment and reinvestment rates, recovery lags, discount rates and default forecasts and is compared to broker quotations from market makers and third-party dealers.

Net income from our consolidated CLOs resulting from underlying investment performance is substantially attributable to the investors in the CLOs and accordingly is reflected in non-controlling interests. A 10% change in value of the CLO investments coupled with a correlated 10% change in value of the loans payable of the CLOs will result in no material net income or loss to the non-controlling interests. However, if the investments in the CLOs change in value in an uncorrelated manner with the CLO liabilities, then the impact on net income attributable to non-controlling interests could be significant. Regardless, the impact on net income attributable to Carlyle Group is not significant. The valuation of consolidated hedge fund investments in Master Funds is

determined based on the redemption value (net asset value) as reported by the Master Funds and in accordance with the practical expedient permitted under U.S. GAAP.

Compensation and Distributions Payable to Carlyle Partners. Compensation attributable to our senior Carlyle professionals has historically been accounted for as distributions from equity rather than as employee compensation. We have historically recognized a distribution from capital and distribution payable to our individual senior Carlyle professionals when services are rendered and carried interest allocations are earned. Any unpaid distributions, which reflect our obligation to those senior Carlyle professionals, are presented as due to senior Carlyle professionals in our combined and consolidated balance sheets. Upon completion of our Reorganization and related offering, we will account for compensation attributable to our senior Carlyle professionals as expense in our statement of operations. Accordingly, this will have the effect of increasing compensation expense relative to what has historically been recorded in our financial statements.

Equity-based Compensation. Upon completion of our Reorganization and related offering, we will implement equity based compensation arrangements that will require senior Carlyle professionals to vest ownership of their equity interests over future service periods. This will result in compensation charges over future periods under U.S. GAAP. In determining the aggregate fair value of any award grants, we will need to make judgments, among others, as to the: (i) grant date, (ii) estimated forfeiture rates and (iii) in the case of any option awards, assumptions with respect to volatility. Each of these elements, particularly the forfeiture and volatility assumptions used in valuing our equity awards, are subject to significant judgment and variability and the impact of changes in such elements on equity-based compensation expense could be material.

Intangible Assets. Our intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. We have no indefinite-lived intangible assets as of June 30, 2011.

Recent and Pending Accounting Pronouncements

Effective January 1, 2010, the Financial Accounting Standards Board (“FASB”) amended its consolidation guidance, changing the approaches taken by companies in identifying which entities are VIEs and in determining which party is the primary beneficiary. The amended guidance also requires continuous assessment of the reporting entity’s involvement with such VIEs and enhances the disclosure requirements for a reporting entity’s involvement with VIEs. The guidance provides a limited scope deferral for a reporting entity’s interest in an entity that meets all of the following conditions: (a) the entity has all the attributes of an investment company as defined under AICPA Audit and Accounting Guide, Investment Companies, or does not have all the attributes of an investment company but is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the AICPA Audit and Accounting Guide, Investment Companies, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity and (c) the entity is not a securitization entity, asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The reporting entity is required to perform a consolidation analysis for entities that qualify for the deferral in accordance with previously issued guidance on variable interest entities. Our involvement with its funds is such that all three of the above conditions are met with the exception of certain CLOs which fail condition (c) above. The incremental impact of the revised consolidation rules resulted in the consolidation of certain CLOs managed by us. The CLOs manage approximately \$11.9 billion of total assets as of December 31, 2010. The incremental impact of the revised consolidation guidance resulted in the consolidation of CLOs managed by us on January 1, 2010 which increased total assets and total liabilities in the combined and consolidated balance sheets by \$9.1 billion and \$8.4 billion, respectively. The difference in fair value of assets and liabilities on January 1, 2010 of \$0.7 billion was recorded in equity appropriated for Consolidated

Funds. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs.

In January 2010, the FASB issued guidance on improving disclosures about fair value measurements. The guidance requires additional disclosure on transfers in and out of Levels I and II fair value measurements in the fair value hierarchy and the reasons for such transfers. In addition, for fair value measurements using significant unobservable inputs (Level III), the reconciliation of beginning and ending balances shall be presented on a gross basis, with separate disclosure of gross purchases, sales, issuances and settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to disaggregate disclosures by each class of assets and liabilities. In addition, an entity is required to provide further disclosures on valuation techniques and inputs used to measure fair value for fair value measurements that fall in either Level II or Level III. As the guidance is limited to enhanced disclosures, adoption did not have a material impact on our condensed combined and consolidated financial statements.

In May 2011, the FASB amended its guidance for fair value measurements and disclosures to converge U.S. GAAP and International Financial Reporting Standards ("IFRS"). The amended guidance, included in ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP," is effective for us for our annual reporting period beginning after December 15, 2011. The amended guidance is generally clarifying in nature, but does change certain existing measurement principles in ASC 820 and requires additional disclosure about fair value measurements and unobservable inputs. We have not completed our assessment of the impact of this amended guidance, but do not expect the adoption to have a material impact on our consolidated financial statements.

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, performance fees and investment income.

Although our investment funds share many common themes, each of our alternative 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 senior advisors 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.

Effect on Fund Management Fees

Management fees will only be directly affected by short-term changes in market conditions to the extent they are based on NAV or represent permanent impairments of value. These management fees will be increased (or reduced) in direct proportion to the effect of changes in the market value of our investments in the related funds. The proportion of our management fees that are based on NAV is dependent on the number and types of investment funds in existence and the current stage of each fund's life cycle. For the year ended December 31, 2010 less than 1% of our fund management fees were based on the NAV of the applicable funds.

Effect on Performance Fees

Performance fees reflect revenue primarily from carried interest on our carry funds and incentive fees from our hedge funds. In our discussion of “Key Financial Measures” and “Critical Accounting Policies”, we disclose that performance fees are recognized upon appreciation of the valuation of our funds’ investments above certain return hurdles and are based upon the amount that would be due to Carlyle at each reporting date as if the funds were liquidated at their then-current fair values. Changes in the fair value of the funds’ investments may materially impact performance fees depending upon the respective funds performance to date as compared to its hurdle rate and the related carry waterfall. The following summarizes the incremental impact of a 10% change in fair value by segment as of June 30, 2011 on our performance fee revenue:

	10% Increase in Remaining Fair Value	(Dollars in Millions)	10% Decrease in Remaining Fair Value
Corporate Private Equity	\$	626.2	\$ (561.2)
Real Assets		96.7	(66.8)
Global Market Strategies		113.8	(81.3)
Total	\$	836.7	\$ (709.3)

The effect of the variability in performance fee revenue would be in part offset by performance fee related compensation. See also related disclosure in “Segment Analysis.”

Effect on Assets Under Management

With the exception of our hedge funds, our fee-earning assets under management are generally not affected by changes in valuation. However, total assets under management is impacted by valuation changes to net asset value. The table below shows the net asset value included in total assets under management by segment (excluding available capital), and the percentage amount classified as Level III investments as defined within the fair value standards of GAAP:

	Total Assets Under Management, Excluding Available Capital Commitments (Dollars in millions)	Percentage Amount Classified as Level III Investments
Corporate Private Equity	\$ 40,211	60%
Real Assets	\$ 22,546	74%
Global Market Strategies	\$ 19,225	65%

Exchange Rate Risk

Our investment funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. Non-U.S. dollar denominated assets and liabilities are translated at year-end rates of exchange, and the combined and consolidated statements of operations accounts are translated at rates of exchange in effect throughout the year. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. We estimate that as of June 30, 2011, if the U.S. dollar strengthened 10% against all foreign currencies, the impact on our consolidated results of operations for the six months then ended would be as follows: (a) fund management fees would decrease by \$11.6 million, (b) performance fees would decrease by \$7.6 million and (c) investment income would decrease by \$1.1 million.

Interest Rate Risk

We have obligations under our term loan facility that accrue interest at variable rates. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows.

We entered into an interest rate swap in March 2008 to fix the interest rate on \$239.3 million of the \$725.0 million term loan facility borrowings at 5.319%. Based on our debt obligations payable and our interest rate swaps as of June 30, 2011, we estimate that interest expense relating to variable rates would increase by \$3.5 million on an annual basis, in the event interest rates were to increase by one percentage point.

Credit Risk

Certain of our investment funds hold derivative instruments that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. We minimize our risk exposure by limiting the counterparties with which we enter into contracts to banks and investment banks who meet established credit and capital guidelines. We do not expect any counterparty to default on its obligations and therefore do not expect to incur any loss due to counterparty default.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information contained in this prospectus is subject to completion due to the fact that information related to our Reorganization and this offering is not currently determinable. We intend to complete this pro forma financial information, including amounts related to the pro forma adjustments set forth in the accompanying unaudited condensed combined and consolidated pro forma statements of operations and unaudited condensed combined and consolidated pro forma balance sheet, at such time that we update this prospectus and such information is available.

The following unaudited condensed combined and consolidated pro forma statements of operations for the six months ended June 30, 2011 and the year ended December 31, 2010, and the unaudited condensed combined and consolidated pro forma balance sheet as of June 30, 2011 are based upon the historical financial statements included elsewhere in this prospectus and the historical financial statements of the Business Acquisitions (defined below). These pro forma financial statements present our consolidated results of operations and financial position giving pro forma effect to the Business Acquisitions, the Reorganization and Offering Transactions described under “Organizational Structure” and the other transactions described below as if such transactions had been completed as of January 1, 2010 with respect to the unaudited condensed combined and consolidated pro forma statements of operations for the year ended December 31, 2010 and for the six months ended June 30, 2011, and as of June 30, 2011 with respect to the unaudited condensed combined and consolidated pro forma balance sheet. The pro forma adjustments are based on available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of these transactions on the historical combined and consolidated financial information of Carlyle Group. The adjustments are described in the notes to the unaudited condensed combined and consolidated pro forma statements of operations and the unaudited condensed combined and consolidated pro forma balance sheet.

Carlyle Group is considered our predecessor for accounting purposes, and its combined and consolidated financial statements will be our historical financial statements following the completion of the Reorganization and this offering. Because the existing owners of the Parent Entities control the entities that comprise Carlyle Group before and after the Reorganization, we will account for the transaction among these owners’ interests in our business, as part of the Reorganization, as a transfer of interests under common control. Accordingly, we will carry forward unchanged the value of these owners’ interests in the assets and liabilities recognized in Carlyle Group’s combined and consolidated financial statements into our consolidated financial statements.

The pro forma adjustments in the *Business Acquisitions* column give effect to the following transactions:

- The acquisition by Carlyle Group in December 2010 of 55% of Claren Road, a long/short credit hedge fund manager. Because this transaction was completed on December 31, 2010, the impact is fully reflected in the historical Carlyle Group combined and consolidated financial statements as of June 30, 2011 and for the six months then ended, and therefore, no adjustments are necessary to the unaudited pro forma financial information as of June 30, 2011 and for the six months ended June 30, 2011.
- The acquisition by Carlyle Group in July 2011 of a 60% equity interest in AlpInvest, one of the world’s largest investors in private equity which advises a global private equity and mezzanine fund of funds program and related co-investment and secondary activities.
- The acquisition by Carlyle Group in July 2011 of a 55% interest in ESG, an emerging markets equities and macroeconomic strategies investment manager.

The acquisitions of Claren Road, AlpInvest, and ESG are collectively hereinafter referred to as the “Business Acquisitions.” The pro forma adjustments for the Business Acquisitions are based on the historical financial statements of the Business Acquisitions presented under U.S. GAAP and include assumptions that we believe are reasonable. The pro forma adjustments do not reflect any operating efficiencies or cost savings that we may achieve, any additional expenses that may be incurred with respect to operating the combined company, or the costs of integration that the combined company may incur. The pro forma adjustments give effect to events that are (i) directly attributable to the Business Acquisitions, (ii) factually supportable, and (iii) with respect to the pro forma statements of operations, expected to have a continuing impact on the combined results of the companies.

The pro forma adjustments in the *Reorganization and Other Adjustments* column principally give effect to certain of the Reorganization and Offering Transactions described under “Organizational Structure,” including:

- the restructuring of certain beneficial interests in investments in or alongside our funds that were funded by certain existing and former owners of the Parent Entities indirectly through the Parent Entities, such that the Parent Entities will (i) purchase a portion of the beneficial interests at fair value, and (ii) restructure the remainder of the beneficial interests so that they are held directly by the beneficial owners;
- the redemption in October 2011 using borrowings on the revolving credit facility of \$250 million aggregate principal amount of the subordinated notes;
- the restructuring of certain carried interest rights allocated to retired senior Carlyle professionals so that such carried interest rights will be reflected as non-controlling interests in our financial statements. Our retired senior Carlyle professionals who have existing carried interests rights through their ownership in the Parent Entities will not participate in the transactions described in Reorganization and Offering Transactions under “Organizational Structure”. The carried interest rights held by these individuals will be restructured such that they will exchange their existing carried interest rights (through their ownership interests in the Parent Entities) for an equivalent amount of carried interest rights in the general partners of our funds. The individuals maintain the same carried interest rights before and after this restructuring, and no consideration in any form is being provided to them.;
- the reallocation of carried interest to senior Carlyle professionals and other individuals who manage our carry funds, such that the allocation to these individuals will be approximately 45% of all carried interest on a blended average basis, with the exception of the Riverstone funds, where Carlyle will retain essentially all of the carry to which we are entitled under our arrangements for those funds;
- an adjustment to reflect compensation attributable to our senior Carlyle professionals as compensation expense rather than as distributions from equity, as well as an adjustment to reclassify the liability for amounts owed to our senior Carlyle professionals from due to Carlyle partners to accrued compensation and benefits; and
- a provision for corporate income taxes on the income of The Carlyle Group L.P.’s wholly-owned subsidiaries that will be taxable for U.S. income tax purposes, which we refer to as the “corporate taxpayers.”

The pro forma adjustments in the *Offering Adjustments* column principally give effect to certain of the Reorganization and Offering Transactions described under “Organizational Structure,” including:

- the effect of one or more cash distributions that our Parent Entities will make to their owners of previously undistributed earnings and accumulated cash totaling \$;
- the issuance of additional equity interests in the Parent Entities to Mubadala upon the exchange of the subordinated notes, as determined based upon the initial public offering price of the common units in this offering, which will subsequently be contributed to Carlyle Holdings in exchange for Carlyle Holdings partnership units;
- an adjustment to reflect compensation expense related to the issuance and vesting of Carlyle Holdings partnership units as part of the Carlyle Holdings formation;
- an adjustment to reflect compensation expense related to the grant and vesting of the deferred restricted units of The Carlyle Group L.P. and the phantom deferred restricted units, which will be granted to our employees at the time of this offering;
- the issuance of common units in this offering at an assumed initial public offering price of \$ per common unit, less estimated underwriting discounts and the payment of offering expenses by Carlyle Holdings;
- the purchase by The Carlyle Group L.P.’s wholly-owned subsidiaries of newly-issued Carlyle Holdings partnership units for cash with the proceeds from this offering; and
- the application by Carlyle Holdings of a portion of the proceeds from this offering to repay outstanding indebtedness, as described in “Use of Proceeds.”

The pro forma adjustments in the *Adjustments for Non-Controlling Interests* column relate to an adjustment to non-controlling interests in consolidated entities representing the Carlyle Holdings partnership units held by our existing owners after this offering. Prior to the completion of this offering, our existing owners will contribute all of their interests in the Parent Entities to Carlyle Holdings in exchange for an equivalent fair value of Carlyle Holdings partnership units. The Carlyle Holdings partnership units held by the existing owners will be reflected as non-controlling interests in consolidated entities in the combined and consolidated financial statements of The Carlyle Group L.P.

As described in greater detail under “Certain Relationships and Related Person Transactions — Tax Receivable Agreement,” we will enter into a tax receivable agreement with our existing owners that will provide for the payment by the corporate taxpayers to our existing owners 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 the exchange by the limited partners of the Carlyle Holdings partnerships for The Carlyle Group, L.P. common units and the resulting 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. No such exchanges or other tax benefits have been assumed in the unaudited pro forma financial information and therefore no pro forma adjustment related to the tax receivable agreement is necessary.

As a public company, we will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. We expect to incur significant additional annual expenses related to these steps and, among other things, additional directors and officers’ liability insurance, director fees, reporting requirements of the SEC, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased

auditing and legal fees and similar expenses. We have not included any pro forma adjustments relating to these costs.

The unaudited condensed pro forma financial information should be read together with “Organizational Structure,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical financial statements and related notes included elsewhere in this prospectus.

The unaudited condensed combined and consolidated pro forma financial information is included for informational purposes only and does not purport to reflect the results of operations or financial position of Carlyle Group that would have occurred had the transactions described above occurred on the dates indicated or had we operated as a public entity during the periods presented or for any future period or date. The unaudited condensed combined and consolidated pro forma financial information should not be relied upon as being indicative of our future or actual results of operations or financial condition had the Business Acquisitions, Reorganization and Offering Transactions described under “Organizational Structure” and the other transactions described above occurred on the dates assumed. The unaudited condensed combined and consolidated pro forma financial information also does not project our results of operations or financial position for any future period or date.

Unaudited Condensed Combined and Consolidated Pro Forma Balance Sheet
As of June 30, 2011

	Carlyle Group Combined Historical	Business Acquisitions(1)	Carlyle Group Including the Business Acquisitions	Reorganization and Other Adjustments(2)	Carlyle Holdings Pro Forma	Offering Adjustments(3)	Carlyle Holdings Pro Forma As Adjusted for the Offering	Adjustments for Non- Controlling Interests(4)	The Carlyle Group L.P. Consolidated Pro Forma
(Dollars in millions)									
Assets									
Cash and cash equivalents	\$ 485.3	\$ 60.9	\$ 546.2		\$	(a)	\$		\$
Cash and cash equivalents held at Consolidated Funds	659.7	12.1	671.8						
Restricted cash	31.9	0.5	32.4						
Restricted cash and securities of Consolidated Funds	98.3	—	98.3						
Investments and accrued performance fees	3,183.2	241.6	3,424.8	\$ (a)					
Investments of Consolidated Funds	12,191.6	8,588.3	20,779.9						
Due from affiliates and other receivables, net	280.8	6.7	287.5						
Due from affiliates and other receivables of Consolidated Funds, net	231.9	123.7	355.6						
Fixed assets, net	45.4	1.2	46.6						
Deposits and other	43.5	8.5	52.0						
Intangible assets, net	423.2	170.8	594.0						
Deferred tax assets	15.4	—	15.4			(b)			
Total assets	\$ 17,690.2	\$ 9,214.3	\$ 26,904.5	\$	\$		\$		\$
Liabilities and equity									
Loans payable	\$ 580.5	\$ 116.6	\$ 697.1	\$ (a)	\$	(c)			
Subordinated loan payable to affiliate	511.7	—	511.7	265.5 (b)					
Loans payable of Consolidated Funds	10,427.1	—	10,427.1	(260.0) (b)					
Accounts payable, accrued compensation and other accrued liabilities	654.4	202.9	857.3	(a)	(5.5) (b)				
				1,362.0 (c)					
				(284.8) (d)					
				(1,362.0) (c)					
Due to Carlyle partners	1,244.0	118.0	1,362.0						
Due to affiliates	26.6	—	26.6						
Deferred revenue	143.3	—	143.3						
Deferred tax liabilities	—	63.6	63.6						
Other liabilities of Consolidated Funds	796.7	99.1	895.8						
Accrued giveback obligations	84.3	—	84.3						
Total liabilities	14,468.6	600.2	15,068.8						
Commitments and contingencies									
Redeemable non-controlling interests in consolidated entities	1,011.2	360.1	1,371.3						
Members' equity	1,241.9	7.0	1,248.9	(a)		(b)		(a)	
				284.8 (d)		(c)			
				(e)		(d)			
Accumulated other comprehensive loss	(40.9)	—	(40.9)						
Total members' equity	1,201.0	7.0	1,208.0						
Equity appropriated for Consolidated Funds	645.4	—	645.4	(a)					
Non-controlling interests in consolidated entities	364.0	8,247.0		(a)				(a)	
				(e)					
Total equity	2,210.4	8,254.0	10,464.4						
Total liabilities and equity	\$ 17,690.2	\$ 9,214.3	\$ 26,904.5	\$	\$		\$		\$

**Notes to Unaudited Condensed Combined and Consolidated Pro Forma Balance Sheet
as of June 30, 2011**

1. Business Acquisitions

On July 1, 2011, Carlyle Group acquired a 60% interest in AlpInvest, one of the world's largest investors in private equity. The consolidated balance sheet for AlpInvest as of June 30, 2011 is derived from its audited balance sheet included elsewhere in this Registration Statement. The consolidated income statements for AlpInvest for the six months ended June 30, 2011 and the year ended December 31, 2010 are derived from its unaudited financial statements not included in this Registration Statement.

On July 1, 2011, Carlyle Group acquired 55% of ESG, an emerging markets equities and macroeconomic strategies investment manager. The consolidated financial statements of ESG as of June 30, 2011 and for the six months ended June 30, 2011 and for the year ended December 31, 2010 are derived from its unaudited financial statements not included in this Registration Statement.

Carlyle Group consolidates the financial position and results of operations of the Business Acquisitions effective on the date of the closing of each Business Acquisition, and has accounted for the Business Acquisitions as business combinations.

For additional information concerning the Business Acquisitions, please see Notes 3 and 15 to the combined and consolidated financial statements included elsewhere in this prospectus.

The following table summarizes the pro forma impact to the Carlyle Group historical consolidated balance sheet from the Business Acquisitions. For purposes of determining the adjustments to the unaudited condensed combined and consolidated pro forma balance sheet as of June 30, 2011, the AlInvest and ESG acquisitions are assumed to have occurred on that date.

	AlInvest Consolidated Historical	ESG Consolidated Historical	Pro Forma Acquisition Adjustments(a)	Total Business Acquisitions
	(Dollars in millions)			
Assets				
Cash and cash equivalents	\$ 150.6	\$ 6.7	\$ (96.4)(b)	\$ 60.9
Cash and cash equivalents held at Consolidated Funds	3.2	8.9	—	12.1
Restricted cash	0.5	—	—	0.5
Restricted cash and securities of Consolidated Funds	—	—	—	—
Investments and accrued performance fees	216.6	25.0	—	241.6
Investments of Consolidated Funds	8,226.4	361.9	—	8,588.3
Due from affiliates and other receivables, net	0.4	4.6	1.7 (c)	6.7
Due from affiliates and other receivables of Consolidated Funds, net	96.4	27.3	—	123.7
Fixed assets, net	1.1	0.1	—	1.2
Deposits and other	8.5	—	—	8.5
Intangible assets, net	—	—	170.8 (d)	170.8
Deferred tax assets	—	—	—	—
Total assets	<u>\$ 8,703.7</u>	<u>\$ 434.5</u>	<u>\$ 76.1</u>	<u>\$ 9,214.3</u>
Liabilities and equity				
Loans payable	\$ —	\$ —	\$ 116.6 (e)	\$ 116.6
Subordinated loan payable to affiliate	—	—	—	—
Loans payable of Consolidated Funds	—	—	—	—
Accounts payable, accrued compensation and other accrued liabilities	233.3	11.7	(42.1)(f)	202.9
Due to Carlyle partners	—	—	118.0 (g)	118.0
Due to affiliates	—	—	—	—
Deferred revenue	—	—	—	—
Deferred tax liabilities	44.2	—	19.4 (h)	63.6
Other liabilities of Consolidated Funds	62.8	36.3	—	99.1
Accrued giveback obligations	—	—	—	—
Total liabilities	<u>340.3</u>	<u>48.0</u>	<u>211.9</u>	<u>600.2</u>
Commitments and contingencies				
Redeemable non-controlling interests in consolidated entities	—	360.1	—	360.1
Members' equity				
Members' equity	158.2	26.4	(177.6)(i)	7.0
Accumulated other comprehensive loss	—	—	—	—
Total members' equity	<u>158.2</u>	<u>26.4</u>	<u>(177.6)</u>	<u>7.0</u>
Equity appropriated for Consolidated Funds	—	—	—	—
Non-controlling interests in consolidated entities	8,205.2	—	41.8 (j)	8,247.0
Total equity	<u>8,363.4</u>	<u>26.4</u>	<u>(135.8)</u>	<u>8,254.0</u>
Total liabilities and equity	<u>\$ 8,703.7</u>	<u>\$ 434.5</u>	<u>\$ 76.1</u>	<u>\$ 9,214.3</u>

(a) These adjustments reflect the application of purchase accounting to the acquisitions of AlInvest and ESG. The acquisition of Claren Road is already reflected in Carlyle Group's combined historical balance sheet as of June 30, 2011. The allocation of the purchase price for the acquisitions of AlInvest and ESG has been based upon preliminary estimates of the fair value of assets acquired, liabilities assumed, and non-controlling interests. These adjustments are therefore preliminary and have been prepared to illustrate the estimated effect of the acquisitions. A final purchase price allocation of AlInvest and ESG assets, liabilities, and non-controlling interests will be performed once we have completed our final valuation of the tangible and intangible assets and liabilities that existed at the completion of the acquisitions. The final purchase price allocations are expected to be completed in connection with our December 31, 2011 financial reporting.

The acquisition-date fair value of the consideration transferred for the AlpInvest and ESG acquisitions, and the estimated fair values of the assets acquired, liabilities assumed, and non-controlling interests at the acquisition date, are as follows:

	<u>AlpInvest</u>	<u>ESG</u>
	(Dollars in millions)	
<u>Acquisition-date fair value of consideration transferred</u>		
Cash	\$ 183.8	\$ 45.0
Equity interests and other contingent consideration	15.5	67.4
Total	<u>\$ 199.3</u>	<u>\$ 112.4</u>
<u>Estimated fair value of assets acquired, liabilities assumed, and non-controlling interests</u>		
Cash and receivables(1)	\$ 169.0	\$ 11.3
Investments	216.6	25.0
Net fixed assets and other assets	9.6	0.1
Finite-lived intangible assets — contractual rights	70.6	88.0
Finite-lived intangible assets — trademarks	1.4	1.0
Goodwill	9.8	—
Assets of Consolidated Funds(2)	8,326.0	398.1
Accounts payable, accrued compensation and other accrued liabilities	(233.3)	(11.7)
Deferred tax liabilities	(60.6)	(3.0)
Liabilities of Consolidated Funds	(62.8)	(36.3)
Non-controlling interests in consolidated entities	(8,247.0)	(360.1)
Total	<u>\$ 199.3</u>	<u>\$ 112.4</u>

The fair value of the equity interests was based on an enterprise valuation of Carlyle Group. The fair value of the contingent consideration was based on probability-weighted discounted cash flow models. The contingent consideration associated with the AlpInvest acquisition relates to potential carried interest in certain existing AlpInvest funds that will be payable to the AlpInvest sellers if such carried interest is realized. The contingent consideration for the ESG acquisition relates to performance-based contingent payments of up to \$110.5 million, which is the maximum amount of additional consideration that could be paid, of which \$73.5 million would be payable within five years of closing and \$37.0 million would be payable by year six. The acquisition-date fair value of the contingent consideration was \$15.5 million and \$60.4 million for the AlpInvest and ESG acquisitions, respectively.

(1) Includes cash and cash equivalents, restricted cash, due from affiliates and other receivables, net, and cash associated with non-controlling interests.

(2) Includes cash and cash equivalents held at Consolidated Funds, investments of Consolidated Funds, and due from affiliates and other receivables of Consolidated Funds, net.

- (b) This adjustment reflects cash inflows to Carlyle Group from borrowing €81.0 million (\$116.6 million) on the revolving credit facility to finance the AlInvest acquisition, less the cash outflows of Carlyle Group of \$168.0 million (excluding cash from non-controlling interests) and \$45.0 million for the AlInvest and ESG acquisitions, respectively.
- (c) This adjustment reflects receivables from employees of AlInvest totaling \$1.7 million that Carlyle Group advanced in connection with the AlInvest acquisition.
- (d) This adjustment reflects the intangible assets and goodwill acquired in the AlInvest and ESG acquisitions, totaling \$81.8 million and \$89.0 million, respectively.
- (e) This adjustment reflects Carlyle Group's borrowing of €81.0 million (\$116.6 million) on the revolving credit facility to finance the AlInvest acquisition.
- (f) This adjustment reflects the liability associated with the estimated fair value of the contingent consideration paid for the AlInvest and ESG acquisitions, totaling \$15.5 million and \$60.4 million, respectively. The fair value of the contingent consideration was based on probability-weighted discounted cash flow models. In conjunction with the acquisitions, certain employees of the acquired entities were admitted as senior Carlyle professionals. Accordingly, this adjustment also includes a reduction to reclassify balances owed to these individuals as due to Carlyle partners. This reduction totals \$118.0 million and relates to compensation, contingent consideration and other liabilities payable to those individuals (see note (g)). The net adjustment of \$42.1 million is calculated as \$15.5 million plus \$60.4 million less \$118.0 million.
- (g) This adjustment reflects a reclassification of compensation and benefit accruals associated with AlInvest and ESG employees who were admitted as senior Carlyle professionals (see note (f)).
- (h) This adjustment reflects the deferred tax liabilities recognized in the AlInvest and ESG acquisitions, totaling \$16.4 million and \$3.0 million, respectively.
- (i) This adjustments reflects an increase to members' equity of \$7.0 million related to the ESG acquisition, offset by decreases to members' equity of \$158.2 million and \$26.4 million for AlInvest and ESG, respectively, to record the purchase accounting for those acquisitions.
- (j) This adjustment reflects the non-controlling interests in AlInvest not acquired by Carlyle Group in the acquisition of \$24.3 million and the 40% non-controlling ownership in AlInvest totaling \$17.5 million.

On December 31, 2010, Carlyle Group acquired 55% of Claren Road, a long/short credit hedge fund manager. The purchase consideration was comprised of \$157.8 million in cash and promissory notes in the amount of \$97.5 million. Also included in the consideration were contingently issuable equity interests in Carlyle Group equivalent to \$51.3 million as of the closing date. Carlyle Group may also pay additional contingent consideration up to \$255.2 million over a period of ten years based on the achievement of certain performance criteria. The acquisition-date fair value of the consideration transferred totaled \$447.6 million, consisting of the following (dollars in millions):

Cash	\$ 157.8
Promissory notes	97.5
Contingently issuable equity interest in Carlyle Group	51.3
Contingent and other consideration	141.0
Total	\$ 447.6

The consolidated statement of operations for Claren Road for the year ended December 31, 2010 is derived from its audited financial statements not included in this Registration Statement. Because this transaction was completed on December 31, 2010, the impact is fully reflected in the historical Carlyle Group combined and consolidated financial statements as of June 30, 2011 and for the six months then ended, and therefore, no adjustments are necessary to the unaudited pro forma financial information as of June 30, 2011 and for the six months ended June 30, 2011.

2. Reorganization and Other Adjustments

- (a) Reflects the restructuring of certain beneficial interests in investments in or alongside our funds that were funded by certain existing and formers owners of the Parent Entities indirectly through the Parent Entities. As part of the Reorganization, the Parent Entities will purchase approximately \$ million of these beneficial interests at fair value, and approximately \$ million of these beneficial interests at June 30, 2011 will be restructured so that they are held directly by the beneficial owners.

For the beneficial interests to be purchased by the Parent Entities of \$ million, a pro forma adjustment has been recorded to increase loans payable by \$ million (as the purchase will be funded with borrowings on Carlyle Group's revolving credit facility) and decrease members' equity by \$ million (for interests that were funded through the Parent Entities) and decrease non-controlling interests in consolidated entities by \$ million (for interests in subsidiaries of the Parent Entities that were not funded through the Parent Entities).

For the restructured beneficial interests that will be held directly by the beneficial owners, a pro forma adjustment has been recorded to decrease investments and members' equity, as such interests will be distributed from the Parent Entities to the beneficial owners. Included in the restructured beneficial interests were \$ million of interests in our CLOs that are included in our Consolidated Funds; in our historical combined and consolidated financial statements, these investments had been eliminated against the related liability or equity recorded by the Consolidated Fund. For these interests in consolidated CLOs, the pro forma adjustment results in increases to loans payable of Consolidated Funds and equity appropriated for Consolidated Funds (as the aforementioned elimination is no longer applicable after the interest is held directly by the beneficial owner) and a decrease to members' equity to reflect the distribution of the beneficial interest.

The following table summarizes the pro forma impact for the restructured beneficial interests (amounts in millions):

	Investments	Loans payable	Loans payable of Consolidated Funds	Members' equity	Equity appropriated for Consolidated Funds	Non-controlling interests in consolidated entities
Acquired beneficial interests	\$	\$	\$	\$	\$	\$
Restructured beneficial interests in Consolidated Funds						
Other restructured beneficial interests						
Total	\$	\$	\$	\$	\$	\$

- (b) Reflects the redemption in October 2011 of \$250 million aggregate principal amount of the subordinated loan payable to affiliate for a redemption price of \$260.0 million, plus accrued interest of approximately \$5.5 million. The redemption was funded through borrowings on Carlyle Group's revolving credit facility.
- (c) Reflects the reclassification of amounts owed to senior Carlyle professionals to accrued compensation and benefits. Prior to the Reorganization and this offering, the entities that comprise Carlyle Group have been partnerships or limited liability companies, and our senior Carlyle professionals were part of the ownership group of those entities. In the historical financial statements, the liability to senior Carlyle professionals for amounts owed to them (primarily compensation and performance fee related compensation) was reported

separately from compensation amounts owed to other Carlyle employees. Subsequent to the Reorganization, the liability for compensation amounts owed to senior Carlyle professionals and other Carlyle employees will be aggregated on our balance sheet.

- (d) Reflects the reallocation of carried interest to senior Carlyle professionals and other individuals who manage our carry funds, such that the allocation to these individuals will be approximately 45% of all carried interest on a blended average basis, with the exception of the Riverstone funds, where Carlyle will retain essentially all of the carry to which we are entitled under our arrangements for those funds. As part of the Reorganization, our senior Carlyle professionals and other individuals who manage our carry funds will contribute to Carlyle Holdings a portion of the equity interests they own in the general partners of our existing carry funds in exchange for an equivalent fair value of Carlyle Holdings partnership units.

Historically, these allocations of carried interest were accounted for as compensatory profit sharing arrangements. This adjustment reduces accrued compensation as of June 30, 2011 and increases members' equity, to reflect the elimination of the compensation liability through the issuance of Carlyle Holdings partnership units in the exchange. As of June 30, 2011, the compensation liability related to this exchange was \$284.8 million. The fair value of the Carlyle Holdings interests issued in this transaction will exceed the carrying value of the liability, resulting in a loss on the exchange. The fair value of the Carlyle Holdings interests has not been determined at this time. However, the pro forma increase to members' equity (based on the fair value of Carlyle Holdings partnership units issued, when determined) less the decrease to members' equity for the loss on the exchange results in the net pro forma increase to members' equity of \$284.8 million. The amounts for this adjustment have been derived from our historical results.

- (e) Reflects the restructuring of ownership of certain carried interest rights allocated to retired senior Carlyle professionals so that such carried interest rights will be reflected as non-controlling interests. Our retired senior Carlyle professionals who have existing carried interests rights through their ownership in the Parent Entities will not participate in the transactions described in Reorganization and Offering Transactions under "Organizational Structure". The carried interest rights held by these individuals will be restructured such that they will exchange their existing carried interest rights (through their ownership interests in the Parent Entities) for an equivalent amount of carried interest rights in the general partners of our funds. The individuals maintain the same carried interest rights before and after this restructuring, and no consideration in any form is being provided to them. The amounts for this adjustment have been derived from our historical results. At June 30, 2011, the carrying value of these restructured carried interest rights was approximately \$ million. This adjustment has been recorded to reclassify this balance from members' equity to non-controlling interests in consolidated entities.

3. Offering Adjustments

- (a) Reflects net proceeds of \$ million from this offering through the issuance of common units at an assumed initial public offering price of \$ per common unit (the midpoint of the range indicated on the front cover of this prospectus), less estimated underwriting discounts of \$ million, with a corresponding increase to members' equity. The net cash proceeds reflect a reduction of \$ million for expenses of the offering that Carlyle Holdings will bear or reimburse to The Carlyle Group L.P. See note 4(a).
- (b) Reflects an adjustment to record deferred tax assets for outside tax basis differences created as a result of Carlyle Holdings I GP Inc.'s investment in Carlyle Holdings I L.P. This adjustment is recorded to recognize the deferred tax assets for the excess of Carlyle Holdings I GP Inc.'s tax basis over its book basis related to its investment in Carlyle Holdings I L.P. to the extent that such differences are expected to reverse in the foreseeable

future. We have not reduced the deferred tax asset with a valuation allowance as we believe it is more likely than not that the deferred tax assets will be realized.

- (c) Reflects the effect of one or more distributions to our existing owners of cash representing undistributed earnings and accumulated cash generated by the Parent Entities prior to the date of the offering in an aggregate amount of \$ million.
- (d) Reflects the issuance of \$ of equity interests in the Parent Entities in exchange for the \$250 million subordinated loan payable to affiliate (after giving effect to the October 2011 redemption of \$250 million aggregate principal amount). The amount of additional equity interests in the Parent Entities which Mubadala will receive upon exchange of the notes will be determined based on the initial public offering price of the common units in this offering. More specifically, Mubadala will receive upon exchange of the notes that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings, entitle Mubadala to a number of Carlyle Holdings partnership units that is equal to the quotient of \$250 million (plus any accrued and unpaid interest on the notes) divided by the product of .925 multiplied by the initial public offering price per common unit in this offering.

Based on an assumed initial offering price of \$ per common unit (the midpoint of the range indicated on the front cover of this prospectus), the assumed equity interest in the Parent Entities issued in this transaction is \$ million (calculated as \$ million divided by .925). The equity interests in the Parent Entities issued in this exchange will subsequently be contributed to Carlyle Holdings in exchange for Carlyle Holdings partnership units. The difference between the value of the Carlyle Holdings partnership units issued of \$ million and the carrying value of the subordinated loan payable to affiliate of \$ million is reflected as a reduction of members' equity of \$ million.

4. Adjustments for Non-Controlling Interests

- (a) Our existing owners will contribute to Carlyle Holdings their interests in the Parent Entities and a portion of the equity interests they own in the general partners of our existing investment funds and other entities that have invested in or alongside our funds in exchange for partnership units in Carlyle Holdings. The exchange is structured as a fair value exchange where the existing owners will exchange their interests in the Parent Entities and general partners for an equivalent fair value of Carlyle Holdings partnership units. Each existing owner will receive a number of Carlyle Holdings partnership units that is based on his/her individual interest in the Parent Entities and general partners, but in each case the individual will receive an equal number of partnership units in each of the three Carlyle Holdings partnerships.

We will operate and control all of the business and affairs of Carlyle Holdings and will consolidate the financial results of Carlyle Holdings and its subsidiaries. The ownership interests of the existing owners in Carlyle Holdings will be reflected as a non-controlling interest in our financial statements. The following table summarizes the pro forma adjustment for non-controlling interests in consolidated entities as of June 30, 2011 (Dollars in millions):

Carlyle Group combined historical members' equity	(1)	\$
Beneficial interests in Parent Entities purchased by Carlyle Holdings	(2)	
Restructuring of carried interest rights	(3)	
Distributions of undistributed earnings and accumulated cash	(4)	
Acquisition of Carlyle Holdings partnership units by The Carlyle Group L.P.	(5)	
Dilution of interests held by The Carlyle Group L.P.	(6)	
Reimbursement of offering expenses to The Carlyle Group L.P.	(7)	
		<u>\$</u>

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- (1) At the time of the Reorganization, all the outstanding members' equity of the entities that comprise Carlyle Group will be exchanged for members' equity in Carlyle Holdings. This ownership interest will be classified as non-controlling interests in consolidated entities of The Carlyle Group L.P.
 - (2) The beneficial interests acquired by Carlyle Holdings that were funded through the Parent Entities reduce Carlyle Group's members' equity and accordingly, reduce the balance of non-controlling interests in consolidated entities. See note 2(a).
 - (3) The restructuring of ownership of certain carried interest rights reduces Carlyle Group's members' equity and accordingly, reduce the balance of non-controlling interests in consolidated entities. See note 2(e).
 - (4) See note 3(c).
 - (5) Reflects our use of \$ of assumed net proceeds from the issuance of the common units in this offering to purchase newly issued Carlyle Holdings partnership units at fair value. Assuming the underwriters do not exercise their option to purchase additional common units from us, we will directly and indirectly own % of the outstanding Carlyle Holdings partnership units upon the completion of this offering and the balance of the outstanding Carlyle Holdings partnership units will be owned by the existing owners. We account for this portion of the Reorganization as a change in a parent's ownership interest while retaining control; accordingly, we account for the cost of the interests purchased as a reduction of non-controlling interests in consolidated entities. The cost of interests purchased is \$ million.
 - (6) Reflects an adjustment to record non-controlling interests in consolidated entities relating to the Carlyle Holdings partnership units to be held by our existing owners after this offering; such units represent % of all Carlyle Holdings partnership units outstanding after this offering. Because we will purchase the interests in Carlyle Holdings at a valuation in excess of the proportion of the book value of net assets acquired, we will incur an immediate dilution in carrying value of approximately \$ million. This dilution is reflected within members' equity as a reallocation from members' equity to non-controlling interests in consolidated entities. See "Organizational Structure — Offering Transactions" and "Use of Proceeds."
In connection with the Reorganization, we will enter into an exchange agreement with the limited partners of the Carlyle Holdings partnerships. Under the exchange agreement, subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions, each holder of Carlyle Holdings partnership units (and certain transferees thereof), other than the subsidiaries of The Carlyle Group L.P., may up to four times a year, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange these partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Under the exchange agreement, to effect an exchange a holder of partnership units in Carlyle Holdings must simultaneously exchange one partnership unit in each of the Carlyle Holdings partnerships. No such exchanges have been assumed in the calculation of the pro forma adjustment for non-controlling interests.
 - (7) See note 3(a).

**Unaudited Condensed Combined and Consolidated Pro Forma Statement of Operations
For the Six Months Ended June 30, 2011**

	Carlyle Group Combined Historical	Business Acquisitions(1)	Carlyle Group Including the Business Acquisitions	Reorganization and Other Adjustments(2)	Carlyle Holdings Pro Forma	Offering Adjustments(3)	Carlyle Holdings Pro Forma As Adjusted for the Offering	Adjustments for Non- Controlling Interests(4)	The Carlyle Group L.P. Consolidated Pro Forma
	(Dollars in millions, except per unit data)								
Revenues									
Fund management fees	\$ 447.2	\$ 46.7	\$ 493.9				\$		\$
Performance fees									
Realized	494.9	18.2	513.1						
Unrealized	725.5	59.7	785.2						
Total performance fees	1,220.4	77.9	1,298.3						
Investment income									
Realized	42.8	—	42.8		(a)				
Unrealized	19.2	0.4	19.6		(a)				
Total investment income	62.0	0.4	62.4						
Interest and other income	13.1	2.3	15.4						
Interest and other income of Consolidated Funds	330.4	71.9	402.3						
Total revenues	2,073.1	199.2	2,272.3						
Expenses									
Compensation and benefits									
Base compensation	175.3	28.2	203.5	110.4	(b)		(a)		
Performance fee related									
Realized	84.8	7.9	92.7	108.7	(b)				
Unrealized	57.8	34.0	91.8	252.2	(b)				
Total compensation and benefits	317.9	70.1	388.0	471.3	(b)				
General, administrative and other expenses	107.1	14.9	122.0						
Depreciation and amortization	37.2	10.4	47.6						
Interest	32.8	3.4	36.2		(c)		(b)		
Interest and other expenses of Consolidated Funds	190.9	43.9	234.8						
Other non-operating expenses	20.6	—	20.6		(c)				
Total expenses	706.5	142.7	849.2						
Other income (loss)									
Net investment gains (losses) of Consolidated Funds	(277.0)	569.7	283.7		(a)				
Income before provision for income taxes	1,089.6	617.2	1,706.8						
Provision for income taxes	12.8	15.8	28.6		(d)				
Income from continuing operations before nonrecurring charges directly attributable to the transaction	1,076.8	601.4	1,678.2						
Net income (loss) attributable to non-controlling interests in consolidated entities	(191.1)	567.3	376.2		(a)			(a)	
				(6.6)	(b)				
				(e)					
Net income attributable to Carlyle Group	\$ 1,267.9	\$ 34.1	\$ 1,302.0		(a)	\$	(a)	\$	(a)
				(464.7)	(b)				
				(c)					
				(d)					
				(e)					
Net income per common unit									
Basic									\$ (5a)
Diluted									\$ (5a)
Weighted average common units outstanding									
Basic									(5a)
Diluted									(5a)

Unaudited Condensed Combined and Consolidated Pro Forma Statement of Operations
For the Year Ended December 31, 2010

	Carlyle Group Combined Historical	Business Acquisitions(1)	Carlyle Group Including the Business Acquisitions	Reorganization and Other Adjustments(2)	Carlyle Holdings Pro Forma Adjustments(3)	Offering Adjustments(3)	Carlyle Holdings Pro Forma As Adjusted for the Offering	Adjustments for Non- Controlling Interests(4)	The Carlyle Group L.P. Consolidated Pro Forma
(Dollars in millions, except per unit data)									
Revenues									
Fund management fees	\$ 770.3	\$ 145.8	\$ 916.1		\$		\$		\$
Performance fees									
Realized	266.4	71.6	338.0						
Unrealized	1,215.6	(0.3)	1,215.3						
Total performance fees	1,482.0	71.3	1,553.3						
Investment income									
Realized	11.9	3.9	15.8	(a)					
Unrealized	60.7	0.7	61.4	(a)					
Total investment income	72.6	4.6	77.2						
Interest and other income	21.4	5.6	27.0						
Interest and other income of Consolidated Funds	452.6	257.9	710.5						
Total revenues	2,798.9	485.2	3,284.1						
Expenses									
Compensation and benefits									
Base compensation	265.2	85.7	350.9	230.0 (b)		(a)			
Performance fee related									
Realized	46.6	30.0	76.6	76.7 (b)					
Unrealized	117.2	7.5	124.7	329.4 (b)					
Total compensation and benefits	429.0	119.2	548.2	636.1 (b)					
General, administrative and other expenses	152.7	26.9	179.6						
Depreciation and amortization	24.5	61.3	85.8						
Interest	17.8	10.4	28.2	(c)		(b)			
Interest and other expenses of Consolidated Funds	233.3	136.6	369.9						
Other non-operating expenses	—	—	—						
Loss from early extinguishment of debt, net of related expenses	2.5	—	2.5						
Equity issued for affiliate debt financing	214.0	—	214.0	(c)					
Total expenses	1,073.8	354.4	1,428.2						
Other income (loss)									
Net investment gains (losses) of Consolidated Funds	(245.4)	1,848.0	1,602.6	(a)					
Income before provision for income taxes	1,479.7	1,978.8	3,458.5						
Provision for income taxes	20.3	17.3	37.6	(d)					
Income from continuing operations before nonrecurring charges directly attributable to the transaction	1,459.4	1,961.5	3,420.9						
Net income (loss) attributable to non-controlling interests in consolidated entities	(66.2)	1,935.5	1,869.3	(a)		(b)		(a)	
				(5.8)(b)					
				(e)					
Net income attributable to Carlyle Group	\$ 1,525.6	\$ 26.0	\$ 1,551.6	(a)	\$	(a)	\$	(a)	\$
				(630.3)(b)		(b)			
				(c)					
				(d)					
				(e)					
Net income per common unit									
Basic									\$ (5a)
Diluted									\$ (5a)
Weighted average common units outstanding									
Basic									(5a)
Diluted									(5a)

Notes to Unaudited Condensed Combined and Consolidated Pro Forma Statements of Operations

1. Business Acquisitions

The following tables summarize the pro forma impact to the Carlyle Group historical consolidated statements of operations from the Business Acquisitions for the periods presented. For purposes of determining the impact to the unaudited condensed combined and consolidated pro forma statements of operations, the Acquisitions are assumed to have occurred on January 1, 2010. Carlyle Group's acquisition of Claren Road was completed on December 31, 2010. Accordingly, Claren Road's consolidated results of operations for the six months ended June 30, 2011 are fully reflected in the Carlyle Group combined historical statement of operations for the six months ended June 30, 2011, and therefore, no pro forma adjustments are necessary.

For the Six Months Ended June 30, 2011

	AlpInvest Consolidated Historical	ESG Consolidated Historical	Pro Forma Acquisition Adjustments (Dollars in millions)	Total Business Acquisitions
Revenues				
Fund management fees	\$ 37.9	\$ 8.8	\$ —	\$ 46.7
Performance fees				
Realized	18.1	0.1	—	18.2
Unrealized	40.4	19.3	—	59.7
Total performance fees	58.5	19.4	—	77.9
Investment income				
Realized	—	—	—	—
Unrealized	—	0.4	—	0.4
Total investment income	—	0.4	—	0.4
Interest and other income	1.5	0.2	0.6 (a)	2.3
Interest and other income of Consolidated Funds	69.6	2.3	—	71.9
Total revenues	167.5	31.1	0.6	199.2
Expenses				
Compensation and benefits				
Base compensation	26.0	4.6	(2.4)(b)	28.2
Performance fee related				
Realized	12.0	0.1	(4.2)(b)	7.9
Unrealized	43.8	2.4	(12.2)(b)	34.0
Total compensation and benefits	81.8	7.1	(18.8)	70.1
General, administrative and other expenses	9.1	5.8	—	14.9
Depreciation and amortization	0.4	—	10.0 (c)	10.4
Interest	1.5	—	1.9 (d)	3.4
Interest and other expenses of Consolidated Funds	36.6	7.3	—	43.9
Other non-operating expenses	—	—	—	—
Total expenses	129.4	20.2	(6.9)	142.7
Other income (loss)				
Net investment gains of Consolidated Funds	525.5	35.2	—	560.7
Income before provision for income taxes	563.6	46.1	7.5	617.2
Provision for income taxes	16.4	0.4	(1.0)(e)	15.8
Net income	547.2	45.7	8.5	601.4
Net income attributable to non-controlling interests in consolidated entities	529.5	22.6	15.2 (f)	567.3
Net income attributable to Carlyle Group (or controlling interest)	\$ 17.7	\$ 23.1	\$ (6.7)	\$ 34.1

For the Year Ended December 31, 2010

	Claren Road Consolidated Historical	AlpInvest Consolidated Historical	ESG Consolidated Historical (Dollars in millions)	Pro Forma Acquisition Adjustments	Total Business Acquisitions
Revenues					
Fund management fees	\$ 50.7	\$ 80.1	\$ 15.0	\$ —	\$ 145.8
Performance fees					
Realized	20.2	32.0	19.4	—	71.6
Unrealized	—	(0.3)	—	—	(0.3)
Total performance fees	20.2	31.7	19.4	—	71.3
Investment income					
Realized	3.8	0.1	—	—	3.9
Unrealized	—	—	0.7	—	0.7
Total investment income	3.8	0.1	0.7	—	4.6
Interest and other income	—	4.0	0.4	1.2(a)	5.6
Interest and other income of Consolidated Funds	40.1	213.8	4.0	—	257.9
Total revenues	114.8	329.7	39.5	1.2	485.2
Expenses					
Compensation and benefits					
Base compensation	35.3	55.6	4.9	(10.1)(b)	85.7
Performance fee related					
Realized	19.9	14.9	3.0	(7.8)(b)	30.0
Unrealized	—	3.7	—	(0.2)(b)	3.5
Total compensation and benefits	55.2	74.2	7.9	(18.1)	119.2
General, administrative and other expenses	5.7	18.2	3.0	—	26.9
Depreciation and amortization	0.5	1.4	0.1	59.3(c)	61.3
Interest	—	0.5	—	9.9(d)	10.4
Interest and other expenses of Consolidated Funds	48.3	79.2	9.1	—	136.6
Other non-operating expenses	—	—	—	—	—
Total expenses	109.7	173.5	20.1	51.1	354.4
Other income (loss)					
Net investment gains of Consolidated Funds	58.8	1,752.7	36.5	—	1,848.0
Income before provision for income taxes	63.9	1,908.9	55.9	(49.9)	1,978.8
Provision for income taxes	0.6	18.1	0.7	(2.1)(e)	17.3
Net income	63.3	1,890.8	55.2	(47.8)	1,961.5
Net income attributable to non-controlling interests in consolidated entities	35.7	1,855.8	25.0	19.0(f)	1,935.5
Net income attributable to Carlyle Group (or controlling interest)	\$ 27.6	\$ 35.0	\$ 30.2	\$ (66.8)	\$ 26.0

- (a) This adjustment reflects interest income on loans issued by Carlyle Group in conjunction with the Claren Road and AlpInvest acquisitions of \$13.5 million and \$1.7 million, respectively, at their contractual annual interest rates of 8% and 7%, respectively.
- (b) In conjunction with the Business Acquisitions, certain employees were admitted as senior Carlyle professionals. The entities that comprise Carlyle Group are partnerships or limited liability companies. Accordingly, all payments to our senior Carlyle professionals have been accounted for as distributions from members' equity rather than as compensation expenses in the historical Carlyle Group financial statements. Accordingly, this adjustment reduces the historical compensation expenses of the Business Acquisitions for the amounts associated with those employees who are senior Carlyle professionals. Following this offering, we intend to account for compensation payments to our senior Carlyle professionals as compensation expenses. The amounts in this pro forma acquisition adjustment are included in that compensation pro forma adjustment (See note 2(b)).

- (c) This adjustment reflects the amortization expense associated with intangible assets acquired from the Business Acquisitions. The acquisition of Claren Road included approximately \$393.6 million of intangible assets with an estimated useful life of ten years. Amortization of the Claren Road intangible assets of \$39.4 million has been included in the pro forma adjustment for the year ended December 31, 2010.
- The acquisition of AlpInvest included approximately \$72.0 million of intangible assets with an estimated useful life of ten years. Amortization of the AlpInvest intangible assets of \$7.2 million for the year ended December 31, 2010 and \$3.6 million for the six months ended June 30, 2011 have been included in the pro forma adjustment.
- The acquisition of ESG included approximately \$89.0 million of intangible assets with an estimated useful life of seven years. Amortization of the ESG intangible assets of \$12.7 million for the year ended December 31, 2010 and \$6.4 million for the six months ended June 30, 2011 have been included in the pro forma adjustment.
- (d) This adjustment reflects interest expense on Carlyle Group's borrowing of €81.0 million (\$116.6 million) on the revolving credit facility to finance the AlpInvest acquisition. The variable interest rate applied to the borrowing during the periods presented ranged from 2.72% to 3.57%. For 2010, this adjustment also includes interest expense on two loans associated with the Claren Road acquisition of \$47.5 million (at an interest rate of 6%) and \$50.0 million (at an interest rate of 8%).
- (e) This adjustment reflects the expected reduction of the deferred tax liabilities associated with the amortization of identifiable intangible assets arising from the AlpInvest and ESG acquisitions. The deferred tax liabilities will be reduced over the same period as the related identifiable intangible assets (see note (c) above) are amortized. The reduction of the AlpInvest deferred tax liabilities was \$0.8 million and \$1.6 million for the six months ended June 30, 2011 and year ended December 31, 2010, respectively. The reduction of the ESG deferred tax liabilities was \$0.2 million and \$0.5 million for the six months ended June 30, 2011 and year ended December 31, 2010, respectively.
- (f) This adjustment reflects the allocation of the pro-forma net income for the periods presented to the 40% non-controlling interests in AlpInvest. This adjustment allocates to the non-controlling interests 40% of the historical income attributable to the controlling interest for AlpInvest (\$17.7 million and \$35.7 million for the six months ended June 30, 2011 and the year ended December 31, 2010, respectively), 40% of the pro forma acquisition adjustments attributable to AlpInvest, and 100% of all carried interest income in respect of the historical investments and commitments to the AlpInvest fund of funds vehicles that existed as of December 31, 2010.

2. Reorganization and Other Adjustments

- (a) This adjustment reflects the restructuring of certain beneficial interests in investments in or alongside our funds that were funded by certain existing and former owners of the Parent Entities indirectly through the Parent Entities. As part of the Reorganization, the Parent Entities will purchase certain beneficial interests at fair value, and certain other beneficial interests will be restructured so that they are held directly by the beneficial owners.
- For the purchased beneficial interests in subsidiaries of the Parent Entities that were not funded through the Parent Entities, a pro forma adjustment has been recorded to reclassify the income attributable to the purchased interests to income attributable to Carlyle Group from income attributable to non-controlling interests in consolidated entities.
- For the restructured beneficial interests that will be held directly by the beneficial owners, a pro forma adjustment has been recorded to eliminate the historical investment income associated with the investments with a corresponding decrease to net income attributable to

Carlyle Group as they are no longer investments of Carlyle Holdings. Included in the restructured beneficial interests were certain interests in our CLOs that are included in our Consolidated Funds; in our historical combined and consolidated financial statements, the investment income on those interests had been eliminated against the related gain/loss recorded by the Consolidated Fund. For these interests in consolidated CLOs, the pro forma adjustment results in a decrease to net investment gains (losses) of Consolidated Funds (as the aforementioned elimination is no longer applicable after the interest is held directly by the beneficial owner).

The amounts for these adjustments were derived based on historical financial results. The following table summarizes the pro forma impact for the restructured beneficial interests:

	Investment Income	Net investment gains (losses) of Consolidated Funds	Net income (loss) attributable to non-controlling interests in consolidated entities	Net income attributable to Carlyle Group
(Amounts in millions)				
For the Six Months Ended June 30, 2011				
Acquired beneficial interests	\$	\$	\$	\$
Restructured beneficial interests in Consolidated Funds				
Other restructured beneficial interests				
Total	\$	\$	\$	\$
For the Year Ended December 31, 2010				
Acquired beneficial interests	\$	\$	\$	\$
Restructured beneficial interests in Consolidated Funds				
Other restructured beneficial interests				
Total	\$	\$	\$	\$

- (b) This adjustment reflects changes to compensation and benefits expenses associated with historical payments to our senior Carlyle professionals attributable to compensation and benefits and the reallocation of carried interest in our carry funds that are currently held by our senior Carlyle professionals and other Carlyle employees. The effects of these items on our unaudited condensed combined and consolidated pro forma statements of operations

for the six months ended June 30, 2011 and the year ended December 31, 2010 are as follows:

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
	(Dollars in millions)	
Compensation and benefits attributable to senior Carlyle professionals(1)	\$ 110.4	\$ 230.0
Performance fee related compensation attributable to senior Carlyle professionals(1)	489.8	591.4
Performance fee related compensation expense adjustment due to carried interest reallocation(2)	(128.9)	(185.3)
Total	\$ 471.3	\$ 636.1

(1) Reflects an adjustment to record base salary, annual bonus, and benefit expenses attributable to our senior Carlyle professionals as compensation expense. Additionally, performance fee related compensation attributable to our senior Carlyle professionals is included in this pro forma adjustment. Prior to the Reorganization and this offering, the entities that comprise Carlyle Group have been partnerships or limited liability companies. Accordingly, all payments to our senior Carlyle professionals generally have been accounted for as distributions from members' equity rather than as compensation expenses. Following this offering, we intend to account for compensation payments to our senior Carlyle professionals as compensation expenses. Amounts have been derived based upon our historical results and do not reflect the assumed acquisition by Carlyle Holdings of the additional allocations of carried interest in our carry funds that are currently held by our senior Carlyle professionals (see (2) below).

(2) As part of the Reorganization, there will be a reallocation of carried interest to senior Carlyle professionals and other individuals who manage our carry funds, such that the allocation to these individuals will be approximately 45% of all carried interest on a blended average basis, with the exception of the Riverstone funds, where Carlyle will retain essentially all of the carry to which we are entitled under our arrangements for those funds. Our senior Carlyle professionals and other individuals who manage our carry funds will contribute to Carlyle Holdings a portion of the equity interests they own in the general partners of our existing carry funds in exchange for an equivalent fair value of Carlyle Holdings partnership units.

Historically, these allocations of carried interest were accounted for as performance fee compensation expense for our Carlyle employees and as distributions from members' equity for our senior Carlyle professionals. This adjustment reduces the performance fee related compensation expense associated with the reallocation of carried interest. The amounts have been derived from our historical results. The fair value of the Carlyle Holdings interests issued in this transaction totaling \$ million exceeds the carrying value of the compensation liability totaling \$ million, resulting in a nonrecurring charge of \$ million associated with this transaction.

(c) Reflects the elimination of all interest expense, debt issuance costs and fair value adjustments associated with the subordinated loan payable to affiliate. This adjustment also reflects additional interest costs associated with pro forma borrowings on the Carlyle Group revolving credit facility. In October 2011, the Parent Entities redeemed \$250 million aggregate principal amount of the subordinated loan payable to affiliate. Immediately prior to the contribution of the Parent Entities to Carlyle Holdings, as described under "Reorganization," the remaining principal value and unpaid interest on the subordinated loan payable to affiliate will be exchanged into additional equity interests of the Parent Entities. The equity interests in the Parent Entities issued in this exchange will subsequently be contributed to Carlyle Holdings in exchange for Carlyle Holdings partnership units.

As the subordinated loan payable to affiliate will be fully redeemed through the transaction which occurred in October 2011 and through the exchange for Carlyle Holdings equity in conjunction with the Reorganization, interest expense of \$19.0 million for the six months ended June 30, 2011, debt issuance costs of \$214.0 million for the year ended December 31, 2010, and fair value adjustments of \$17.7 million for the six months ended June 30, 2011 and \$0 for the year ended December 31, 2010 have been eliminated from the condensed combined and consolidated pro forma statements of operations. The conversion of the subordinated loan will result in a charge to income of approximately \$ million (based on an assumed initial offering price of \$ per common unit, the midpoint of the range indicated on the front cover of this prospectus) computed as the difference between the value of the Carlyle Holdings partnership units issued and the carrying value of the subordinated loan payable to affiliate. This charge is not included in the accompanying condensed combined and consolidated pro forma statement of operations.

This adjustment also reflects pro forma interest expense of \$ million and \$ million for the six months ended June 30, 2011 and the year ended December 31, 2010, respectively, related to pro forma borrowings on the Carlyle Group revolving credit facility totaling \$ million (refer to note 2(a) and 2(b) on the unaudited condensed combined and consolidated pro forma balance sheet) at an average interest rate of 1.99% and 2.02% for 2011 and 2010, respectively.

- (d) We have historically operated as a group of partnerships for U.S. federal income tax purposes and, for certain entities located outside the United States, corporate entities for foreign income tax purposes. Because most of the entities in our consolidated group are pass-through entities for U.S. federal income tax purposes, our profits and losses are generally allocated to the partners who are individually responsible for reporting such amounts and we are not taxed at the entity level. Based on applicable foreign, state, and local tax laws, we record a provision for income taxes for certain entities. Accordingly, the income tax provisions shown on Carlyle Group's historical combined and consolidated statements of operations of \$20.3 million for the year ended December 31, 2010 and \$12.8 million for the six months ended June 30, 2011 primarily consisted of the District of Columbia and foreign corporate income taxes.

Following the transactions described under "Organizational Structure" and this offering, the Carlyle Holdings partnerships and their subsidiaries will continue to operate as partnerships for U.S. federal income tax purposes and, for certain entities located outside the United States, corporate entities for foreign income tax purposes. Accordingly, several entities will continue to be subject to the District of Columbia franchise tax and the New York City unincorporated business income tax (UBT) and non-U.S. entities will continue to be subject to corporate income taxes in jurisdictions in which they operate in. In addition, certain newly formed wholly-owned subsidiaries of The Carlyle Group L.P. will be subject to entity-level corporate income taxes. As a result of our new corporate structure, we will record an additional provision for corporate income taxes that will reflect our current and deferred income tax liability relating to the taxable earnings allocated to such entities.

The table below reflects our calculation of the pro forma income tax provision for the periods presented and the corresponding assumptions:

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
	(Dollars in millions)	
Income before provision for income taxes — Carlyle Holdings pro forma	\$	\$
Less: income before provision for income taxes — attributable to non-taxable subsidiaries(1)	_____	_____
Income before provision for income taxes — attributable to Carlyle Holdings I L.P.	_____	_____
Less: income attributable to existing owners (not Carlyle Holdings I GP Inc.)	_____	_____
Income before provision for income taxes — attributable to Carlyle Holdings I GP Inc.	\$	\$
Federal tax expense at statutory rate, net of foreign tax credits	\$	\$
State and local tax expense and foreign tax expense (net of federal benefit)(2)	_____	_____
Total provision for income taxes	\$	\$

- (1) Income was attributed to these entities based on income or losses of the subsidiaries of the entities. Please see “Material U.S. Federal Tax Considerations” for a discussion of the different tax requirements of the subsidiaries of The Carlyle Group L.P.
 (2) State and local tax expense was determined at a blended rate of %.

The amount of the adjustment reflects the difference between the actual tax provision for the historical organizational structure and the estimated tax provision that would have resulted had the transactions described under “Organizational Structure” and this offering been effected on January 1, 2010. This adjustment consisted of \$ million and \$ million of state and federal income taxes for the six months ended June 30, 2011 and the year ended December 31, 2010, respectively; no adjustment for foreign taxes was necessary.

- (e) Reflects the historical basis of partnership interests in subsidiaries of the Parent Entities that the existing owners are retaining. Certain retired senior Carlyle professionals will retain their interests in our carried interest entities. For these individuals, their carried interests rights will be restructured such that they will exchange their pre-existing carried interest rights (through their ownership interests in the Parent Entities) for an equivalent amount of carried interest rights in the general partners of our funds. As their carried interest rights will no longer be held through a parent of Carlyle Group directly or indirectly after this exchange, this adjustment reclassifies the income attributable to those interests as net income attributable to non-controlling interests in consolidated entities from net income attributable to Carlyle Group. This amount was derived based on historical financial results as well as the ownership of the individuals.

3. Offering Adjustments

- (a) This adjustment reflects additional compensation and benefits expenses associated with (1) the issuance of unvested Carlyle Holdings partnership units as part of the Carlyle Holdings formation, (2) the grant of unvested deferred restricted units of The Carlyle Group L.P., and (3) the grant of unvested phantom deferred restricted units. The effects of these items on our unaudited condensed combined and consolidated pro forma statements of operations for the six months ended June 30, 2011 and the year ended December 31, 2010 are as follows:

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
	(Dollars in millions)	
Issuance of unvested Carlyle Holdings partnership units to our senior Carlyle professionals(1)	\$	\$
Grant of unvested deferred restricted units of The Carlyle Group L.P.(2)		
Grant of unvested phantom deferred restricted units(3)		
Total	\$	\$

- (1) As part of the Reorganization, our existing owners will receive Carlyle Holdings partnership units, of which will be vested and will be unvested.

We intend to reflect the unvested Carlyle Holdings partnership units as compensation expense in accordance with Accounting Standards Codification Topic 718, *Compensation — Stock Compensation* (“ASC 718”). The unvested Carlyle Holdings partnership units will be charged to expense as the Carlyle Holdings partnership units vest over the service period on a straight-line basis. See “Certain Relationships and Related Person Transactions — Carlyle Holdings Partnership Agreements.” Amounts have been derived assuming a fair value of \$ per partnership unit (based on the assumed initial public offering price per common unit in this offering, determined as the midpoint of the range indicated on the front cover of this prospectus), multiplied by the number of unvested units, expensed over the assumed service period, which ranges from to years. Additionally, the calculation of the expense assumes a forfeiture rate of up to %. This expense is derived from awards with a total service period of five years or less of \$ million and a total service period of greater than five years of \$ million.

- (2) At the time of the offering, we intend to grant deferred restricted units of The Carlyle Group L.P. to our employees. The deferred restricted units will be unvested when granted and will vest over a service period. The grant-date fair value of the units will be charged to compensation expense over the vesting period. The amount in the adjustment has been derived assuming an offering price of \$ per unit, multiplied by the number of unvested units, expensed over the assumed service period, which ranges from to years. Additionally, the calculation of the expense assumes a forfeiture rate up to %. This expense is derived from awards with a total service period of five years or less of \$ million and a total service period of greater than five years of \$ million.
- (3) At the time of the offering, we intend to grant phantom deferred restricted units to our employees. The phantom deferred restricted units will be unvested when granted and will vest over a service period. Upon vesting, the units will be settled in cash. Because the awards are subject to vesting, no liability will be recorded upon grant and thus no pro forma adjustment is reflected in our unaudited condensed combined and consolidated pro forma balance sheet. The fair value of the units will be re-measured each reporting period until settlement and charged to compensation expense over the vesting period. The amount in the adjustment has been derived assuming an offering price of \$ per unit, multiplied by the number of unvested units, expensed over the assumed service period, which ranges from to years. No change to the fair value of the liability is assumed over the periods presented. Additionally, the calculation of the expense assumes a forfeiture rate of up to %. This expense is derived from awards with a total service period of five years or less of \$ million and a total service period of greater than five years of \$ million.
- (b) Reflects a reduction of pro forma interest expense of \$ million for the six months ended June 30, 2011 and \$ million for the year ended December 31, 2010 associated with the assumed repayment of \$ million of borrowings using the proceeds of this offering. See "Use of Proceeds."

4. Adjustments for Non-Controlling Interests

- (a) In order to reflect the Reorganization and offering transaction as if they occurred on January 1, 2010, an adjustment has been made to reflect the inclusion of non-controlling interests in consolidated entities representing Carlyle Holdings partnership units that are held by the existing owners after this offering. Such Carlyle Holdings partnership units represent % of all Carlyle Holdings partnership units outstanding immediately following this offering.

In connection with the Reorganization, we will enter into an exchange agreement with the limited partners of the Carlyle Holdings partnerships. Under the exchange agreement, subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions, each holder of Carlyle Holdings partnership units (and certain transferees thereof), other than the subsidiaries of The Carlyle Group L.P., may up to four times a year, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange these partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Under the exchange agreement, to effect an exchange a holder of partnership units in Carlyle Holdings must simultaneously exchange one partnership unit in each of the Carlyle Holdings partnerships. No such exchanges have been assumed for the periods presented in the calculation of the pro forma adjustment for non-controlling interests presented herein.

The following table reflects the calculation of the adjustment to net income attributable to non-controlling interests for the periods presented:

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
	(Dollars in millions)	
Net income — Carlyle Holdings pro forma	\$	\$
Less: net income attributable to non-controlling interests in consolidated entities		
Net income attributable to Carlyle Holdings		
Percentage allocable to existing owners		
Net income attributable to non-controlling interests held by the existing owners	\$	\$

5. Calculation of Earnings per Common Unit

(a) For purposes of calculating the pro forma net income per common unit, the number of common units of The Carlyle Group L.P. outstanding are calculated as follows:

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
Units from which proceeds will be used to purchase interests in Carlyle Holdings		
Units issued in exchange for the subordinated loan payable to affiliate		
Units from which proceeds will be used to repay outstanding loans payable		
The Carlyle Group L.P. deferred restricted units which vest one year subsequent to the completion of the offering		
Total pro forma common units of The Carlyle Group L.P. outstanding		

We have excluded common units of The Carlyle Group L.P. from the calculations above because the proceeds from the sale of these units will be used for general corporate purposes and to provide capital for future growth and expansion.

The weighted-average common units outstanding are calculated as follows:

	Six Months Ended June 30, 2011		Year Ended December 31, 2010	
	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. common units outstanding				
Unvested deferred restricted units				
Carlyle Holdings partnership units				
Weighted-average common units outstanding				

In connection with the Reorganization, we will enter into an exchange agreement with the limited partners of the Carlyle Holdings partnerships. Under the exchange agreement, subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions, each holder of Carlyle Holdings partnership units (and certain transferees thereof), other than the subsidiaries of The Carlyle Group L.P., may up to four times a year, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange these partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Under the exchange agreement, to effect an exchange a holder of partnership units in Carlyle Holdings must simultaneously exchange one partnership unit in each of the Carlyle Holdings partnerships. In computing the dilutive effect, if any, that the exchange of Carlyle Holdings partnership units would have on earnings per common unit, we considered that net income available to holders of common units would increase due to the elimination of non-controlling interests in consolidated entities associated with the Carlyle Holdings partnership units (including any tax impact). We apply the treasury stock method to determine the dilutive weighted-average common units represented by our unvested deferred restricted units.

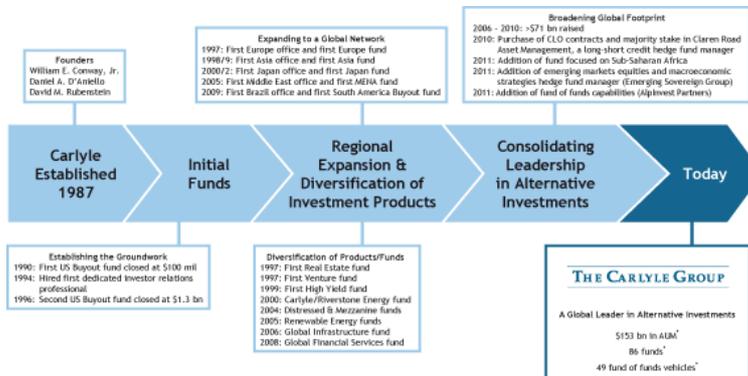
The pro forma basic and diluted net income per common unit are calculated as follows:

	Six Months Ended June 30, 2011		Year Ended December 31, 2010	
	Basic	Diluted	Basic	Diluted
Pro forma net income attributable to The Carlyle Group L.P.	\$	\$	\$	\$
Weighted average common units outstanding				
Pro forma net income per common unit	\$	\$	\$	\$

BUSINESS

Overview

We are one of the world’s largest and most diversified multi-product global alternative asset management firms. We advise an array of specialized investment funds and other investment vehicles that invest across a range of industries, geographies, asset classes and investment strategies and seek to deliver attractive returns for our fund investors. Since our firm was founded in Washington, D.C. in 1987, we have grown to become a leading global alternative asset manager with approximately \$153 billion in AUM across 86 funds and 49 fund of funds vehicles.* We have more than 1,100 employees, including more than 500 investment professionals in 34 offices across six continents, and we serve over 1,400 carry fund investors from 73 countries. Across our Corporate Private Equity and Real Assets segments, we have investments in over 200 portfolio companies that employ more than 600,000 people.



* As of June 30, 2011, giving effect to our acquisitions of AlpInvest Partners B.V. and Emerging Sovereign Group LLC on July 1, 2011.

The growth and development of our firm has been guided by several fundamental tenets:

- *Excellence in Investing.* Our primary goal is to invest wisely and create value for our fund investors. We strive to generate superior investment returns by combining deep industry expertise, a global network of local investment teams who can leverage extensive firm-wide resources and a consistent and disciplined investment process.
- *Commitment to our Fund Investors.* Our fund investors come first. This commitment is a core component of our firm culture and informs every aspect of our business. We believe this philosophy is in the long-term best interests of Carlyle and its owners, including our prospective common unitholders.
- *Investment in the Firm.* We have invested, and intend to continue to invest, significant resources in hiring and retaining a deep talent pool of investment professionals and in building the infrastructure of the firm, including our expansive local office network and our comprehensive investor support team, which provides finance, legal and compliance and tax services in addition to other services.

- *Expansion of our Platform.* We innovate continuously to expand our investment capabilities through the creation or acquisition of new asset-, sector- and regional-focused strategies in order to provide our fund investors a variety of investment options.
- *Unified Culture.* We seek to leverage the local market insights and operational capabilities that we have developed across our global platform through a unified culture we call “One Carlyle.” Our culture emphasizes collaboration and sharing of knowledge and expertise across the firm to create value. We believe our collaborative approach enhances our ability to analyze investments, deploy capital and improve the performance of our portfolio companies.

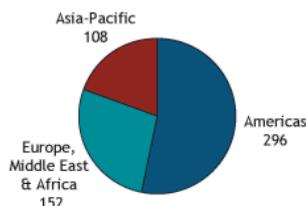
We believe that this offering will enable us to continue to develop and grow our firm; strengthen our infrastructure; create attractive investment products, strategies and funds for the benefit of our fund investors; and attract and retain top quality professionals. We manage our business for the long-term, through economic cycles, leveraging investment and exit opportunities in different parts of the world and across asset classes, and believe it is an opportune time to capitalize on the additional resources and growth opportunities that a public offering will provide.

Competitive Strengths

Since our founding in 1987, Carlyle has grown to become one of the world’s largest and most diversified multi-product global alternative asset management firms. We believe that the following competitive strengths position us well for future growth:

Global Presence. We believe we have a greater presence around the globe and in emerging markets than any other alternative asset manager. We currently operate on six continents and sponsor funds investing in the United States, Asia, Europe, Japan, MENA, South America and Sub-Saharan Africa, with 12 carry funds and their related co-investment vehicles representing \$14 billion in AUM actively investing in emerging markets. Our extensive network of investment professionals is composed primarily of local individuals with the knowledge, experience and relationships that allow them to identify and take advantage of opportunities unavailable to firms with less extensive footprints.

The following chart presents our investment professionals by region as of June 30, 2011 on an as adjusted basis, giving effect to our acquisitions of AlInvest and ESG on July 1, 2011.



Diversified and Scalable Multi-Product Platform. We have created separate geographic, sector and asset specific fund groups, investing significant resources to develop this extensive network of investment professionals and offices. As a result, we benefit from having 86 different funds (including 48 carry funds) and 49 fund of funds vehicles around the world. We believe this broad fund platform and our investor services infrastructure provide us with a scalable foundation to pursue future investment opportunities in high-growth markets, raise follow-on investment funds for existing products and integrate new products into our platform. Our diverse platform also enhances our resilience to credit market turmoil by enabling us to invest during such times in assets and geographies that are less dependent on leverage than traditional U.S. buyout activity. We believe the breadth of our product offerings also enhances our fundraising by allowing us to offer investors

greater flexibility to allocate capital across different geographies, industries and components of a company's capital structure.

The following charts present our AUM by segment and region as of June 30, 2011.



Focus on Innovation. We have been at the forefront of many recognized trends within our industry, including the diversification of investment products and asset classes, geographic expansion and raising strategic capital from institutional investors. Within 10 years of the launch of our first fund in 1990 to pursue buyout opportunities in the United States, we had expanded our buyout operations to Asia and Europe and added funds focused on U.S. real estate, global energy and power, structured credit, and venture and growth capital opportunities in Asia, Europe and the United States. Over the next 10 years, we developed an increasing number of new, diverse products, including funds focused on distressed opportunities, infrastructure, global financial services, mezzanine investments and real estate across Asia and Europe. We have continued to innovate in 2010 and 2011 with the establishment of the first foreign-funded domestic RMB equity investment partnership enterprise in China, the first investment vehicle under the new funds regime of the Dubai International Financial Centre and the formation of our energy mezzanine and U.S. equity opportunities funds. More recently, we established our Fund of Funds Solutions business with our July 2011 acquisition of a 60% equity interest in AlpInvest, expanded our Global Market Strategies business with our July 2011 acquisition of an approximately 55% equity interest in ESG and opened two new offices in Sub-Saharan Africa. We believe our focus on innovation will enable us to continue to identify and capitalize on new opportunities in high-growth geographies and sectors.

Proven Ability to Consistently Attract Capital from a High-Quality, Loyal Investor Base. Since inception, we have raised more than \$112 billion in capital (excluding acquisitions). We have successfully and repeatedly raised long-term, non-redeemable capital commitments to new and successor funds, with a broad and diverse base of over 1,400 carry fund investors from 73 countries. Despite the recent challenges in the fundraising markets, from December 31, 2007 through June 30, 2011, we had closings for 26 funds with commitments totaling approximately \$28 billion. We have a demonstrated history of attracting investors to multiple funds, with approximately 91% of commitments to our active carry funds (by dollar amount) coming from investors who are committed to more than one active carry fund, and 58% of commitments to our active carry funds (by dollar amount) coming from investors who are committed to more than five active carry funds (each as of June 30, 2011). Over the past five years, our base of carry fund investors has grown from approximately 1,000 to over 1,400. In addition, the number of large carry fund investors, those with at least \$100 million in committed capital, has grown 85% from 2006 to June 30, 2011. Moreover, we have also seen growth in our high net worth (“HNW”) investor base. Our total HNW limited partner investor base has grown 45% from 2006 to June 30, 2011. We have a dedicated in-house fund investor relations function, which we refer to as our “LP relations” group, which includes 19 geographically focused investor relations professionals and 24 product and client segment specialists and support staff operating on a global basis. Since the early 1990s, we have conducted our investor reporting and investor relations functions in-house to develop and maintain strong and

interactive channels of communication with our fund investors and gain constant and timely insights into their needs and investment objectives. We believe that our constant dialogue with our fund investors and our commitment to providing them with the highest quality service inspires loyalty and aids our efforts to continue to attract investors across our investment platform.

Demonstrated Record of Investment Performance. We have demonstrated a strong and consistent investment track record, producing attractive returns for our fund investors across segments, sectors and geographies, and across economic cycles. The following table summarizes the aggregate investment performance of our Corporate Private Equity and Real Assets segments. Due to the diversified nature of the strategies in our Global Market Strategies segment, we have included summarized investment performance for the largest carry fund and largest hedge fund in this segment. For additional information, including performance information of other Global Market Strategies funds, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Segment Analysis — Corporate Private Equity — Fund Performance Metrics,” “— Real Assets — Fund Performance Metrics” and “— Global Market Strategies — Fund Performance Metrics.”

	As of June 30, 2011			Inception to June 30, 2011		
	Cumulative Invested Capital(2)	MOIC(3)	Realized/Partially Realized MOIC(3)(4) (Dollars in billions)	Gross IRR(5)	Net IRR(6)	Realized/Partially Realized Gross IRR(4)(5)
Corporate Private Equity(1)	\$46.7	1.8x	2.6x	27%	19%	31%
Real Assets(1)	\$25.2	1.5x	2.0x	18%	11%	31%

	As of June 30, 2011	Inception to June 30, 2011		
	Total AUM	Gross IRR(5)	Net IRR(6)	Net Annualized Return(7)
Global Market Strategies(8)				
CSP II (carry fund)	\$2.0	22%	15%	n/a
Claren Road Master Fund (hedge fund)	\$4.3	n/a	n/a	12%

The returns presented herein represent those of the applicable Carlyle funds and not those of The Carlyle Group L.P. See “Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds, including those presented in this prospectus, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.”

- (1) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.
- (2) Represents the original cost of all capital called for investments since inception.
- (3) Multiple of invested capital (“MOIC”) represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.
- (4) 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 distributions in respect of such investment are a substantial majority of invested capital and such investment is not yet fully realized. 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 in relation to those investments where significant realization activity has occurred.
- (5) Gross Internal Rate of Return (“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 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.
- (7) Net Annualized Return is presented for fee-paying investors on a total return basis, net of all fees and expenses.
- (8) Due to the disparate nature of the underlying asset classes in which our Global Market Strategies funds participate (e.g., syndicated loans, bonds, distressed securities, mezzanine loans, emerging markets equities, macroeconomic products) and the inherent difficulties in aggregating the performance of closed-end and open-end funds, the presentation of aggregate investment performance across this segment would not be meaningful.

Financial Strength. The investment performance across our broad fund base has enabled us to generate ENI of over \$1 billion in 2010 and approximately \$770 million in the first six months of 2011. This performance is also reflected in the rate of appreciation of the investments in our carry funds in recent periods, with a 34% increase in our carry fund value in 2010 and a 15% increase in the first six months of 2011. Additionally, distributions to our fund investors have been robust, with more than \$8 billion distributed to fund investors in 2010 and more than \$12 billion in the first half of 2011. We believe the investment pace and available capital of our carry funds position us well for the future. Our carry funds invested approximately \$10 billion in 2010 and approximately \$6 billion in the first half of 2011, and as of June 30, 2011, these funds had approximately \$25 billion in capital commitments that had not yet been invested.

The following charts present the cumulative and annual invested capital by and total annual distributions from our carry funds from 2003 through June 30, 2011 (Dollars in billions).

Cumulative and Annual Investments(1)



Cumulative and Annual Distributions(1)



(1) Funds with a functional currency other than U.S. dollars have been converted at the average rate for each period indicated.

Stable and Diverse Team of Talented Investment Professionals With a Strong Alignment of Interests. We have a talented team of more than 500 investment professionals and we are assisted by a group of 25 senior advisors, with an average of over 40 years of relevant operating, financial and regulatory experience, who are a valuable resource to our portfolio companies and our firm. Our investment professionals are supported by a centralized investor services and support group, which includes more than 400 professionals. The interests of our professionals are aligned with the interests of the investors in our funds and in our firm. Since our inception through June 30, 2011, we and our senior Carlyle professionals, senior advisors and other professionals have invested or committed to invest in excess of \$4 billion in or alongside our funds. We have also sought to align the long-term incentives of our senior Carlyle professionals with our common unitholders, including through equity compensation arrangements that include certain vesting, minimum retained ownership and transfer restrictions. See “Management — Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions.”

Commitment to Responsible Global Citizenship. We believe that being a good corporate citizen is part of good business practice and creates long-term value for our fund investors. We have worked to apply the Private Equity Growth Capital Council’s Guidelines for Responsible Investment, which we helped to develop in 2008, demonstrating our commitment to environmental, social and governance standards in our investment activities. In addition, we were the first global alternative asset management firm to release a corporate citizenship report, which catalogues and describes our corporate citizenship efforts, including our responsible investment policy and practices

and those of our portfolio companies. We have been a strong supporter of the Robert Toigo Foundation and have also established a working relationship with the Environmental Defense Fund through which we jointly developed the alternative asset management sector's first environmental management business review process.

Our Strategy for the Future

We intend to create value for our common unitholders by seeking to:

- continue to generate attractive investment returns for our fund investors across our multi-fund, multi-product global investment platform, including by increasing the value of our current portfolio and leveraging the strong capital position of our investment funds to pursue new investment opportunities;
- continue to inspire the confidence and loyalty of our more than 1,400 carry fund investors, and further expand our investor base, with a focus on client service and strong investment performance;
- continue to grow our AUM by raising follow-on investment funds across our four segments and by broadening our platform through both organic growth and selective acquisitions, where we believe we can provide investors with differentiated products to meet their needs;
- further advance our leadership position in core non-U.S. geographic markets, including high-growth emerging markets such as China, Latin America, India, MENA and Sub-Saharan Africa; and
- continue to demonstrate principled industry leadership and be a responsible and respected member of the global community by demonstrating our commitment to environmental, social and governance standards in our investment activities.

Business Segments

We operate our business across four segments: (1) Corporate Private Equity, (2) Real Assets, (3) Global Market Strategies and (4) Fund of Funds Solutions. We established our Fund of Funds Solutions segment on July 1, 2011 at the time we completed our acquisition of a 60% equity interest in, and began to consolidate, AlInvest.

Corporate Private Equity

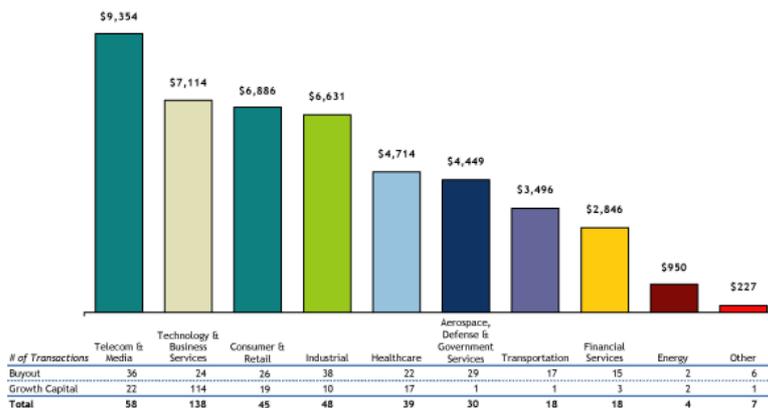
Our Corporate Private Equity segment, established in 1990 with our first U.S. buyout fund, advises our buyout and growth capital funds, which pursue a wide variety of corporate investments of different sizes and growth potentials. Our 25 active Corporate Private Equity funds are organized and operated by geography or industry and are advised by separate teams of local professionals who live and work in the markets where they invest. We believe this diversity of funds allows us to deploy more targeted and specialized investment expertise and strategies and offers our fund investors the ability to tailor their investment choices.

Our Corporate Private Equity teams have two primary areas of focus:

- *Buyout Funds.* Our buyout teams advise a diverse group of 16 active funds that invest in transactions that focus either on a particular geography (United States, Europe, Asia, Japan, South America or MENA) or a particular industry (e.g., financial services). In addition, we continually seek to expand and diversify our buyout portfolio into new areas where we see opportunity for future growth. In 2010, we launched a new operation to target opportunities in middle-market private equity in North America across the nine industry sectors of our Corporate Private Equity business. In early 2011, we formed a team to focus on the emerging market of Sub-Saharan Africa. As of June 30, 2011, our buyout funds had, in the aggregate, approximately \$51 billion in AUM.

- Growth Capital Funds.** Our nine active growth capital funds are advised by three regionally-focused teams in the United States, Europe and Asia, with each team generally focused on middle-market and growth companies consistent with specific regional investment considerations. The investment mandate for our growth capital funds is to seek out companies with the potential for growth, strategic redirection and operational improvements. These funds typically do not invest in early stage or venture-type investments. As of June 30, 2011, our growth capital funds had, in the aggregate, approximately \$4 billion in AUM.

The chart below presents the cumulative equity invested since inception by industry for our Corporate Private Equity funds as of June 30, 2011 (dollar amounts in chart in millions).



From inception through June 30, 2011, we have invested approximately \$47 billion in 405 transactions. Of that total, we have invested 56% in 205 transactions in North and South America, 25% in 90 transactions in Europe and MENA and 19% in 110 transactions in the Asia-Pacific region. We have fully realized 253 of these investments, meaning our funds have completely exited, and no longer own an interest in, those investments.

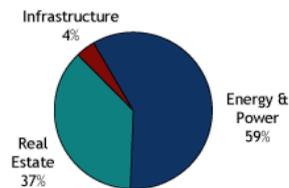
The following table presents certain data about our Corporate Private Equity segment as of June 30, 2011 (dollar amounts in billions; compound annual growth is presented since December 31, 2003; amounts invested include co-investments).

AUM	% of Total AUM	AUM CAGR	Fee-Earning AUM	Active Investments	Active Funds	Available Capital	Investment Professionals	Amount Invested Since Inception	Investments Since Inception
\$55	36%	25%	\$39	152	25	\$15	243	\$47	405

Real Assets

Our Real Assets segment, established in 1997 with our first U.S. real estate fund, advises our 18 active real estate, infrastructure and energy and renewable resources funds. This business pursues investment opportunities across a diverse array of tangible assets, such as office buildings, apartments, hotels, retail properties, senior-living facilities, pipelines, wind farms, refineries, airports, roads and other similar assets, as well as the companies providing services to them.

The following chart presents the AUM by asset class of our Real Assets segment as of June 30, 2011.



Our Real Assets teams have three primary areas of focus:

- Real Estate.** Our 11 active real estate funds pursue real estate investment opportunities in Asia, Europe and the United States and generally focus on acquiring single-property opportunities rather than large-cap companies with real estate portfolios. Our team of more than 110 real estate investment professionals has made approximately 453 investments in over 120 cities/metropolitan statistical areas around the world as of June 30, 2011, including office buildings, hotels, retail properties, residential properties, industrial properties and senior living facilities. As of June 30, 2011, our real estate funds had, in the aggregate, approximately \$12 billion in AUM.
- Infrastructure.** Our infrastructure investment team focuses on investments in infrastructure companies and assets. The team comprises 11 investment professionals and works in conjunction with the public sector to find cooperative methods of managing and investing in infrastructure assets. As of June 30, 2011, we advised one infrastructure fund with approximately \$1 billion in AUM.
- Energy & Renewable Resources.** Our energy and renewable resources activities focus on buyouts, growth capital investments and strategic joint ventures in the midstream, upstream, power and oilfield services sectors, as well as the renewable and alternative sectors of the energy industry. We currently conduct these activities with Riverstone, jointly advising six funds with approximately \$18 billion in AUM as of June 30, 2011. We and Riverstone have mutually decided not to pursue additional jointly managed funds (although we will continue to advise jointly with Riverstone the six existing energy and renewable resources funds). We are actively exploring new approaches through which to expand our energy capabilities and intend to augment our significant in-house expertise in this sector.

Our Real Assets funds, including Carlyle-advised co-investment vehicles, have through June 30, 2011, invested on a global basis more than \$25 billion in a total of 530 investments (including more than 60 portfolio companies). Of that total, we have invested 77% in 395 investments in North and South America, 19% in 101 investments in Europe and 4% in 34 investments in the Asia-Pacific region.

The following table presents certain data about our Real Assets segment as of June 30, 2011 (dollar amounts in billions; compound annual growth is presented since December 31, 2003; amounts invested include co-investments; investment professionals excludes Riverstone employees).

AUM	% of Total AUM	AUM CAGR	Fee-Earning AUM	Active Investments	Active Funds	Available Capital	Investment Professionals	Amount Invested Since Inception	Investments Since Inception
\$31	21%	41%	\$23	323	18	\$ 9	133	\$25	530

Global Market Strategies

Our Global Market Strategies segment, established in 1999 with our first high yield fund, advises a group of 43 active funds that pursue investment opportunities across various types of credit, equities and alternative instruments, including bank loans, high yield debt, structured credit products, distressed debt, corporate mezzanine, energy mezzanine opportunities and long/short high-grade and high-yield credit instruments, emerging markets equities, and (with regards to certain macroeconomic strategies) currencies, commodities and interest rate products and their derivatives.

The following chart presents the AUM by asset class of our Global Market Strategies segment as of June 30, 2011 on an as adjusted basis, giving effect to our acquisition of ESG on July 1, 2011.



Primary areas of focus for our Global Market Strategies teams include:

- **Structured Credit.** Our structured credit funds invest primarily in performing senior secured bank loans through structured vehicles and other investment vehicles. In 2010, we acquired CLO management contracts from Mizuho Alternative Investments LLC and Stanfield Capital Partners LLC aggregating approximately \$5 billion of AUM. As of June 30, 2011, our structured credit team advised 30 collateral loan funds in the United States and Europe totaling, in the aggregate, approximately \$12 billion in AUM.
- **Distressed and Corporate Opportunities.** Our distressed and corporate opportunities funds generally invest in liquid and illiquid securities and obligations, including secured debt, senior and subordinated unsecured debt, convertible debt obligations, preferred stock and public and private equity of financially distressed companies in defensive and asset-rich industries. In certain investments, our funds may seek to restructure pre-reorganization debt claims into controlling positions in the equity of reorganized companies. As of June 30, 2011, our distressed and corporate opportunities team advised two funds, totaling in the aggregate, approximately \$2 billion in AUM.
- **Corporate Mezzanine.** Our corporate mezzanine investment team advises funds that invest in mezzanine loans of middle-market companies, typically defined as companies with annual EBITDA ranging from \$10 million to \$50 million that lack access to the broadly syndicated loan and bond markets. Our corporate mezzanine business focuses on leveraged buyouts, recapitalizations, acquisitions and growth financings. As of June 30, 2011, our corporate mezzanine team advised two funds totaling, in the aggregate, approximately \$715 million in AUM.
- **Energy Mezzanine Opportunities.** Our energy mezzanine opportunities team was organized in 2010 and advises a fund that invests primarily in privately negotiated mezzanine debt investments in North American energy and power projects and companies. As of June 30, 2011,

our energy mezzanine opportunities team advised one fund with approximately \$316 million in AUM.

- *Long/Short Credit.* On December 31, 2010, we acquired a 55% stake in Claren Road Asset Management, LLC. As of June 30, 2011, Claren Road advised two long/short credit hedge funds focusing on the global high grade and high yield markets totaling, in the aggregate, approximately \$5 billion in AUM. Claren Road seeks to profit from market mispricing of long and/or short positions in corporate bonds and loans, and their derivatives, across investment grade, high yield, or distressed companies.
- *Emerging Market Equity and Macroeconomic Strategies.* On July 1, 2011, we acquired a 55% stake in ESG. ESG advises six emerging markets equities and macroeconomic hedge funds with approximately \$1.7 billion of AUM. ESG's emerging markets equities' funds invest in publicly-traded equities across a range of developing countries. ESG's macroeconomic funds pursue investment strategies in developed and developing countries, and opportunities resulting from changes in the global economic environment.

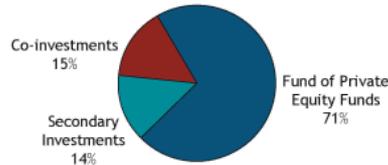
The following table presents certain data about our Global Market Strategies segment as of June 30, 2011 on an as adjusted basis, giving effect to our acquisition of ESG on July 1, 2011 (dollar amounts in billions; compound annual growth is presented since December 31, 2003).

AUM	% of Total AUM	AUM CAGR	Fee-Earning AUM	Active Funds	Investment Professionals
\$22	14%	33%	\$20	43	115

Fund of Funds Solutions

Our Fund of Funds Solutions segment was established on July 1, 2011 when we completed our acquisition of a 60% equity interest in AlpInvest. AlpInvest is one of the world's largest investors in private equity and advises a global private equity fund of funds program and related co-investment and secondary activities. Its anchor clients are two large Dutch pension funds, which were the founders and previous shareholders of the company.

The following chart presents the AUM by asset class of our Fund of Funds Solutions segment as of June 30, 2011, on an as adjusted basis, giving effect to our acquisition of AlpInvest on July 1, 2011.



AlpInvest has three primary areas of focus:

- *Fund Investments.* AlpInvest funds make investment commitments directly to buyout, growth capital, venture and other alternative asset funds advised by other general partners ("portfolio funds"). As of June 30, 2011, AlpInvest advised 24 fund of funds vehicles totaling, in the aggregate, approximately \$32 billion in AUM.
- *Co-investments.* AlpInvest invests alongside other private equity and mezzanine funds in which it has a fund investment throughout Europe, North America and Asia (for example, when an investment opportunity is too large for a particular fund, the adviser of the fund may seek to raise additional "co-investment" capital from sources such as AlpInvest for that

one large transaction). As of June 30, 2011, AlpInvest co-investments programs were conducted through 14 funds totaling, in the aggregate, approximately \$7 billion in AUM.

- *Secondary Investments.* AlpInvest also advises funds that acquire interests in portfolio funds in secondary market transactions. Private equity investors who desire to sell or restructure their pre-existing investment commitments to a fund may negotiate to sell the fund interests to AlpInvest. In this manner, AlpInvest’s secondary investments team provides liquidity and restructuring alternatives for third-party private equity investors. As of June 30, 2011, AlpInvest’s secondary investments program was conducted through 11 funds totaling, in the aggregate, approximately \$6 billion in AUM.

In July 2011, AlpInvest was awarded a \$500 million private equity investment agreement, pursuant to which we will manage a customized private equity portfolio on behalf of the Municipal Employee Retirement System of Michigan over the next five years. Although separate accounts and co-mingled vehicles for clients other than AlpInvest’s anchor clients do not currently represent a significant portion of our AUM, we expect to grow our Fund of Funds Solutions segment with these products.

The following table presents certain data about our Fund of Funds Solutions segment as of June 30, 2011 on an as adjusted basis, giving effect to our acquisition of AlpInvest on July 1, 2011 (dollar amounts in billions). See “— Structure and Operation of Our Investment Funds — Incentive Arrangements/Fee Structure” for a discussion of the arrangements with the historical owners and management of AlpInvest regarding the allocation of carried interest in respect of the historical investments of and the historical and certain future commitments to our fund of funds vehicles.

AUM	% of Total AUM	Fee-Earning AUM	Amount Invested Since Inception	Investment Professionals
\$45	29%	\$28	\$43	59

Although we maintain ultimate control over AlpInvest, AlpInvest’s historical management team (who are our employees) will continue to exercise independent investment authority without involvement by other Carlyle personnel. We will observe substantial restrictions on the ability of Carlyle personnel, other than AlpInvest’s existing management team, to access investment information or engage in day-to-day participation in the AlpInvest investment business, including a restriction that AlpInvest investment decisions be made and maintained without involvement by other Carlyle personnel. Accordingly, we will have a reduced ability to identify or respond to investment and other operational issues that may arise within the AlpInvest business relative to other Carlyle operations. See “Risk Factors — Risks Related to Our Business Operations — Our Fund of Funds Solutions business is subject to additional risks.”

Investment Approach

Corporate Private Equity

The investment approach of our private equity teams is generally characterized as follows:

- *Consistent and Disciplined Investment Process.* We believe our successful investment track record is the result in part of a consistent and disciplined application of our investment process. Investment opportunities for our Corporate Private Equity funds are initially sourced and evaluated by one or more of our deal teams. Each investment opportunity of our private equity funds must first pass an approval process that involves initial approvals from a fund head (or co-fund heads), interim update meetings that frequently include senior advisors as well as our Chief Investment Officer, William E. Conway, Jr., and a due diligence review. Our due diligence approach typically incorporates meetings with management, company facility visits, discussions with industry analysts and consultants and an in-depth examination of financial results and projections. This transaction review process places a special emphasis on, among other considerations, the reputation of a target company’s shareholders and

management, the company's size and sensitivity of cash flow generation, the business sector and competitive risks, the portfolio fit, exit risks and other key factors highlighted by the deal team. An investment opportunity must secure final approval from the investment committee of the applicable investment fund. The investment committee approval process involves a detailed overview of the transaction and investment thesis, business, risk factors and diligence issues, as well as financial models.

- *Industry-Focused.* We have adopted an industry-focused approach to investing. We have particular industry expertise in aerospace, defense and government services, consumer and retail, financial services, healthcare, industrial, technology and business services, telecommunications and media and transportation. As a result, we believe that our in-depth knowledge of specific industries improves our ability to source and create transactions, conduct effective and more informed due diligence, develop strong relationships with management teams and use contacts and relationships within such industries to identify potential buyers as part of a coherent exit strategy. As the firm has expanded to include teams in Europe, Asia, Japan, South America, Sub-Saharan Africa and MENA, the industry groups have also grown and reach across even more geographies, disciplines and funds.
- *Variable Deal Sizes.* Our teams are staffed not only to effectively pursue large transactions, but also other transactions of varying sizes. We often invest in smaller companies and this has allowed us to obtain greater diversity across our entire portfolio. On an overall basis, we believe that having the resources to complete investments of varying sizes provides our funds with the ability to enhance their investment returns while providing for prudent industry, geographic and size diversification.
- *Control and Influence Oriented.* Our Corporate Private Equity funds, other than our growth funds and our funds focused on emerging markets, typically acquire, either alone or as part of a consortium, control of companies in leveraged buyout transactions. Additionally, we seek to obtain board representation and typically appoint our investment professionals and senior advisors to represent us on the board of a company in which we invest. Where our funds, either alone or as part of a consortium, are not the controlling investor, we typically, subject to applicable regulatory requirements, acquire significant voting and other rights with a view to securing influence over conduct of the business.
- *Driving Value Creation.* Our Corporate Private Equity teams seek to make investments in portfolio companies in which our particular strengths and resources, including industry expertise, extensive local presence across the globe and deep business relationships, may be employed to their best advantage. Typically, as part of a Corporate Private Equity investment, Carlyle's investment teams will develop and execute a customized, value creation thesis that underpins the projected investment return for the company. The value creation plan is developed during a thorough due diligence effort and draws on the deep resources available across our global platform, specifically relying on:
 - *Industry Sector and Geographic Specialists:* Our investment professionals and our specialists dedicated to nine industry sectors, who provide extensive sector-specific knowledge and local market expertise.
 - *Global Platform and One Carlyle Culture:* Our global team and global presence that enables us to support international expansion efforts and global supply chain initiatives.
 - *Senior Advisors:* Our 25 Senior Advisors, primarily deeply experienced former CEOs, who work with our investment teams during due diligence, provide board-level governance and support and advise our portfolio company CEOs.
 - *Network of Specialist Consultants and Advisors:* Our extensive pool of advisors who provide specialist expertise to support specific value creation initiatives.

A value creation thesis typically focuses on a combination of (i) international expansion through organic initiatives and acquisitions; (ii) operational improvements, which often include supply chain efficiencies, lean process improvements and “Six Sigma” initiatives; (iii) business growth initiatives via new product launches, R&D efforts, as well as acquisitions or new-market entrance; and (iv) supporting and supplementing senior management capabilities with our broad network and organized global CEO forums. Progress against the initial investment thesis is reviewed each quarter by our founders, sector vice-chairmen and other senior investment professionals as part of our quarterly portfolio reviews and quarterly valuation processes.

- *Pursuing Best Exit Alternatives.* In determining when to exit an investment, our private equity teams consider whether a portfolio company has achieved its objectives, the financial returns and the appropriate timing in industry cycles and company development to strive for the optimal value. Senior members of the fund’s investment committee must approve all exit decisions. From inception through June 30, 2011, our Corporate Private Equity funds have invested approximately \$47 billion in 405 transactions, and we have fully realized 253 of these investments.

Real Assets

Our Real Assets business includes investments in the energy and renewable resources sectors and in infrastructure assets, companies and projects as well as our real estate investments. The investment approach of the teams advising the energy and renewable resources and infrastructure funds is similar to that of our Corporate Private Equity funds, with certain additional objectives. For example, our infrastructure investment team pursues partnerships with public and private operators of infrastructure assets which seek to generate stable, long-term returns. With Riverstone, we have often pursued investments in buyout, growth capital and strategic joint ventures with management teams seeking to build companies in the energy and renewable resources sector.

The investment approach of our real estate teams is generally characterized as follows:

- *Pursue an Opportunistic Strategy.* In general, our real estate funds have focused on single asset transactions, using an opportunistic real estate investment strategy. We follow this approach because we believe that pursuing single assets enables us to better underwrite the factors that contribute to the fundamental value of each property; mitigate concentration risk; establish appropriate asset-by-asset capital structures; and maintain governance over major property-level decisions. In addition, direct ownership of assets typically enables us to effectively employ an active asset management approach and reduce financing and operating risk, while increasing the visibility of factors that affect the overall returns of the investment. We evaluate the risk and return factors that are inherent in each specific property situation. We believe we have an in-depth understanding of the key factors affecting real property markets, flows of domestic and cross-border capital and macroeconomic trends, which allow us to identify, analyze and evaluate potential investments quickly and creatively, often in connection with complex transactions.
- *Seek out Strong Joint Venture Partners or Managers.* Where appropriate, we seek out joint venture partners or managers with significant operational expertise. For each joint venture, we design structures and terms that provide situationally appropriate incentives, often including, for example, the subordination of the joint venture partner’s equity and profits interest to that of a fund, claw back provisions and/or profits escrow accounts in favor of a fund, and exclusivity. We also typically structure positions with control or veto rights over major decisions.
- *Source Deals Directly.* Our teams endeavor to establish “market presence” in our target geographies where we have a history of operating in our local markets and benefit from extensive long-term relationships with developers, corporate real estate owners, institutional

investors and private owners. Such relationships have resulted in our ability to source investments on a direct negotiated basis. We generally seek to avoid situations in which there are a large number of competitive bidders and prioritize situations that offer the opportunity to negotiate with owners directly in non-bid processes.

- *Focus on Sector-Specific Strategies.* Our real estate funds focus on specific sectors and markets in areas where we believe the fundamentals are sound and dynamic capital markets allow for identification of assets whose value is not fully recognized. The real estate funds we advise have invested according to strategies established in several main sectors: office, hotel, retail, industrial, for-sale residential, apartment and senior living.
- *Actively Manage our Real Estate Investments.* Our real estate investments often require active management to uncover and create value. Accordingly, we have put in place experienced local asset management teams. These teams add value through analysis and execution of capital expenditure programs, development projects, lease negotiations, operating cost reduction programs and asset dispositions. The asset management teams work closely with the other real estate professionals to effectively formulate and implement strategic management plans.
- *Manage the Exit of Investments.* We believe that “exit management” is as important as traditional asset management in order to take full advantage of the typically short windows of opportunity created by temporary imbalances in capital market forces that affect real estate. In determining when to exit an investment, our real estate teams consider whether an investment has fulfilled its strategic plan, the depth of the market and generally prevailing industry conditions.

From inception through June 30, 2011, our Real Assets funds have invested more than \$25 billion in 530 transactions, and we have fully realized 207 of these investments.

Global Market Strategies

The investment approach of our Global Market Strategies carry funds is generally characterized as follows:

- *Source Investment Opportunities.* Our Global Market Strategies teams source investment opportunities through our global network and strong relationships with the financial community. The teams source assets from both the primary and secondary markets. All of our closed-end Global Market Strategies funds focus on sourcing investment opportunities that are consistent with their respective return objectives. We typically target portfolio companies that have a demonstrated track record of profitability, market leadership in their respective niche, predictability of cash flow, a definable competitive advantage and products or services that are value added to its customer base.
- *Conduct Fundamental Due Diligence and Perform Capital Structure Analysis.* After an opportunity is identified, our Global Market Strategies teams conduct fundamental due diligence to determine the relative value of the potential investment and capital structure analyses to determine the credit worthiness. Our due diligence approach typically incorporates meetings with management, company facility visits, discussions with industry analysts and consultants and an in-depth examination of financial results and projections. Our structured credit team adheres to strict credit approval processes to ensure that every investment brought into a fund’s portfolio is first reviewed by experienced senior investment professionals and then presented to a credit committee, which approves or declines the investment.
- *Evaluation of Macroeconomic Factors.* Our Global Market Strategies teams evaluate technical factors such as supply and demand, the market’s expectations surrounding an issuer and the existence of short- and long-term value creation or destruction catalysts. Inherent in all stages of credit evaluation is a determination of the likelihood of potential catalysts emerging, such as corporate reorganizations, recapitalizations, asset sales, changes in a company’s liquidity

and mergers and acquisitions. Our Global Market Strategies teams constantly evaluate the overall investment climate given their assessment of the economic outlook, changes in industry fundamentals, market changes, redemption risk, financial market liquidity and valuation levels.

- *Risk Minimization.* Our Global Market Strategies teams seek to make investments in capital structures to enable companies to both expand and weather downturns and/or below-plan performance. Our Global Market Strategies teams seek to structure investments with strong financial covenants, frequent reporting requirements and board representation if possible. Through board observation rights or a board seat, our Global Market Strategies teams have historically provided a consultative, interactive approach to equity sponsors and management partners as part of the overall portfolio management process.

The investment approach of our Global Market Strategies hedge funds is generally characterized as follows:

- *Premium on Liquidity.* Our hedge funds generally run liquid portfolios that place an emphasis on maintaining tradable assets in their respective funds. Additionally, they generally employ long and short positions and construct their portfolios to produce returns absent broad market movements.
- *Unique, Actionable Idea Generation.* The public markets are thoroughly analyzed by the numerous competitors in asset management. However, due to technical factors or general investor sentiment, securities can become over or undervalued quickly relative to their intrinsic value. Our hedge fund managers separate their research teams into industry and geography specific analysts in order to develop in-depth coverage on companies and sectors to generate proprietary research with actionable alpha-generating ideas as prices evolve.
- *Strong Risk Management Oversight.* A well-controlled risk profile is an important part of our Global Market Strategies investment methodology. Our risk officers constantly assess the portfolios of our hedge funds in light of market movements. In addition, Global Market Strategies has a separate team which has developed a rigorous risk management system whereby we analyze the concentration risk, liquidity risk, historical scenario risk analysis, counterparty risk and value at risk of our various funds on a daily basis.

Fund of Funds Solutions

The investment approach of AlpInvest's teams is generally characterized as follows:

- *Depth of Investment Expertise.* AlpInvest has dedicated teams for each area of focus, allowing it to attract and retain talent with the required skill-set for each strategy. AlpInvest professionals have trading, operational, portfolio and risk management expertise. From a top-down perspective, AlpInvest investment professionals seek to position the Fund of Funds Solutions funds to capitalize on market opportunities through focused research and allocation of resources. From a bottom-up perspective, they seek to build deep relationships with underlying fund managers that are strengthened by the investment professionals' relevant experience in the broader financial markets. AlpInvest investment professionals hold advisory board positions in the vast majority of the active funds in which it has invested.
- *Discipline.* AlpInvest professionals focus on diversification, risk management and downside protection. Its processes include the analysis and interpretation of macro-developments in the global economy and the assessment of a wide variety of issues which can influence the emphasis placed on sectors, geographies and asset classes when constructing investment portfolios. A team of AlpInvest investment professionals performs investment analysis of each proposed investment with an underlying fund manager or company that includes due diligence and market analysis, considering both financial and non-financial issues. All investment decisions must ultimately be approved by a majority of the members of

AlpInvest's Investment Committee, which is comprised of five AlpInvest managing partners. After making an investment commitment, the investment portfolios are subject to quarterly reviews comprising both quantitative and qualitative performance evaluations conducted by the respective investment team responsible for each investment as well as AlpInvest's chief financial officer and chief operating officer.

- *Innovation.* AlpInvest professionals seek to leverage the intellectual capital within its organization and strategy-focused investment teams to take advantage of synergies that exist within other areas of the firm to identify emerging trends, market anomalies and new investment technologies to facilitate the formation of new strategies, as well as to set the direction for exiting strategies. This market intelligence provides them with an additional feedback channel for the development of new investment products.
- *Corporate Social Responsibility ("CSR").* AlpInvest has adopted the UN Global Compact as a CSR framework to evaluate fund managers and portfolio companies. AlpInvest has fully integrated CSR into its investment process and actively engages with fund managers and other stakeholders in the private equity markets to promote sustainability and improved corporate governance. In addition, the firm seeks opportunities to invest in sustainability solutions.

Our Family of Funds

The following chart presents the name (acronym), total capital commitments (in the case of our carry and structured credit funds, and fund of funds vehicles), assets under management (in the case of our hedge funds) and vintage year of the active funds in each of our segments, as of June 30, 2011, on an as adjusted basis, giving effect to our acquisitions of AlpInvest and ESG. 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 hedge funds, which are open-ended and accordingly

do not have permanent committed capital, we believe the most useful metric regarding relative size and scale is assets under management.

Corporate Private Equity	Real Assets	Global Market Strategies
Carlyle Partners (U.S. Buyout) CP V \$13.7 bn 2007 CP IV \$7.9 bn 2005 CP III \$3.9 bn 2000 CP II \$1.3 bn 1996 Global Financial Services Partners CGFSP I \$1.1 bn 2008 Carlyle Europe Partners (Europe Buyout) CEP III €5.3 bn 2006 CEP II €1.8 bn 2003 Carlyle Asia Partners (Asia Buyout) CBPF ¥2.6 bn 2010 CAP III \$2.6 bn 2008 CAP II \$1.8 bn 2006 CAP I \$750 mm 1999 Carlyle Japan Partners (Japan Buyout) CJP II ¥165.6 bn 2006 CJP I ¥50 bn 2001 Carlyle Mexico Partners (Mexico Buyout) Mexico I \$134 mm 2005 Carlyle MENA Partners (MENA Buyout) MENA I \$471 mm 2007 Carlyle South America Buyout Fund CSABF I \$776 mm 2009 Carlyle U.S. Venture/Growth Partners (U.S. Growth Capital) CEOF \$345 mm 2011 CUSGF III \$405 mm 2006 CVP II \$402 mm 2001 CVP I \$210 mm 1997 Carlyle Europe Technology Partners (Europe Technology) CETP II €522 mm 2007 CETP I €222 mm 2005 Carlyle Asia Venture/Growth Partners (Asia Growth) CAGP IV \$1.0 bn 2008 CAGP III \$680 mm 2005 CAVP II \$164 mm 2001	Carlyle Realty Partners (U.S. Real Estate) CRP VI \$1.6 bn 2010 CRP V \$3.0 bn 2006 CRP IV \$950 mm 2004 CRP III \$564 mm 2000 CRP II \$252 mm 1999 CRP I \$296 mm 1997 Carlyle Europe Real Estate Partners (Europe Real Estate) CEREP III €2.2 bn 2007 CEREP II €763 mm 2005 CEREP I €427 mm 2002 Carlyle Asia Real Estate Partners (Asia Real Estate) CAREP II \$486 mm 2007 CAREP I \$411 mm 2005 Carlyle Infrastructure Partners (Infrastructure Buyout) CIP I \$1.1 bn 2006 Carlyle/Riverstone Global Energy Energy IV \$6.0 bn 2007 Energy III \$3.8 bn 2005 Energy II \$1.1 bn 2002 Energy I \$222 mm 2001 Carlyle/Riverstone Renewable Energy Renew II \$3.4 bn 2008 Renew I \$685 mm 2005	Cash CLO Funds U.S. \$7.6 bn 1999-2007 Europe €3.3 bn 2005-2008 Synthetic Fund U.S. \$510 mm 2007 Carlyle Mezzanine Partners (Corporate Mezzanine) CMP II \$553 mm 2008 CMP I \$436 mm 2004 Carlyle Strategic Partners (Distressed) CSP II \$1.3 bn 2007 CSP I \$211 mm 2004 Carlyle Energy Mezzanine Opportunities Fund CEMOF I \$318 mm 2010 Long/Short Credit Opportunities Fund \$853 mm 2008 Master Fund \$4.3 bn 2006 Emerging Markets Strategies EM Equities \$720 mm 2004 Macro Strategies \$937 mm 2002
	Fund of Funds Solutions AlpInvest Fund of Private Equity Funds 24 funds €32.9 bn 2000 - 2010 Secondary Investments 11 funds €5.9 bn 2000 - 2011 Co-Investments 14 funds €9.2 bn 2000 - 2010	

Capital Raising and Investor Services

Since inception, we have raised more than \$112 billion in capital (excluding acquisitions). We have successfully and repeatedly raised long-term, non-redeemable capital commitments to new and successor private funds. Despite the recent challenges in the fundraising markets, from December 31, 2007 through June 30, 2011 we had closings for 26 funds with commitments totaling approximately \$28 billion.

Our diverse and sophisticated investor base includes more than 1,400 existing carry fund investors located in 73 countries. Included among our many longstanding fund investors are pension funds, sovereign wealth funds, insurance companies and high net worth individuals in the United States and around the world, including significant institutional investors in Asia and the Middle East. We have also been a leader in the industry by forging strategic relationships with large institutional investors such as CalPERS, which completed a minority investment in our business in 2001, and Mubadala, which made minority investments in our business in 2007 and 2010. Both CalPERS and Mubadala have also historically been significant investors in our funds. We have also devoted substantial resources to creating comprehensive and timely investor reports, which is increasingly important to our investor base.

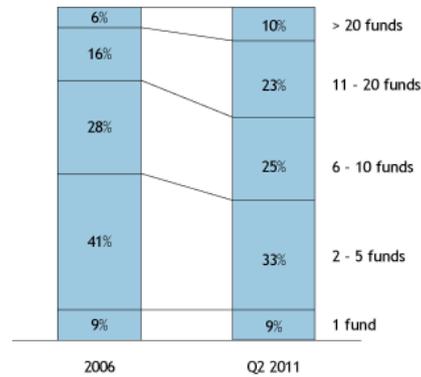
We work for our fund investors and continuously seek to strengthen and expand our relationships with our fund investors. We have a dedicated in-house LP relations group, which

includes 19 geographically focused investor relations professionals with extensive investor relations and fundraising experience, supported by 24 product and client segment specialists and support staff operating on a global basis and drawing upon a worldwide network of relationships. We strive to secure a first-mover advantage with key investors, often by establishing a local presence and providing a broad and diverse range of investment options.

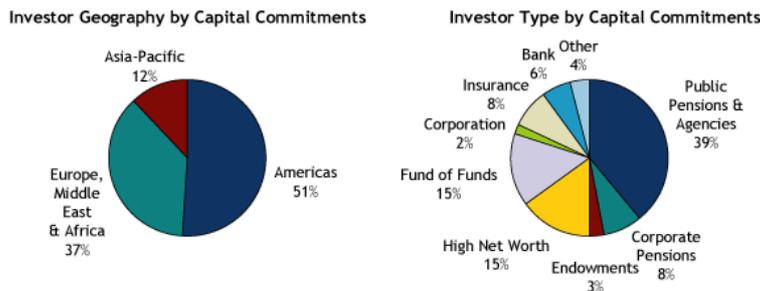
Our LP relations professionals are in constant dialogue with our fund investors, which enables us to monitor client preferences and tailor future fund offerings to meet investor demand. As of June 30, 2011, approximately 91% of commitments to our active carry funds (by dollar amount) were from investors who are committed to more than one active carry fund, and 58% of commitments to our active carry funds (by dollar amount) were from investors who are committed to more than five active carry funds. Of the approximately 9% of commitments to our active carry funds from investors that are not committed to more than one active carry fund, the majority (approximately 67%, by dollar amount) of these commitments are in the newest generation of funds. We believe the loyalty of our investor base, as evidenced by our substantial number of multi-fund investors, enhances our ability to raise successor funds in existing strategies.

The chart below shows the percentage of capital committed by investors to our active carry funds, in billions, segmented by the number of active carry funds in which the investors are committed. For example, as of December 31, 2006, 22% of our capital was provided by investors who had committed capital to more than 10 active carry funds; as of June 30, 2011, that percentage had grown to 33% of our committed capital to active carry funds. As of December 31, 2006, 50% of the capital of our active carry funds was provided by investors who were committed to six or more carry funds; as of June 30, 2011, that percentage had grown to 58% of the committed capital of our active carry funds. Our larger investors (those with \$100 million or more of aggregate capital commitments to our active carry funds) are, on average, invested in approximately eight active carry funds.

% of Capital Commitments from Multi-Fund Investors



The charts below present total commitments to our carry funds by geography and source of commitment, each as of June 30, 2011.



We believe that there is a substantial opportunity for growth in investor allocations to the alternative investment sector, as the significant capital invested in the sector during 2006-2008 is returned to investors and as certain categories of alternative investors (such as pension funds) seek higher investment returns to close the gap between their assets and projected liabilities. We believe we are well positioned to capitalize on this sector growth, due to the breadth of our investor relationships, the diversity of our product offerings and our track record of investment performance.

We have a team of over 400 investor services professionals worldwide. The investor services group performs a range of functions to support our investment teams and our LP relations group, including informing investors on an ongoing basis about the performance of Carlyle investments. This group provides an important control function, ensures that transactions are structured pursuant to the partnership agreements and assists in regulatory compliance requirements globally. Our investor services professionals assist with investor reporting and enable investors to easily monitor the performance of their investments. The investor services group also works closely with each fund's lifecycle, from fund formation and investments to portfolio monitoring and fund liquidation. We maintain an internal legal and compliance team, which includes 18 professionals and a government relations group with a presence around the globe, which includes 14 professionals. We intend to continue to build and invest in our legal, regulatory and compliance functions to enable our investment teams to better serve our investors.

Structure and Operation of Our Investment Funds

We conduct the sponsorship and management of our carry funds and other investment vehicles primarily through a partnership structure in which limited partnerships organized by us accept commitments and/or funds for investment from institutional investors and high net worth individuals. Each investment fund that is a limited partnership, or "partnership" fund, has a general partner that is responsible for the management and administration of the fund's affairs and makes all policy and investment decisions relating to the conduct of the investment fund's business. The limited partners of the partnership funds take no part in the conduct or control of the business of such funds, have no right or authority to act for or bind such funds and have no influence over the voting or disposition of the securities or other assets held by such funds, although such limited partners often have the right to remove the general partner or cause an early liquidation by simple majority vote, as discussed below. In the case of our separately managed accounts, the investor, rather than us, may control the asset or investment vehicle that holds or has custody of the investments we advise the vehicle to make.

Each investment fund and in the case of our separately managed accounts, the client, engages an investment adviser. Carlyle Investment Management L.L.C. (“CIM”) serves as an investment adviser for most of our funds and is registered under the Advisers Act. Our investment advisers or one of their affiliates are entitled to a management fee from each investment fund for which they serve as investment advisers. For a discussion of the management fees to which our investment advisers are entitled across our various types of investment funds, please see “— Incentive Arrangements / Fee Structure” below.

The investment funds themselves do not register as investment companies under the 1940 Act, in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of funds formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the 1940 Act exempts from the 1940 Act’s registration requirements investment funds privately placed in the United States whose securities are owned exclusively by persons who, at the time of acquisition of such securities, are “qualified purchasers” as defined under the 1940 Act. Section 3(c)(1) of the 1940 Act exempts from the 1940 Act’s registration requirements privately placed investment funds whose securities are beneficially owned by not more than 100 persons. In addition, under certain current interpretations of the SEC, Section 7(d) of the 1940 Act exempts from registration any non-U.S. investment fund all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers and purchase their interests in a private placement.

The governing agreements of substantially all of our investment funds provide that, subject to certain conditions, third-party investors in those funds have the right to remove the general partner of the fund or to accelerate the liquidation date of the investment fund without cause by a simple vote of a majority in interest (based on capital commitments) of the investors. In addition, the governing agreements of many of our investment funds generally require investors in those funds to vote to continue the investment period by a vote of a simple majority in interest (based on capital commitments) of the investors in the event that certain “key persons” in our investment funds (for example, Messrs. Conway, D’Aniello and Rubenstein in the case of our private equity funds) do not provide the specified time commitment to the fund or our firm or cease to hold a specified percentage of the economic interests in the general partner or the investment adviser.

Our carry funds and fund of funds vehicles are closed-ended funds. In a closed-ended fund structure, once an investor makes an investment, the investor is generally not able to withdraw or redeem its interest, except in very limited circumstances. Furthermore, each limited partnership contains restrictions on an investor’s ability to transfer its interest in the fund. In the few open-ended funds we advise, investors are usually locked-up for a period of time after which they may generally redeem their interests on a quarterly basis.

With respect to our carry funds, investors generally agree to fund their commitment over a period of time. For our private equity funds, the commitment period generally runs until the earlier of (i) the sixth anniversary of the initial closing date or the fifth anniversary of the final closing date of the fund; (ii) the date the general partner cancels such obligation due to changes in applicable laws or when at least a significant portion (which may range between 85% and 90%) of the capital commitments to the fund have been invested, committed or reserved for investments; (iii) the date a supermajority in interest (based on capital commitments) of investors vote to terminate the commitment period; or (iv) the failure of certain key persons to devote a specified amount of time to such fund or Carlyle or to hold a specified percentage of the economic interests in the general partner or the investment adviser. Following the termination of the commitment period, an investor generally will be released from any further obligation with respect to its undrawn capital commitment except to the extent necessary to pay partnership expenses and management fees, complete investments with respect to transactions entered into prior to the end of the commitment period and make follow-on investments in existing companies. Generally, an investor’s obligation to fund follow-on investments extends for a period of three years following the end of the commitment period, provided that an investor is generally not required to fund more than a certain percentage (generally 15% to 20%) of such investor’s capital commitment in such follow-on investments.

Investors in the latest generation of our real estate funds generally commit to fund their investment for a period of three (Asia), five (Europe) or four (United States) years from the final closing date, provided that the general partner may unilaterally extend such expiration date for one year and may extend it for another year with the consent of a majority of the limited partners or the investment advisory committee for that fund. Investors in the latest generation of our real estate funds are also obligated to continue to make capital contributions with respect to follow-on investments and to repay indebtedness for a period of four years after the original expiration date of the commitment period, as well as to fund partnership expenses and management fees during such extension.

The term of each of the Corporate Private Equity and Real Assets funds generally will end 10 years from the initial closing date, or in some cases, from the final closing date, but such termination date may be earlier in certain limited circumstances or later if extended by the general partner (in many instances with the consent of a majority in interest (based on capital commitments) of the investors or the investment advisory committee) for successive one-year periods, typically up to a maximum of two years.

Incentive Arrangements / Fee Structure

Fund Management Fees. The investment adviser of each of our carry funds generally receives an annual management fee that ranges from 1.0% to 2.0% of the investment fund or vehicle's capital commitments during the investment period. Following the expiration or termination of the investment of such fund the management fees generally step-down to between 0.6% and 2.0% of contributions for unrealized investments. The investment advisor of our fund of funds vehicles receives an annual management fee from such fund of funds vehicles that generally ranges from 0.3% to 1.0% on the fund or vehicle's capital commitments during the first two to five years of the investment period and 0.3% to 1.0% on the lower of cost of the capital invested or fair value of the capital invested thereafter. The investment advisor of our hedge funds receives management fees that range from 1.5% to 2% of NAV per year. The management fees that we receive from our carry funds are payable on a regular basis (typically semi-annually in advance) in the contractually prescribed amounts noted above. The investment adviser of each of our structured credit funds generally receives an annual management fee of 0.4% to 0.5% of assets per annum. With respect to Claren Road, ESG and AlpInvest, we retain a specified percentage of the management fees based on our ownership in the management companies of 55% in the case of Claren Road and ESG and 60% in the case of AlpInvest. The management fees received by our Claren Road and ESG funds have similar characteristics, except that such funds often afford investors increased liquidity through annual, semi-annual or quarterly withdrawal or redemption rights following the expiration of a specified period of time when capital may not be withdrawn (typically between one and three years) and the amount of management fees to which the investment adviser is entitled with respect thereto will proportionately increase as the net asset value of each investor's capital account grows and will proportionately decrease as the net asset value of each investor's capital account decreases.

The general partners or investment advisers to our carry funds receive customary transaction fees upon consummation of many of our funds' acquisition transactions, receive monitoring fees from many of their portfolio companies following acquisition, and may from time to time receive other fees in connection with their activities. The ongoing monitoring fees which they receive are generally calculated as a percentage of a specified financial metric of a particular portfolio company. The transaction fees which they receive are generally calculated as a percentage (that generally range up to 1% and may exceed 1% in certain circumstances) of the total enterprise value of the acquired entity. The management fees charged to limited partner investors are reduced by 50% to 100% of such transaction fees and certain other fees that are received by the general partners and their affiliates.

Performance Fees. The general partner of each of our carry funds and fund of funds vehicles also receives carried interest from the carry fund or fund of funds vehicles. Carried interest entitles the general partner to a special residual allocation of profit on third-party capital. In the case of our carry funds, carried interest is generally calculated on a "realized gain" basis, and each general

partner is generally entitled to a carried interest equal to 20% (or 1.8% to 10%, in the case of most of our fund of funds vehicles) of the net realized profit (generally taking into account unrealized losses) generated by third-party capital invested in such fund. Net realized profit or loss is not netted between or among funds. Our senior Carlyle professionals and other personnel who work in these operations also own interests in the general partners of our carry funds and we allocate a portion of any carried interest that we earn to these individuals in order to better align their interests with our own and with those of the investors in the funds. For most carry funds, the carried interest is subject to an annual preferred limited partner return of 8% or 9%, subject to a catch-up allocation to the general partner. If, as a result of diminished performance of later investments in the life of a carry fund or fund of funds vehicles, the carry fund or fund of funds vehicles does not achieve investment returns that (in most cases) exceed the preferred return threshold or (in almost all cases) the general partner receives in excess of 20% (or 1.8% to 10%, in the case of most of our fund of funds vehicles) of the net profits on third-party capital over the life of the fund, we will be obligated to repay the amount by which the carried interest that was previously distributed to us exceeds amounts to which we are ultimately entitled. This obligation, which is known as a “giveback” obligation, operates with respect to a given carry fund’s own net investment performance only and is typically capped at the after tax amount of carried interest received by the general partner. Each recipient of carried interest distributions is individually responsible for his or her proportionate share of any giveback obligation; however, we guarantee the full amount of such “giveback” obligation. Our ability to generate carried interest is an important element of our business and carried interest has historically accounted for a significant portion of our income.

In addition to the carried interest from our carry funds, we are also entitled to receive incentive fees or allocations from certain of our Global Market Strategies funds when the return on AUM exceeds previous calendar-year ending or date-of-investment high-water marks. Our hedge funds generally pay annual incentive fees or allocations equal to 20% of the fund’s profits for the year, subject to a high-water mark. The high-water mark is the highest historical NAV attributable to a fund investor’s account on which incentive fees were paid and means that we will not earn incentive fees with respect to such fund investor for a year if the NAV of such investor’s account at the end of the year is lower than any prior year NAV or the NAV at the date of such fund investor’s investment, generally excluding any contributions and redemptions for purposes of calculating NAV. We recognize the incentive fees from our hedge funds as they are earned. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved and are included in performance fees in our combined and consolidated statements of operations. These incentive fees are a component of performance fees in our combined and consolidated financial statements and are treated as accrued until paid to us.

Under our arrangements with the historical owners and management team of AlpInvest, such persons are allocated all carried interest in respect of the historical investments and commitments to our fund of funds vehicles that existed as of December 31, 2010, 85% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 60% of the carried interest in respect of all other commitments (including all future commitments from third parties).

As noted above, in connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with existing and potential investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than for prior funds we have advised or funds advised by our competitors. See “Risk Factors — Risks Related to Our Business Operations — Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.”

Capital Invested in and Alongside Our Investment Funds

To further align our interests with those of investors in our investment funds, we have invested our own capital and that of our senior Carlyle professionals in and alongside the investment funds

we sponsor and advise. In addition, certain affiliates of our senior Carlyle professionals (including friends and family members) are permitted, subject to certain restrictions, to invest alongside the investment funds we sponsor and advise. A portion of the proceeds from this offering will be used to fund our general partner capital commitments to our investment funds. Minimum general partner capital commitments to our investment funds are determined separately with respect to each investment fund. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for more information regarding our minimum general partner capital commitments to our funds. Our general partner capital commitments are funded with cash and not with carried interest or through a management fee waiver program.

Investors in many of our carry funds and fund of funds vehicles also generally receive the opportunity to make additional “co-investments” with the investment funds. Co-investments are investments arranged by us that are made by our limited partner investors (and some other investors in some instances) in portfolio companies or other assets, generally on substantially the same terms and conditions as those acquired by the applicable fund. In certain cases, such co-investments may involve additional fees or carried interest. Carlyle and its employees and officers have the right to co-invest with each of the investment funds on a deal-by-deal basis, typically in an amount up to 5% of the investment opportunity (on top of our base commitment). Many of these co-investments are made on an “unpromoted basis” meaning we do not earn management fees or carried interest in respect of such investments.

Corporate Citizenship

We are committed to the principle that building a better business means investing responsibly. In September 2008, Carlyle developed a set of responsible investment guidelines that consider the environmental, social and governance implications of certain investments we make. These guidelines were integral to shaping the corporate social responsibility guidelines later adopted by the members of the Private Equity Growth Capital Council. We have worked to integrate these guidelines into our investment decision-making process for controlling, corporate investments. We are also educating portfolio companies in which we have a controlling interest on the guidelines and encouraging them to review the guidelines at the board level on an annual basis. As part of this process, we released our first corporate citizenship report, which catalogues our corporate citizenship initiatives in detail, including our responsible investment policy and practices and those of some of our portfolio companies.

Building on the investment principles, Carlyle has established a working relationship with the EDF. Through this partnership (and in collaboration with the Payne Firm, an international environmental consulting firm), Carlyle and EDF jointly developed a new due diligence framework for the alternative asset management sector called the “EcoValuScreen.” This framework goes beyond the traditional focus of risk mitigation during the due diligence process by identifying opportunities for operational enhancements that will lead to better environmental and financial performance during the early stages of the investment process. This process enables Carlyle professionals to more effectively evaluate the operations of a target company, identify the most promising environmental management opportunities and incorporate them into the post-investment management, governance and reporting plans of our portfolio companies.

We are also a member of the British Venture Capital Association and seek to ensure that our U.K.-based portfolio companies are compliant, on a voluntary basis, with the Walker Guidelines for Disclosure and Transparency when such companies become subject to these guidelines. Further, we are also a member of the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (the “BVK”), the German private equity and venture capital trade association. We believe that we are compliant with the BVK Guidelines for Disclosure and Transparency and seek to ensure that our German portfolio companies comply with these guidelines when they required to do so.

Information Technology

We are continuously monitoring and refining our information technology systems in order to complement our information and control requirements, including data quality and scalability, risk mitigation, global growth and process and staff efficiency. As part of this ongoing process, we have recently replaced our financial accounting systems, upgraded our global messaging systems, upgraded our fund accounting system and further enhanced our disaster recovery and business continuity readiness. The goal of our business continuity readiness is to ensure that all critical business functions continue in an orderly manner in the event of an emergency. We have redundant systems in place to inform business continuity program team members in the event of emergency conditions, with our “work-from-home” platform forming part of the strategy should any office become unavailable. A “warm” disaster recovery data center provides backup services should the firm’s primary data center experience a significant service interruption. Out-of-region data backups provide protection should a significant regional incident occur that impacts systems availability.

Competition

As a global alternative asset manager, we compete with a broad array of regional and global organizations for both investors and investment opportunities. Generally, our competition varies across business lines, geographies and financial markets. We believe that our competition for investors is based primarily on investment performance; business relationships; the quality of services provided to investors; reputation and brand recognition; pricing; and the relative attractiveness of the particular opportunity in which a particular fund intends to invest. We believe that competition for investment opportunities varies across business lines, but is generally based on industry expertise and potential for value-add; pricing; terms; and the structure of a proposed investment and certainty of execution.

We generally compete with sponsors of public and private investment funds across all of our segments. Within our Corporate Private Equity segment, we also compete with business development companies and operating companies acting as strategic acquirers. In our Global Market Strategies segment, we compete with hedge funds and other CLO issuers. In our Real Assets segment, we also compete with real estate development companies. In addition to these traditional competitors within the global alternative asset management industry, we have increasingly faced competition from local and regional firms, financial institutions and sovereign wealth funds, in the various countries in which we invest. This trend has been especially apparent in emerging markets, where local firms tend to have more established relationships with the companies in which we are attempting to invest. These competitors often fall into one of the aforementioned categories but in some cases may represent new types of investors, including high net worth individuals, family offices and state-sponsored entities.

Some of the entities that we compete with as an alternative asset manager are substantially larger and have greater financial, technical, marketing and other resources and more personnel than we do. Several of our competitors also have recently raised, or are expected to raise, significant amounts of capital and many of them have investment objectives similar to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us when sourcing investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider range of investments and to bid more aggressively than us for investments. Strategic buyers may also be able to achieve synergistic cost savings or revenue enhancements with respect to a targeted portfolio company, which may provide them with a competitive advantage in bidding for such investments.

Employees

We believe that one of the strengths and principal reasons for our success is the quality and dedication of our people. As of June 30, 2011, on an as adjusted basis, we employed more than 1,100 individuals, including more than 500 investment professionals, located in 34 offices across six continents.

Regulatory and Compliance Matters

United States

Our businesses, as well as the financial services industry generally, are subject to extensive regulation in the United States and elsewhere. The SEC and other regulators around the globe have in recent years significantly increased their regulatory activities with respect to alternative asset management firms. Certain of our businesses are subject to compliance with laws and regulations of U.S. federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Our businesses have operated for many years within a legal framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities. However, additional legislation, changes in rules promulgated by regulators or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability.

Certain of our subsidiaries are registered as investment advisers with the SEC. Registered investment advisers are subject to the requirements and regulations of the Advisers Act. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an advisor and advisory clients and general anti-fraud prohibitions. In addition, our investment advisers are subject to routine periodic examinations by the staff of the SEC. As a result of prior examinations, certain additional policies and procedures have been put into place in response to the SEC's recommendations, but no material changes to our investment advisers' operations have been made. Our investment advisers also have not been subject to any regulatory or disciplinary actions by the SEC.

TCG Securities, L.L.C., the affiliate entity through which we conduct marketing and fundraising activities, is registered as a limited purpose broker/dealer with the SEC and the state securities bureaus, and is also a member of the Financial Industry Regulatory Authority ("FINRA"). Our broker/dealer is subject to regulation and examination by the SEC, as well as by the state securities regulatory agencies. Additionally, FINRA, a self-regulatory organization that is subject to SEC oversight, maintains regulatory authority over all securities firms doing business in the United States, including our broker/dealer, adopts and enforces rules governing the activities of its member firms and conducts cycle examinations and targeted sweep inquiries on issues of immediate concern, among other roles and responsibilities.

Broker/dealers are subject to rules relating to transactions on a particular exchange and/or market, and rules relating to the internal operations of the firms and their dealings with customers including, but not limited to the form or organization of the firm, qualifications of associated persons, officers and directors, net capital and customer protection rules, books and records and financial statements and reporting. In particular, as a result of its registered status, our broker/dealer is subject to the SEC's uniform net capital rule, Rule 15c3-1, which specifies both the minimum level of net capital a broker/dealer must maintain relative to the scope of its business activities and net capital liquidity parameters. The SEC and FINRA require compliance with key financial responsibility rules including maintenance of adequate funds to meet expenses and contractual obligations, as well as early warning rules that compel notice to the regulators via accelerated

financial reporting anytime a firm's capital falls below the minimum required level. The uniform net capital rule limits the amount of qualifying subordinated debt that is treated as equity to a specific percentage under the debt-to-equity ratio test, and further limits the withdrawal of equity capital, which is subject to specific notice provisions. Finally, compliance with net capital rules may also limit a firm's ability to expand its operations, particularly to those activities that require the use of capital.

United Kingdom

CELF Advisors, L.L.P. and CECF Advisors, L.L.P., two of our subsidiaries, are authorized in the United Kingdom under the Financial Services and Markets Act 2000 (the "FSMA") and have permission to engage in a number of corporate finance activities regulated under the FSMA, including advising, dealing as principal or agent and arranging deals in relation to certain types of investments. The FSMA and related rules govern most aspects of investment businesses, including sales, research and trading practices, provision of investment advice, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. The Financial Services Authority is responsible for administering these requirements and our compliance with them. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations, the suspension or expulsion from certain "controlled functions" within the financial services industry of officers or employees performing such functions or other similar consequences.

Other Jurisdictions

Carlyle MENA Investment Advisors Limited, one of our subsidiaries, is incorporated in the Dubai International Financial Centre (the "DIFC") as a Category 3 authorized firm licensed by the Dubai Financial Services Authority (the "DFSA") and has authorization to engage in certain financial activities regulated under the DFSA rules, including managing collective investment funds, arranging credit or deals in certain types of investments, advising on certain types of financial products or credit and arranging custody. The DFSA rules govern the financial services and investment businesses undertaken in or from the DIFC, including without limitation sales, research and trading practices, provision of investment advice, fund management and fund administration, provision of advisory services, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record keeping, margin practices and procedures, approval standards for individuals, compliance, anti-money laundering, periodic reporting and settlement procedures. The DFSA is responsible for administering and regulating these requirements and our compliance with them. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of authorizations or registrations, the suspension or expulsion from certain licensed functions within the financial services industry of officers or employees performing such functions or other similar consequences.

Claren Road Asia Limited ("CRAL"), one of our subsidiaries, is licensed in Hong Kong under the Securities and Futures Ordinance (the "SFO") to carry on the regulated activity of asset management (Type 9 licence). The Hong Kong Securities and Futures Commission is responsible for administering requirements relating to the SFO and CRAL's compliance with them. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations and the suspension or expulsion from carrying on regulated activities within the financial services industry of officers or employees performing such functions or other similar consequences.

Carlyle Mauritius Investment Advisor Limited ("Carlyle Mauritius") is a private company limited by shares incorporated and resident in the Republic of Mauritius. Carlyle Mauritius was incorporated on January 12, 2009 and holds a Category 1 Global Business License, the stated

purpose of which is to act as a Mauritian Investment Advisor (Restricted), a license that was issued under Mauritian Securities Act 2005. Carlyle Mauritius is supervised by the Financial Services Commission (Mauritius) (the "FSC"). Carlyle Mauritius is subject to limited regulatory requirements under the Mauritian Securities Act 2005, Mauritian Financial Services Act 2007 and relevant ancillary regulations, including, ongoing reporting and record keeping requirements, anti-money laundering obligations, obligations to ensure that it and its directors, key officers and representatives are fit and proper and requirements to maintain positive shareholders' equity. FSC is responsible for administering these requirements and Carlyle Mauritius's compliance with them. If Carlyle Mauritius contravenes any such requirements, Carlyle Mauritius and/or its officers or representatives may be subject to a fine, reprimand, prohibition order or other regulatory sanctions.

In addition, Carlyle Mauritius holds a "Foreign Institutional Investor" license from the Securities and Exchange Board of India (the "SEBI"). The license entitles Carlyle Mauritius, for itself and approved sub-licensees, to engage in limited activities in India as set out in the "SEBI Foreign Investor Regulations, 1995," as amended from time to time. Carlyle Mauritius is subject to the oversight and supervision of SEBI in relation to the approved activities. If Carlyle Mauritius contravenes any such requirements, Carlyle Mauritius and/or its officers or representatives may be subject to a fine, reprimand, prohibition order or other regulatory sanctions from SEBI.

Carlyle Australia Equity Management Pty Limited ("CAEM"), one of our subsidiaries, is incorporated in Australia and is licensed by the Australian Securities and Investments Commission as an Australian financial services licensee. As an Australian financial services licensee, CAEM is authorized to carry on a financial services business to (a) provide financial product advice in respect of interests in managed investment schemes and securities to wholesale clients and (b) deal in financial products by arranging for another person to issue, apply for, acquire, vary or dispose of financial products in respect of interests in managed investment schemes and securities to wholesale clients. CAEM is subject to regulatory requirements under the Corporations Act 2001 (Cth) ("CA") and other financial services laws in Australia.

Properties

Our principal executive offices are located in leased office space at 1001 Pennsylvania Avenue, NW, Washington, D.C. We also lease the space for our other 33 offices, including our office in Arlington, Virginia, which houses our treasury and finance functions. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our business.

Legal Proceedings

From time to time we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us.

In September 2006 and March 2009, we received requests for certain documents and other information from the Antitrust Division of the DOJ in connection with the DOJ's investigation of global alternative asset management firms to determine whether they have engaged in conduct prohibited by U.S. antitrust laws. We have fully cooperated with the DOJ's investigation. There can be no assurance as to the direction this inquiry may take in the future or whether it will have an adverse impact on the private equity industry in some unforeseen way.

On February 14, 2008, a private class-action lawsuit challenging "club" bids and other alleged anti-competitive business practices was filed in the U.S. District Court for the District of Massachusetts (*Police and Fire Retirement System of the City of Detroit v. Apollo Global Management, LLC*). The complaint alleges, among other things, that certain global alternative asset management firms, including Carlyle, violated Section 1 of the Sherman Act by, among other things, forming multi-sponsor consortiums for the purpose of bidding collectively in certain going private

transactions, which the plaintiffs allege constitutes a “conspiracy in restraint of trade.” The plaintiffs seek damages as provided for in Section 4 of the Clayton Act and an injunction against such conduct in restraint of trade in the future. While Carlyle believes the claims are without merit and will vigorously contest all claims, it is difficult to determine what impact, if any, this litigation (and any future related litigation), together with any increased governmental scrutiny or regulatory initiatives, will have on the private equity industry generally or on Carlyle.

Along with many other companies and individuals in the financial sector, Carlyle and one of our funds, CMP I, are named as defendants in *Foy v. Austin Capital*, a case filed in June 2009, pending in the state of New Mexico’s First Judicial District Court, County of Sante Fe, which purports to be a *qui tam* suit on behalf of the State of New Mexico. 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, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including Carlyle and CMP I on the ground that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has brought two civil actions against certain of those defendants, not including the Carlyle defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions. We are currently unable to anticipate when the litigation will conclude, or what impact the litigation may have on us.

In July 2009, a former shareholder of Carlyle Capital Corporation Limited claiming to have lost \$20.0 million, filed a claim against CCC, Carlyle and certain of our affiliates and one of our officers (*Huffington v. TC Group L.L.C.*) alleging violations of Massachusetts “blue sky” law provisions and related claims involving material misrepresentations and omissions allegedly made during and after the marketing of CCC. The plaintiff seeks treble damages, interest, expenses and attorney’s fees and to have the subscription agreement deemed null and void and a full refund of the investment. In March 2010, the United States District Court for the District of Massachusetts dismissed the plaintiff’s complaint on the grounds that it should have been filed in Delaware instead of Massachusetts, and the plaintiff subsequently filed a notice of appeal to the United States Court of Appeals for the First Circuit. The plaintiff lost its appeal to the First Circuit and has filed a renewed claim in Delaware state court. Defendants are vigorously contesting all claims alleged by the plaintiff. In November 2009, another CCC investor has instituted legal proceedings on similar grounds in Kuwait’s Court of First Instance against Carlyle (*National Industries Group v. The Carlyle Group*) seeking to recover losses incurred in connection with an investment in CCC. In July 2011, the Delaware Court of Chancery precluded the plaintiff from proceeding in Kuwait based on the forum selection clause in the plaintiff’s subscription agreement, which provided for exclusive jurisdiction in Delaware courts. We believe the claims are without merit and will contest vigorously all claims.

The Guernsey liquidators who took control of CCC in March 2008 filed suit in July 2010 against Carlyle, certain of our affiliates and the former directors of CCC (*Carlyle Capital Corporation Limited v. Conway*), seeking \$1.0 billion in damages. They allege that Carlyle and the CCC board of directors were negligent, grossly negligent or willfully mismanaged the CCC investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. Plaintiffs further allege (among other things) that the directors and Carlyle put the interests of Carlyle ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing Carlyle’s reputation and its “brand” over the best interests of CCC. The Plaintiffs’ lawsuit is currently pending in the Superior Court of the District of Columbia, the Supreme Court of New York, County of New York and the Royal Court of Guernsey. We believe the claims are without merit and will vigorously contest all allegations. We recognized a loss of \$152.3 million in 2008 in connection with the winding up of CCC.

In June 2011, August 2011, and September 2011, three putative shareholder class actions were filed against Carlyle, certain of our affiliates and former directors of CCC alleging that the fund

offering materials and various public disclosures were materially misleading or omitted material information. Two of the shareholder class actions, (*Phelps v. Stomber, et. al.*) and (*Glaubach v. Carlyle Capital Corporation Limited, et. al.*), were filed in the United States District Court for the District of Columbia. The most recent shareholder class action (*Phelps v. Stomber, et. al.*) was filed in the Supreme Court of New York, New York County and has subsequently been removed to the United States District Court for the Southern District of New York. The plaintiffs seek all compensatory damages sustained as a result of the alleged misrepresentations, costs and expenses, as well as reasonable attorney fees. We believe the claims are without merit and will vigorously contest all claims.

MANAGEMENT

Directors and Executive Officers

The following table sets forth the names, ages and positions of the directors and executive officers of our general partner, Carlyle Group Management L.L.C.

Name	Age	Position
William E. Conway, Jr.	62	Director of Carlyle Group Management L.L.C., Founder and Co-Chief Executive Officer
Daniel A. D'Aniello	65	Director of Carlyle Group Management L.L.C., Founder and Chairman
David M. Rubenstein	62	Director of Carlyle Group Management L.L.C., Founder and Co-Chief Executive Officer
Glenn A. Youngkin	44	Chief Operating Officer
Adena T. Friedman	42	Chief Financial Officer
Jeffrey W. Ferguson	46	General Counsel

William E. Conway, Jr. Mr. Conway is a founder and Co-Chief Executive Officer of Carlyle. He is also the firm's Chief Investment Officer. Prior to forming Carlyle in 1987, Mr. Conway was the Senior Vice President and Chief Financial Officer of MCI Communications Corporation ("MCI"). Mr. Conway was a Vice President and Treasurer of MCI from 1981 to 1984. Mr. Conway received his B.A. from Dartmouth College and his M.B.A. in finance from the University of Chicago Graduate School of Business. He served as the Chairman of the Board of Nextel Communications, Inc. and United Defense Industries, Inc. Mr. Conway has also served on the Board of Directors of Hertz Global Holdings, Inc. as well as several private companies in which Carlyle had significant interests.

Daniel A. D'Aniello. Mr. D'Aniello is a founder and Chairman of Carlyle. Prior to forming Carlyle in 1987, Mr. D'Aniello was the Vice President for Finance and Development at Marriott Corporation for eight years. Before joining Marriott, Mr. D'Aniello was a financial officer at PepsiCo, Inc. and Trans World Airlines. Mr. D'Aniello is a 1968 magna cum laude graduate of Syracuse University, where he was a member of Beta Gamma Sigma, and a 1974 graduate of the Harvard Business School, where he was a Teagle Foundation Fellow. Mr. D'Aniello is a member of The Council for United States and Italy; the Lumen Institute; the U.S. — China CEO and Former Senior Officials' Dialogue of the U.S. Chamber of Commerce; the Board of Trustees of the American Enterprise Institute for Public Research; the Board of Trustees of Syracuse University; the Chancellor's Council; and the Corporate Advisory Council to the Martin J. Whitman School of Management. Mr. D'Aniello also currently serves and has served as chairman and/or director of several private companies in which Carlyle has or had significant investment interests.

David M. Rubenstein. Mr. Rubenstein is a founder and Co-Chief Executive Officer of Carlyle. Prior to forming Carlyle in 1987, Mr. Rubenstein practiced law in Washington, D.C. with Shaw, Pittman, Potts & Trowbridge LLP (now Pillsbury, Winthrop, Shaw Pittman LLP). From 1977 to 1981 Mr. Rubenstein was Deputy Assistant to the President for Domestic Policy. From 1975 to 1976, he served as Chief Counsel to the U.S. Senate Judiciary Committee's Subcommittee on Constitutional Amendments. From 1973 to 1975, Mr. Rubenstein practiced law in New York with Paul, Weiss, Rifkind, Wharton & Garrison LLP. Mr. Rubenstein is a 1970 magna cum laude graduate of Duke University, where he was elected Phi Beta Kappa. Following Duke, Mr. Rubenstein graduated in 1973 from The University of Chicago Law School. Among other philanthropic endeavors, Mr. Rubenstein is the Chairman of the John F. Kennedy Center for the Performing Arts, a Regent of the Smithsonian Institution, President of the Economic Club of Washington and on the Boards of Directors or Trustees of Duke University (Vice Chair), Johns Hopkins University, University of Chicago, the Brookings Institution (Vice Chair), the Lincoln Center for the Performing Arts, the Council on Foreign Relations and the Institute for Advanced Study.

Glenn A. Youngkin. Mr. Youngkin is Chief Operating Officer of Carlyle and serves on Carlyle's Management Committee. From October 2010 until March 2011, Mr. Youngkin served as Carlyle's

interim principal financial officer. From 2005 to 2008, Mr. Youngkin was the Global Head of the Industrial Sector investment team. From 2000 to 2005, Mr. Youngkin led Carlyle's buyout activities in the United Kingdom and from 1995 to 2000, he was a member of the U.S. buyout team. Prior to joining Carlyle in 1995, Mr. Youngkin was a management consultant with McKinsey & Company and he also previously worked in the investment banking group at CS First Boston. Mr. Youngkin received a B.S. in mechanical engineering and a B.A. in managerial studies from Rice University and an M.B.A. from the Harvard Business School, where he was a Baker Scholar. Mr. Youngkin currently serves on the Board of Directors of Kinder Morgan, Inc. as well as several other Carlyle portfolio companies. Mr. Youngkin also serves on the Board of Trustees of the Langley School and AlphaUSA and the Board of Directors of the Rice Management Company.

Adena T. Friedman. Ms. Friedman is Chief Financial Officer and has served in such capacity for Carlyle since March 2011. Prior to joining Carlyle in March 2011, Ms. Friedman was the Chief Financial Officer and Executive Vice President of Corporate Strategy for The NASDAQ OMX Group, Inc. In August 2009, Ms. Friedman assumed the role of CFO, responsible for all financial, tax, investor relations, enterprise risk management and investment matters. As head of Corporate Strategy from 2003 to 2011, Ms. Friedman's responsibilities also included identifying and developing strategic opportunities, including all M&A, for NASDAQ OMX. From 2000 to 2009, Ms. Friedman also served as the Executive Vice President of the Global Data Products business, a \$250M revenue business unit within NASDAQ OMX. Ms. Friedman joined NASDAQ in 1993, where she served in several roles, including Senior Vice President of NASDAQ Data Products, Director of Product Management for several trading-related products, and Marketing Manager. Ms. Friedman earned an M.B.A. from Owen Graduate School of Management, Vanderbilt University, in Nashville, Tennessee. She holds a B.A. in political science from Williams College in Massachusetts.

Jeffrey W. Ferguson. Mr. Ferguson is General Counsel and has served in such capacity for Carlyle since 1999. Prior to joining Carlyle, Mr. Ferguson was an associate with the law firm of Latham & Watkins LLP. Mr. Ferguson received a B.A. from the University of Virginia, where he was a member of Phi Beta Kappa. He also received his law degree from the University of Virginia, and is admitted to the bars of the District of Columbia and Virginia.

There are no family relationships among any of the directors or executive officers of our general partner.

Composition of the Board of Directors after this Offering

Prior to the closing of this offering, we expect that additional directors, including directors who are independent in accordance with the criteria established by for independent board members, will be appointed to the board of directors of our general partner, Carlyle Group Management L.L.C., an entity wholly owned by our senior Carlyle professionals. Following these additions, we expect that the board of directors of our general partner will consist of directors, of whom will be independent. Mubadala has waived the right under its subscription agreement to nominate a member of the board of directors of our general partner.

The limited liability company agreement of Carlyle Group Management L.L.C. establishes a board of directors that will be responsible for the oversight of our business and operations. Our common unitholders will have no right to elect the directors of our general partner unless, as determined on January 31 of each year, the total voting power held by holders of the special voting units in The Carlyle Group L.P. (including voting units held by our general partner and its affiliates) in their capacity as such, or otherwise held by then-current or former Carlyle personnel (treating voting units deliverable to such persons pursuant to outstanding equity awards as being held by them), collectively, constitutes less than 10% of the voting power of the outstanding voting units of The Carlyle Group L.P. Unless and until the foregoing voting power condition is satisfied, our general partner's board of directors will be elected in accordance with its limited liability company agreement, which provides that directors may be appointed and removed by members of our general partner holding a majority in interest of the voting power of the members, which voting power is allocated to each member ratably according to his or her aggregate ownership of our

common units and partnership units. See “Material Provisions of The Carlyle Group L.P. Partnership Agreement — Election of Directors of General Partner.”

The Carlyle Group L.P. is a limited partnership that is advised by our general partner. We intend to avail ourselves of the limited partnership exception from certain governance rules, which eliminates the requirements that we have a majority of independent directors on our board of directors and that we have a compensation committee and a nominating and corporate governance committee composed entirely of independent directors. In addition, we will not be required to hold annual meetings of our common unitholders.

Director Qualifications

When determining that each of Messrs. Conway, D’Aniello and Rubenstein is particularly well-suited to serve on the board of directors of our general partner and that each individual has the experience, qualifications, attributes and skills, taken as a whole, to enable our board of directors to satisfy its oversight responsibilities effectively, we considered the experience and qualifications of each described above under “Management— Directors and Executive Officers.” We also noted that these three individuals are the original founders of our firm. Each of Messrs. Conway, D’Aniello and Rubenstein has played an integral role in our firm’s successful growth since its founding in 1987 and developed a unique and unparalleled understanding of our business. Finally, we also noted that these three individuals are our largest equity owners and, as a consequence of such alignment of interest with our other equity owners, has additional motivation to diligently fulfill his oversight responsibilities as a member of the board of directors of our general partner.

Committees of the Board of Directors

The board of directors of Carlyle Group Management L.L.C. has established an executive committee. We anticipate that prior to this offering, the board of directors of Carlyle Group Management L.L.C. will establish an audit committee and will adopt a charter for the audit committee that complies with current federal and rules relating to corporate governance matters. We also anticipate that the board of directors of Carlyle Group Management L.L.C. will establish a conflicts committee. The board of directors of our general partner may establish other committees from time to time.

Audit committee. The purpose of the audit committee will be to assist the board of directors of Carlyle Group Management L.L.C. in overseeing and monitoring (1) the quality and integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) our independent registered public accounting firm’s qualifications and independence and (4) the performance of our independent registered public accounting firm. The members of the audit committee will meet the independence standards for service on an audit committee of a board of directors pursuant to federal and rules relating to corporate governance matters, including the permitted transition period for newly-reporting issuers.

Conflicts committee. The board of directors of Carlyle Group Management L.L.C. will establish a conflicts committee that will be charged with reviewing specific matters that our general partner’s board of directors believes may involve conflicts of interest. The conflicts committee will determine if the resolution of any conflict of interest submitted to it is fair and reasonable to us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us and not a breach by us of any duties we may owe to our common unitholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under “Certain Relationships and Related Person Transactions — Statement of Policy Regarding Transactions with Related Persons,” and may establish guidelines or rules to cover specific categories of transactions. The members of the conflicts committee will have been determined by the board to meet the independence standards for service on an audit committee of a board of directors pursuant to federal and rules relating to corporate governance matters.

Executive committee. The executive committee of the board of directors of Carlyle Group Management L.L.C. currently consists of Messrs. Conway, D'Aniello and Rubenstein. The board of directors has delegated all of the power and authority of the full board of directors to the executive committee to act when the board of directors is not in session.

Compensation Committee Interlocks and Insider Participation

We do not have a compensation committee. Our founders, Messrs. Conway, D'Aniello and Rubenstein, have historically made all final determinations regarding executive officer compensation. The board of directors of our general partner has determined that maintaining our current compensation practices following this offering is desirable and intends that these practices will continue. Accordingly, the board of directors of our general partner does not intend to establish a compensation committee. For a description of certain transactions between us and Messrs. Conway, D'Aniello and Rubenstein, see "Certain Relationships and Related Person Transactions."

Director Compensation

Our general partner, Carlyle Group Management L.L.C., was formed on July 18, 2011. Currently, all of the individuals who serve as directors of our general partner are also named executive officers who do not receive any separate compensation for service on the board of directors or on any committee of the board of directors of our general partner and whose compensation is disclosed in the Summary Compensation Table under "— Executive Compensation — Summary Compensation Table." Accordingly, we have not presented a Director Compensation Table.

Following this offering, our employees who serve as directors of our general partner will receive no separate compensation for service on the board of directors or on committees of the board of directors of our general partner. Each non-employee director will receive an annual retainer of \$175,000, \$125,000 of which will be payable in cash and \$50,000 of which will be payable in the form of an annual deferred restricted unit award. An additional \$20,000 cash retainer will be payable annually to the chairman of the audit committee. Non-employee directors who are appointed to serve on the board of directors of our general partner at the time of this offering will also receive \$200,000 of deferred restricted units under our Equity Incentive Plan, which will vest in equal annual installments over the following _____ years, subject to the recipient's continued service as a director. In addition, each director will be reimbursed for reasonable out-of-pocket expenses incurred in connection with such service.

Executive Compensation

Compensation Discussion and Analysis

Compensation Philosophy

Our business as an alternative asset management firm is dependent on the services of our named executive officers and other key employees. Among other things, we depend on their ability to find, select and execute investments, oversee and improve portfolio company operations, find and develop relationships with fund investors and other sources of capital and provide other services essential to our success. We cannot compete without their continued employment with us. Therefore, it is important that our key employees are compensated in a manner that motivates them to excel and encourages them to remain with our firm.

Our compensation policy has three primary objectives: (1) establish a clear relationship between performance and compensation, (2) align long-term incentives with our fund investors and common unitholders and (3) comply with applicable laws and regulations.

We believe that the key to achieving these objectives is an organized, unbiased approach that is well understood, responsive to changes in the industry and the general labor market, and, above all, flexible and timely. We seek to pursue these objectives to the extent that our financial situation and other factors permit.

Our senior Carlyle professionals and other key employees invest a significant amount of their own capital in or alongside the funds we advise. These investments are funded with cash and not with deferral of management or incentive fees. In addition, these individuals may be allocated a portion of the carried interest or incentive fees payable in respect of our investment funds. We believe that this approach of seeking to align the interests of our key employees with those of the investors in our funds has been a key contributor to our strong performance and growth. We also believe that continued equity ownership by our named executive officers once we are a public company will result in significant alignment of their interests with those of our common unitholders.

Our chairman, Daniel A. D’Aniello and our two co-chief executive officers, William E. Conway, Jr. and David M. Rubenstein, are our founders and co-principal executive officers. We refer to our founders, together with Adena T. Friedman, our chief financial officer, and Glenn A. Youngkin, our chief operating officer, as our “named executive officers.” Mr. Youngkin served as our interim principal financial officer from October 2010 until March 2011. Effective on March 28, 2011, Adena T. Friedman became our principal financial officer.

With the exception of our employment agreement with Ms. Friedman described below under “— Employment Agreement with Ms. Friedman,” we do not have employment agreements with any of our executive officers. Our founders have entered into non-competition and non-solicitation agreements with us described below under “— Summary Compensation Table — Founders’ Non-Competition and Non-Solicitation Agreements” and are also subject to certain limitations on cash compensation pursuant to commitments made to CalPERS and Mubadala described below under “— Compensation Elements — Annual Cash Bonuses.”

Compensation Elements

The primary elements of our compensation program are base salary, annual cash bonuses and long-term incentives, such as the ownership of carried interest. We believe that the elements of compensation for our named executive officers serve the primary objectives of our compensation program. However, we intend to periodically review the compensation of our named executive officers, and we may make changes to the compensation structure relating to one or more named executive officers based on the outcome of such reviews from time to time.

Base Salary. For 2011, each of our named executive officers was paid an annual salary of \$. We believe that the base salary of our named executive officers should typically not be the most significant component of total compensation. Our founders determined that this amount was a sufficient minimum base salary for our named executive officers and decided that it should be the same for all named executive officers.

Annual Cash Bonuses. For 2011, our named executive officers were awarded cash bonuses, part of which were paid in December 2011 and the balance of which we expect to be paid in March 2012. The amounts of these bonuses were \$ for each of our founders, \$ for Ms. Friedman and \$ for Mr. Youngkin. The discretionary bonuses to our founders and to Mr. Youngkin were recommended by Mr. D’Aniello and were approved by all three of our founders. The subjective factors that contributed to the determination of the bonus amounts included an assessment of the performance of Carlyle and the investments of the funds that we advise, the contributions of the named executive officer to our development and success during 2011 and the named executive officer’s tenure at his or her level. More specifically, in assessing Mr. Conway’s performance and individual contribution, we considered . In assessing Mr. D’Aniello’s performance and individual contribution, we considered . In assessing Mr. Rubenstein’s performance and individual contribution, we considered . Finally, in assessing Mr. Youngkin’s performance and individual contribution, we considered . The bonus received by Ms. Friedman was made pursuant to our contractual arrangements with her. The amounts of the annual bonuses paid to our founders were limited to \$ pursuant to a commitment that we made to CalPERS at the time of their investment in our firm in 2001. CalPERS sought this limitation to ensure that the interests of our founders would be aligned with their own. When Mubadala later invested in our firm in 2007, they sought, and received, the same commitment.

Carried Interest. The general partners of our carry funds typically receive a special residual allocation of income, which we refer to as a carried interest, from our investment funds if investors in such funds achieve a specified threshold return. While the Parent Entities own controlling equity interests in these fund general partners, our senior Carlyle professionals and other personnel who work in these operations directly own a portion of the carried interest in these entities, in order to better align their interests with our own and with those of the investors in these funds. Following the reorganization described in “Ownership Structure,” these individuals will own approximately 45% of any carried interest in respect of investments made by our carry funds, with the exception of our energy and renewable resources funds, where we will retain essentially all of the carry to which we are entitled under our arrangements with Riverstone. Pursuant to commitments we made to CalPERS and Mubadala at the times of those institutions’ investments in our firm, our founders own all of their equity interests in our firm through their ownership interests in the Parent Entities and, accordingly, do not own carried interest at the fund level, but instead benefit, together with our other equity owners, from the carried interest and other income that is retained by the firm through our founders’ ownership interests in the Parent Entities. In addition, we generally seek to concentrate the direct ownership of carried interest in respect of each carry fund among those of our professionals who directly work with that fund so as to align their interests with those of our fund investors and of our firm. Accordingly, Ms. Friedman, like our founders, does not receive allocations of direct carried interest ownership at the fund level.

Carried interest, if any, in respect of any particular investment is only paid in cash when the underlying investment is realized. To the extent any “giveback” obligation is triggered, carried interest previously distributed by the fund would need to be returned to such fund. Our professionals who receive direct allocations of carried interest at the fund level are personally subject to the “giveback” obligation, pursuant to which they may be required to repay carried interest previously distributed to them, thereby reducing the amount of cash received by such recipients for any such year. Because the amount of carried interest payable is directly tied to the realized performance of the underlying investments, we believe this fosters a strong alignment of interests among the investors in those funds and the professionals who are allocated direct carried interest, and thus will indirectly benefit our unitholders.

The percentage of carried interest owned at the fund level by individual professionals varies by year, by investment fund and, with respect to each carry fund, by investment. Ownership of carried interest is also subject to a range of vesting schedules. Vesting serves as an employment retention mechanism and enhances the alignment of interests between the owner of a carried interest allocation and the firm and the limited partners in our investment funds.

Post-IPO Equity Compensation Expense. As discussed under “Organizational Structure,” at the time of this offering our existing owners will contribute to the Carlyle Holdings partnerships equity interests in our business in exchange for partnership units of Carlyle Holdings. As described below under “— Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions,” approximately % of the Carlyle Holdings partnership units received by our existing owners who are our employees as a result of the reorganization will not be vested and, with specified exceptions, will be subject to forfeiture if the employee ceases to be employed by us prior to vesting. Accordingly, following this offering, we will recognize expense for financial statement reporting purposes in respect of the unvested Carlyle Holdings partnership units received by our personnel, including the named executive officers. The aggregate grant date fair value of such units for purposes of Financial Accounting Standards Board Accounting Standards Codification Topic 718, “Compensation — Stock Compensation” (“ASC Topic 718”) will appear in the Stock Awards column of the Summary Compensation Table reporting compensation for the year in which this offering occurs.

Summary Compensation Table

The following table presents summary information concerning compensation paid or accrued by us for services rendered in all capacities by our named executive officers during the fiscal year ended December 31, 2011.

Pursuant to applicable accounting principles, for financial statement reporting purposes we have historically recorded salary and bonus payments to our senior Carlyle professionals, including our named executive officers, as distributions in respect of their equity ownership interests and not as compensation expense. However, following this offering, the salary and bonus payments to our senior Carlyle professionals, including our named executive officers, will be reflected as compensation expense in our financial statements and we have reflected these amounts in the applicable columns of the Summary Compensation Table below even though they are not recorded as compensation expense in our historical financial statements.

Similarly, we have reported in the All Other Compensation column amounts that represent an amount of compensation expense (positive or negative) that would have been recorded by us on an accrual basis in respect of carried interest allocations to executive officers at the level of the general partners of our funds if this offering had occurred on January 1, 2011. These amounts do not reflect actual cash carried interest distributions to our named executive officers. This expense may be negative in the event of a reversal of previously accrued carried interest due to negative adjustments in the fair value of a carry fund's investments. The ultimate amounts of actual carried interest distributions that may be earned and subsequently distributed to our named executive officers may be more or less than the amounts indicated in the Summary Compensation Table and are not determinable at this time.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	All Other Compensation \$(1)	Total (\$)
William E. Conway, Jr., Founder and Co-Chief Executive Officer (co-principal executive officer)	2011			(2)	
Daniel A. D'Aniello, Founder and Chairman (co-principal executive officer)	2011			(2)	
David M. Rubenstein, Founder and Co-Chief Executive Officer (co-principal executive officer)	2011			(2)	
Glenn A. Youngkin, Chief Operating Officer (former interim principal financial officer)(3)	2011			(4)	
Adena T. Friedman Chief Financial Officer (principal financial officer)(3)	2011			(2)	

- (1) As discussed above, pursuant to commitments we made to CalPERS and Mubadala at the times of those institutions' investments in our firm, our founders own all of their equity interests in our firm through their ownership interests in the Parent Entities and, accordingly, do not directly own carried interest at the fund level, but instead benefit, together with our other equity owners, from the carried interest and other income that is retained by the firm through our founders' ownership interests in the Parent Entities. Accordingly, we have not historically recorded, and following this offering do not anticipate that we will record, compensation expense (positive or negative) in respect of our founders' indirect ownership of carried interest.
- (2) This amount represents our 401(k) matching contribution.
- (3) Mr. Youngkin served as our interim principal financial officer from October 2010 until Ms. Friedman became our principal financial officer effective on March 28, 2011.
- (4) The amount of compensation expense that would have been recorded on an accrual basis in respect of direct carried interest allocations to Mr. Youngkin for 2011 was \$. This amount does not reflect actual cash carried interest distributions to Mr. Youngkin during such period. For financial statement reporting purposes, the accrual of this expense is equal to the amount of carried interest related to unrealized investments as of the last day of the relevant period as if the investments in the funds generating such carried interest were realized as of the last day of the relevant period. Such expense may also be negative in the event of a reversal of previously accrued allocation of carried interest due to negative adjustments in the fair value of fund investments. The ultimate amount of actual carried interest that may be realized and received by our named executive officers may be more or less than the amounts indicated and is unknown at this time. The amount in the table also includes \$ representing our 401(k) matching contribution.

Cash distributions by the Parent Entities to our named executive officers in 2011 were \$ to Mr. Conway, \$ to Mr. D’Aniello, \$ to Mr. Rubenstein, \$ to Mr. Youngkin and \$ to Ms. Friedman. The information regarding cash distributions presented in this paragraph excludes distributions in respect of co-investments made by these named executive officers in and alongside our funds with their own capital and includes compensatory payments to our named executive officers that we have historically accounted for as distributions from equity.

Grants of Plan-Based Awards in 2011

There were no grants of plan-based awards to our named executive officers in the fiscal year ended December 31, 2011.

Outstanding Equity Awards at 2011 Fiscal-Year End

Our named executive officers had no outstanding equity awards as of December 31, 2011.

Option Exercises and Stock Vested in 2011

Our named executive officers had no option exercises or stock vested during the year ended December 31, 2011.

Pension Benefits for 2011

We provided no pension benefits during the year ended December 31, 2011.

Nonqualified Deferred Compensation for 2011

We provided no defined contribution plan for the deferral of compensation on a basis that is not tax-qualified during the year ended December 31, 2011.

Potential Payments Upon Termination or Change in Control

Other than Ms. Friedman, our named executive officers are not entitled to any additional payments or benefits upon termination of employment, upon a change in control of our company or upon retirement, death or disability.

If at any time before March 28, 2013, Ms. Friedman’s employment is terminated by her for Good Reason and we could not have terminated her for Cause or her employment is terminated by us without Cause, Ms. Friedman will be entitled to a cash severance in an amount equal to (x) the unpaid portion of her annual base salary from the termination date through March 28, 2013, (y) the difference between the bonuses guaranteed to Ms. Friedman and bonuses paid to her and (z) if terminated without Cause within 18 months of March 28, 2011, \$ unless there has been a vesting date of our shares listed on a stock exchange; provided, however, that the aggregate amount of severance payable will be in no event less than 25% of her annual base salary. If at any time on or after March 28, 2013, Ms. Friedman’s employment is terminated by her for Good Reason and we could not have terminated her for Cause or her employment is terminated by us without Cause, we will pay severance to Ms. Friedman in an amount equal to 25% of her annual base salary. If Ms. Friedman’s employment is terminated other than by her for Good Reason or by us for any reason with 30 days notice, she is entitled to accrued but unpaid salary through the effective date of such termination. For the purpose of the employment agreement with Ms. Friedman, “Good Reason” includes (1) a material breach of the employment agreement by us or (2) a significant, sustained reduction in or adverse modification of the nature and scope of Ms. Friedman’s authority, duties and privileges, in each case only if such Good Reason has not been corrected or cured by us within 30 days after we have received written notice from Ms. Friedman of her intent to terminate her employment for Good Reason; and “Cause” includes (1) gross negligence or willful misconduct in the performance of the duties required of Ms. Friedman under the employment agreement; (2) willful conduct that Ms. Friedman knows is materially injurious to us or any of our affiliates; (3) breach of any material provision of the employment agreement; (4) Ms. Friedman’s conviction of any felony or Ms. Friedman entering into a plea bargain or settlement admitting guilt for any felony; (5) Ms. Friedman’s being the subject of any order by the Securities and Exchange Commission for

any securities violation or; (6) Ms. Friedman's discussing our fundraising efforts or any fund vehicle that has not had a final closing of commitments with any member of the press.

If Ms. Friedman's employment with us was terminated by her for Good Reason and we could not have terminated her for Cause or her employment was terminated by us without Cause on December 30, 2011, she would have been entitled to a cash severance payment of \$. Ms. Friedman is not entitled to any additional payments or benefits upon a change in control of our company or upon retirement, death or disability.

Ms. Friedman is subject to a covenant not to disclose our confidential information at any time and may not discuss our fundraising efforts or the name of any fund that has not had a final closing with any member of the press. Ms. Friedman is also subject to covenants not to compete with us and not to solicit our employees or customers during her employment term and for six months following termination of her employment for any reason without our prior written consent. She is also subject to a covenant not to breach any confidentiality agreements or non-solicitation agreements with any former employer. We have no liability in the event that Ms. Friedman's provision of services to us violates any non-compete provision she had with her former employer.

Founders' Non-Competition and Non-Solicitation Agreements

In February 2001, we entered into non-competition agreements with each of our founders in connection with the investment in our firm by CalPERS. The following is a description of the material terms of the non-competition agreements, the terms of which are substantially identical for each of our founders.

Non-Competition. Each founder agreed that during the period he is a controlling partner (as defined in the non-competition agreement) and for the period of three years thereafter (the "Restricted Period"), he will not engage in any business or activity that is competitive with our business.

Non-Solicitation of Carlyle Employees. Each founder agreed that during the Restricted Period he will not solicit any of our employees, or employees of our subsidiaries, to leave their employment with us or otherwise terminate or cease or materially modify their relationship with us, or employ or engage any such employee.

Non-Solicitation of Clients. In addition, during the Restricted Period each founder will not solicit any of the investors of the funds we advise to invest in any funds or activities that are competitive with our businesses.

Confidentiality. During the Restricted Period, each founder is required to protect and only use "proprietary information" that relates to our business in accordance with strict restrictions placed by us on its use and disclosure. Each founder agreed that during the Restricted Period he will not disclose any of the proprietary information, except (1) as required by his duties on behalf of Carlyle or with our consent, or (2) as required by virtue of subpoena, court or governmental agency order or as otherwise required by law or (3) to a court, mediator or arbitrator in connection with any dispute between such founder and us.

Investment Activities. During the Restricted Period, each founder has agreed that he will not pursue or otherwise seek to develop any investment opportunities under active consideration by Carlyle.

Specific Performance. In the case of any breach of the non-competition, non-solicitation, confidentiality and investment activity limitation provisions, each founder agrees that we will be entitled to seek equitable relief in the form of specific performance and injunctive relief.

Employment Agreement with Ms. Friedman

We have entered into an employment agreement with Ms. Friedman pursuant to which she serves as our chief financial officer. The employment term is indefinite and lasts until Ms. Friedman's employment is terminated pursuant to the terms of the employment agreement.

Ms. Friedman is currently entitled to receive an annual base salary of \$, which may be increased from time to time by us. For calendar years 2011 and 2012, Ms. Friedman is entitled to a guaranteed bonus of \$. For calendar years following 2012, she will be paid bonuses at our discretion. The provisions of Ms. Friedman's employment agreement pertaining to termination of employment and covenants to which she is subject are described above under "— Potential Payments Upon Termination or Change in Control."

Equity Incentive Plan

The board of directors of our general partner intends to adopt the 2012 Carlyle Group Equity Incentive Plan (the "Equity Incentive Plan") before the effective date of this offering. The following description of the Equity Incentive Plan is not complete and is qualified by reference to the full text of the Equity Incentive Plan, which will be filed as an exhibit to the registration statement of which this prospectus forms a part. The Equity Incentive Plan will be a source of new equity-based awards permitting us to grant to our senior Carlyle professionals, employees, directors of our 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 our common units and Carlyle Holdings partnership units, to which we collectively refer to as our "units."

Administration. The board of directors of our general partner will administer the Equity Incentive Plan. However, the board of directors of our general partner may delegate such authority, including to a committee or subcommittee of the board of directors, and the board intends to effect such a delegation to a committee comprising Messrs. Conway, D'Aniello and Rubenstein. We refer to the board of directors of our general partner or the committee or subcommittee thereof to whom authority to administer the Equity Incentive Plan has been delegated, as the case may be, as the "Administrator." The Administrator will determine who will receive awards under the Equity Incentive Plan, as well as the form of the awards, the number of units underlying the awards and the terms and conditions of the awards consistent with the terms of the Equity Incentive Plan. The Administrator will have full authority to interpret and administer the Equity Incentive Plan, which determinations will be final and binding on all parties concerned.

Units Subject to the Equity Incentive Plan. The total number of our common units and Carlyle Holdings partnership units which are initially available for future grants under the Equity Incentive Plan is . Beginning in 2013, the aggregate number of common units and Carlyle Holdings partnership units available for future grants under our Equity Incentive Plan will be increased on the first day of each fiscal year during its term by the number of units equal to the positive difference, if any, of (a) % of the aggregate number of common units and Carlyle Holdings partnership units outstanding on the last day of the immediately preceding fiscal year (excluding Carlyle Holdings partnership units held by The Carlyle Group L.P. or its wholly-owned subsidiaries) minus (b) the aggregate number of common units and Carlyle Holdings partnership units otherwise available for future grants under our Equity Incentive Plan as of such date (unless the Administrator of the Equity Incentive Plan should decide to increase the number of common units and Carlyle Holdings partnership units available for future grants under the plan by a lesser amount). Accordingly, on the first day of each such fiscal year, the aggregate number of common units and Carlyle Holdings partnership units available for future grants under our Equity Incentive Plan will "reload" to % of the aggregate number of common units and Carlyle Holdings partnership units outstanding on the last day of the immediately preceding fiscal year (excluding Carlyle Holdings partnership units held by The Carlyle Group L.P. or its wholly-owned subsidiaries). We will reserve for issuance the number of units necessary to satisfy the maximum number of units that may be issued under the Equity Incentive Plan. The units underlying any award granted under the Equity Incentive Plan that expire, terminate or are cancelled (other than in consideration of a cash payment) without being settled in units will again become available for awards under the Equity Incentive Plan.

Options and Unit Appreciation Rights. The Administrator may award non-qualified options under the Equity Incentive Plan. Options granted under the Equity Incentive Plan will become vested and exercisable at such times and upon such terms and conditions as may be determined by the Administrator at the time of grant, but an option generally will not be exercisable for a period of more than 10 years after it is granted. To the extent permitted by the Administrator, the exercise price of an option may be paid in cash or its equivalent, in units having a fair market value equal to the aggregate option exercise price partly in cash and partly in units and satisfying such other requirements as may be imposed by the Administrator or through the delivery of irrevocable instructions to a broker to sell units obtained upon the exercise of the option and to deliver promptly to us an amount out of the proceeds of the sale equal to the aggregate option exercise price for the common units being purchased or through net settlement in units.

The Administrator may grant unit appreciation rights independent of or in conjunction with an option. Each unit appreciation right granted independent of a unit option shall entitle a participant upon exercise to an amount equal to (i) the excess of (A) the fair market value on the exercise date of one unit over (B) the exercise price per unit, multiplied by (ii) the number of units covered by the unit appreciation right, and each unit appreciation right granted in conjunction with an option will entitle a participant to surrender to us the option and to receive such amount. Payment will be made in units and/or cash (any common unit valued at fair market value), as determined by the Administrator.

Other Equity-Based Awards. The Administrator, in its sole discretion, may grant or sell units and awards that are valued in whole or in part by reference to, or are otherwise based on the fair value of, our units. Any of these other equity-based awards may be in such form, and dependent on such conditions, as the Administrator determines, including without limitation the right to receive, or vest with respect to, one or more units (or the equivalent cash value of such units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The Administrator may in its discretion determine whether other equity-based awards will be payable in cash, units or a combination of both cash and units.

Adjustments Upon Certain Events. In the event of any change in the outstanding units by reason of any unit dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination, combination or transaction or exchange of units or other corporate exchange, or any distribution to holders of units other than regular cash dividends, or any transaction similar to the foregoing, the Administrator in its sole discretion and without liability to any person will make such substitution or adjustment, if any, as it deems to be equitable, as to (i) the number or kind of units or other securities issued or available for future grant under our Equity Incentive Plan or pursuant to outstanding awards, (ii) the option price or exercise price of any option or unit appreciation right and/or (iii) any other affected terms of such awards.

Change in Control. In the event of a change in control (as defined in the Equity Incentive Plan), the Equity Incentive Plan provides that the Administrator may, but shall not be obligated to (A) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an award, (B) cancel awards for fair value (which, in the case of options or unit appreciation rights, shall be equal to the excess, if any, of the fair market value of a unit at the time of such change in control over the corresponding exercise price of the option or unit appreciation right), (C) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards previously granted under the Equity Incentive Plan as determined by the Administrator in its sole discretion or (D) provide that, with respect to any awards that are options or unit appreciation rights, for a period of at least 15 days prior to the change in control, such options and unit appreciation rights will be exercisable as to all units subject thereto and that upon the occurrence of the change in control, such options and unit appreciation rights will terminate.

Transferability. Unless otherwise determined by our Administrator, no award granted under the plan will be transferable or assignable by a participant in the plan, other than by will or by the laws of descent and distribution.

Amendment, Termination and Term. The Administrator may amend or terminate the Equity Incentive Plan, but no amendment or termination shall be made without the consent of a participant, if such action would materially diminish any of the rights of the participant under any award theretofore granted to such participant under the Equity Incentive Plan; provided, however, that the Administrator may amend the Equity Incentive Plan and/or any outstanding awards in such manner as it deems necessary to permit the Equity Incentive Plan and/or any outstanding awards to satisfy applicable requirements of the Internal Revenue Code or other applicable laws. The Equity Incentive Plan will have a term of 10 years.

IPO Date Equity Awards

At the time of this offering and under our Equity Incentive Plan, we intend to grant deferred restricted units and phantom deferred restricted units to our employees. We will settle the deferred restricted units in The Carlyle Group L.P. common units and the phantom deferred units in cash.

Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions

Vesting and Delivery

% of the Carlyle Holdings partnership units received as part of the Reorganization by each of our existing owners who are employed by us will be fully vested as of the date of issuance. The remaining unvested portion will vest in equal installments on each anniversary date of this offering for years.

The deferred restricted units issued at the time of this offering as described above under “— IPO Date Equity Awards” will vest in equal installments on each anniversary date of this offering for years. The phantom deferred units will vest and pay out in cash in equal installments on each anniversary date of this offering for years.

Minimum Retained Ownership Requirements

Each holder of our Carlyle Holdings partnership units that is employed by us will be required to hold at least % of such units until years following the termination of active service with us.

Transfer Restrictions

Holders of our Carlyle Holdings partnership units (other than Mubadala and CalPERS), including our founders and our other senior Carlyle professionals, will be prohibited from transferring or exchanging any such units until the anniversary of this offering without our consent. The Carlyle Holdings partnership units held by Mubadala and CalPERS will be subject to transfer restrictions as described below under “Common Units Eligible For Future Sale — Lock-Up Arrangements.”

The deferred restricted units will be non-transferable; provided, however, that any delivered common units will be immediately transferable subject to our generally applicable trading policies. The phantom deferred units will be non-transferable.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

The forms of the agreements described in this section are filed as exhibits to the registration statement of which this prospectus forms a part, and the following descriptions are qualified by reference thereto.

Reorganization

Prior to this offering we will complete a series of transactions in connection with the Reorganization described in “Organizational Structure” whereby, among other things, our existing owners, including our inside directors and executive officers, will contribute their interests in the Parent Entities and certain equity interests they own in the general partners of our existing carry funds to the Carlyle Holdings partnerships in exchange for Carlyle Holdings partnership units. In addition, certain existing and former owners of the Parent Entities, including our inside directors and executive officers, have a beneficial interest in investments in or alongside our funds that were funded by such persons indirectly through the Parent Entities. In order to minimize the extent of third-party ownership interests in firm assets, prior to the completion of the offering, the Parent Entities will (i) purchase a portion of these beneficial interests at their net asset value and (ii) restructure the remainder of these beneficial interests so that they are either held directly by the beneficial owners or are reflected as non-controlling interests in our financial statements. We expect that approximately \$ will be paid to Mr. Conway, \$ will be paid to Mr. D’Aniello, \$ will be paid to Mr. Rubenstein, \$ will be paid to Mr. Youngkin, \$ will be paid to Ms. Friedman and \$ will be paid to Mr. Ferguson as purchase price for these beneficial interests. These amounts include amounts expected to be paid to planning vehicles of these individuals.

In addition, prior to the date of this offering the Parent Entities will also make one or more cash distributions of previously undistributed earnings and accumulated cash to their owners totaling \$.

Tax Receivable Agreement

Limited partners of the Carlyle Holdings partnerships, subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to such limited partners as set forth in the partnership agreements of the Carlyle Holdings partnerships, may on a quarterly basis, from and after the first anniversary of the date of the closing of this offering (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. Carlyle Holdings I L.P. intends to make an election under Section 754 of the Code effective for each taxable year in which an exchange of partnership units for common units occurs, which is expected to result in increases to the tax basis of the assets of Carlyle Holdings at the time of an exchange of partnership units. 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 reduce the amount of tax that certain of our subsidiaries, including Carlyle Holdings I GP Inc., which we refer to as, together with any successors thereto, the “corporate taxpayers,” would otherwise be required to pay in the future. These increases in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The IRS may challenge all or part of the tax basis increase and increased deductions, and a court could sustain such a challenge.

We will enter into a tax receivable agreement with our existing owners that will provide for the payment by the corporate taxpayers to our existing owners of 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax that the corporate taxpayers realize (or are deemed to realize in the case of an early termination payment by the corporate taxpayers or a change in control, as discussed below) as a result of increases in tax basis and certain other tax benefits related to our 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. The corporate taxpayers expect to benefit from the remaining 15% of cash tax savings, if any, in income tax they realize. For purposes of the tax receivable agreement, the cash tax savings in income tax will be computed by comparing the actual income tax liability of the corporate taxpayers (calculated with certain assumptions) to the amount of such taxes that the corporate taxpayers would have been required to pay had there been no increase to the tax basis of the assets of Carlyle Holdings as a result of the exchanges and had the corporate taxpayers not entered into the tax receivable agreement. The term of the tax receivable agreement will commence upon consummation of this offering and will continue until all such tax benefits have been utilized or expired, unless the corporate taxpayers exercise their right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement (as described in more detail below) or the corporate taxpayers breach any of their material obligations under the tax receivable agreement in which case all obligations generally will be accelerated and due as if the corporate taxpayers had exercised their right to terminate the tax receivable agreement. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

- *the timing of exchanges* — for instance, the increase in any tax deductions will vary depending on the fair value, which may fluctuate over time, of the depreciable or amortizable assets of Carlyle Holdings at the time of each exchange;
- *the price of our common units at the time of the exchange* — the increase in any tax deductions, as well as the tax basis increase in other assets, of Carlyle Holdings, is directly proportional to the price of our common units at the time of the exchange;
- *the extent to which such exchanges are taxable* — if an exchange is not taxable for any reason, increased deductions will not be available; and
- *the amount and timing of our income* — the corporate taxpayers will be required to pay 85% of the cash tax savings as and when realized, if any. If the corporate taxpayers do not have taxable income, the corporate taxpayers are not required (absent a change of control or other circumstances requiring an early termination payment) to make payments under the tax receivable agreement for that taxable year because no cash tax savings will have been realized. However, any cash tax savings that do not result in realized benefits in a given tax year will likely generate tax attributes that may be utilized to generate benefits in previous or future tax years. The utilization of such tax attributes will result in payments under the tax receivables agreement.

We anticipate that we will account for the effects of these increases in tax basis and associated payments under the tax receivable agreement arising from future exchanges as follows:

- we will record 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 we estimate that we will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, our expectation of future earnings, we will reduce the deferred tax asset with a valuation allowance; and
- we will record 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 and the remaining 15% of the estimated realizable tax benefit as an increase to partners' capital.

All of the effects of changes in any of our estimates after the date of the exchange will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income.

We expect that as a result of the size of the 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. There may be a material negative effect on our liquidity if, as a result of timing discrepancies or otherwise, the payments under the tax receivable agreement exceed the actual cash tax savings that the corporate taxpayers realize in respect of the tax attributes subject to the tax receivable agreement and/or distributions to the corporate taxpayers by Carlyle Holdings are not sufficient to permit the corporate taxpayers to make payments under the tax receivable agreement after they have paid taxes. Late payments under the tax receivable agreement generally will accrue interest at an uncapped rate equal to LIBOR plus 500 basis points. The payments under the tax receivable agreement are not conditioned upon our existing owners' continued ownership of us.

In addition, the tax receivable agreement provides that upon certain changes of control, the corporate taxpayers' (or their successors') obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including that the corporate taxpayers would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement.

Furthermore, the corporate taxpayers may elect to terminate the tax receivable agreement early by making an immediate payment equal to the present value of the anticipated future cash tax savings. In determining such anticipated future cash tax savings, the tax receivable agreement includes several assumptions, including (i) that any Carlyle Holdings partnership units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination, (ii) the corporate taxpayers will have sufficient taxable income in each future taxable year to fully realize all potential tax savings, (iii) the tax rates for future years will be those specified in the law as in effect at the time of termination and (iv) certain non-amortizable assets are deemed disposed of within specified time periods. In addition, the present value of such anticipated future cash tax savings are discounted at a rate equal to LIBOR plus 100 basis points. Assuming that the market value a common unit were to be equal to the initial public offering price per common unit in this offering and that LIBOR were to be %, we estimate that the aggregate amount of these termination payments would be approximately \$ million if the corporate taxpayers were to exercise their termination right immediately following this offering.

As a result of the change in control provisions and the early termination right, the corporate taxpayers could be required to make payments under the tax receivable agreement that are greater than or less than the specified percentage of the actual cash tax savings that the corporate taxpayers realize in respect of the tax attributes subject to the tax receivable agreement. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Decisions made by our existing owners in the course of running our business may influence the timing and amount of payments that are received by an exchanging or selling existing owner under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction generally will accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase an existing owner's tax liability without giving rise to any rights of an existing owner to receive payments under the tax receivable agreement.

Payments under the tax receivable agreement will be based on the tax reporting positions that we 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 IRS.

As a result, in certain circumstances, payments could be made under the tax receivable agreement in excess of the corporate taxpayers' cash tax savings.

In the event that The Carlyle Group L.P. or any of its wholly-owned subsidiaries become taxable as a corporation for U.S. federal income tax purposes, these entities will also be obligated to make payments under the tax receivable agreement on the same basis and to the same extent as the corporate taxpayers.

Registration Rights Agreements

We will enter into one or more registration rights agreements with our existing owners, other than CalPERS and Mubadala, pursuant to which we will grant them, their affiliates and certain of their transferees the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act common units delivered in exchange for Carlyle Holdings partnership units or common units (and other securities convertible into or exchangeable or exercisable for our common units) otherwise held by them. Under the registration rights agreements, we will agree to register the exchange of Carlyle Holdings partnership units for common units by our existing owners. In addition, TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, has the right to request that we register the sale of common units held by our existing owners an unlimited number of times and may require us to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. In addition, TCG Carlyle Global Partners L.L.C. will have the ability to exercise certain piggyback registration rights in respect of common units held by our existing owners in connection with registered offerings requested by other registration rights holders or initiated by us.

In addition, in accordance with the terms of the subscription agreements which govern their respective investments in our business, we will enter into separate registration rights agreements with CalPERS and Mubadala. See "Common Units Eligible For Future Sale — Registration Rights."

Carlyle Holdings Partnership Agreements

As a result of the Reorganization and the Offering Transactions, The Carlyle Group L.P. will be a holding partnership and, through wholly-owned subsidiaries, hold equity interests in Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P., which we refer to collectively as "Carlyle Holdings." Wholly-owned subsidiaries of The Carlyle Group L.P. will be the sole general partner of each of the three Carlyle Holdings partnerships. Accordingly, The Carlyle Group L.P. will operate and control all of the business and affairs of Carlyle Holdings and, through Carlyle Holdings and its operating entity subsidiaries, conduct our business. Through its wholly-owned subsidiaries, The Carlyle Group L.P. will have unilateral control over all of the affairs and decision making of Carlyle Holdings. Furthermore, the wholly-owned subsidiaries of The Carlyle Group L.P. cannot be removed as the general partners of the Carlyle Holdings partnerships without their approval. Because our general partner, Carlyle Group Management L.L.C., will operate and control the business of The Carlyle Group L.P., the board of directors and officers of our general partner will accordingly be responsible for all operational and administrative decisions of Carlyle Holdings and the day-to-day management of Carlyle Holdings' business.

Pursuant to the partnership agreements of the Carlyle Holdings partnerships, the wholly-owned subsidiaries of The Carlyle Group L.P. which are the general partners of those partnerships have the right to determine when distributions will be made to the partners of Carlyle Holdings and the amount of any such distributions. If a distribution is authorized, such distribution will be made to the partners of Carlyle Holdings pro rata in accordance with the percentages of their respective partnership interests.

Each of the Carlyle Holdings partnerships will have an identical number of partnership units outstanding, and we use the terms "Carlyle Holdings partnership unit" or "partnership unit in/of Carlyle Holdings" to refer, collectively, to a partnership unit in each of the Carlyle Holdings

partnerships. The holders of partnership units in Carlyle Holdings, including The Carlyle Group L.P.'s wholly-owned subsidiaries, will incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of Carlyle Holdings. Net profits and net losses of Carlyle Holdings generally will be allocated to its partners (including The Carlyle Group L.P.'s wholly-owned subsidiaries) pro rata in accordance with the percentages of their respective partnership interests. 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). Tax distributions will be made only to the extent all distributions from such partnerships for the relevant year were insufficient to cover such tax liabilities.

Our existing owners will receive Carlyle Holdings partnership units in the Reorganization in exchange for the contribution of their equity interests in our operating subsidiaries to Carlyle Holdings. Subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions, these partnership units may be exchanged for The Carlyle Group L.P. common units as described under "— Exchange Agreement" below. (See "Management — Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions" for a discussion of the vesting and minimum retained ownership requirements and transfer restrictions applicable to the Carlyle Holdings partnership units.)

The partnership agreements of the Carlyle Holdings partnerships will also provide that substantially all of our expenses, including substantially all expenses solely incurred by or attributable to The Carlyle Group L.P. such as expenses incurred in connection with this offering but not including obligations incurred under the tax receivable agreement by The Carlyle Group L.P. or its wholly-owned subsidiaries, income tax expenses of The Carlyle Group L.P. or its wholly-owned subsidiaries and payments on indebtedness incurred by The Carlyle Group L.P. or its wholly-owned subsidiaries, will be borne by Carlyle Holdings.

Exchange Agreement

In connection with the Reorganization, we will enter into an exchange agreement with the limited partners of the Carlyle Holdings partnerships. Under the exchange agreement, subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions, each such holder of Carlyle Holdings partnership units (and certain transferees thereof) may up to four times a year, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange these partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Under the exchange agreement, to effect an exchange a holder of partnership units in Carlyle Holdings must simultaneously exchange one partnership unit in each of the Carlyle Holdings partnerships. The Carlyle Group L.P. will hold, through wholly owned subsidiaries, a number of Carlyle Holdings partnership units equal to the number of common units that The Carlyle Group L.P. has issued. As a holder exchanges its Carlyle Holdings partnership units, The Carlyle Group L.P.'s indirect interest in the Carlyle Holdings partnerships will be correspondingly increased. The Carlyle Group L.P. common units received upon such an exchange would be subject to all restrictions, if any, applicable to the exchanged Carlyle Holdings partnership units, including minimum retained ownership requirements, vesting requirements and transfer restrictions. See "Management — Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions" and "— Carlyle Holdings Partnership Agreements" above.

Firm Use of Our Founders' Private Aircraft

In the normal course of business, our personnel have made use of aircraft owned by entities controlled by Messrs. Conway, D'Aniello and Rubenstein. Messrs. Conway, D'Aniello and Rubenstein paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by us for the business use of these aircraft by Messrs. Conway, D'Aniello and Rubenstein and other of our personnel is made at market rates, which totaled \$, \$36,743 and \$506,011 during 2011, 2010 and 2009, respectively, for Mr. Conway, \$, \$37,468 and \$523,591 during 2011, 2010 and 2009, respectively, for Mr. D'Aniello, and \$, \$4,750,500 and \$4,050,375 during 2011, 2010 and 2009, respectively for Mr. Rubenstein. We also paid \$, \$517,041 and \$303,774 during 2011, 2010 and 2009, respectively, to a manager for Mr. D'Aniello's airplane for services and supplies relating to business use flight operations and paid \$, \$459,526 and \$340,219 during 2011, 2010 and 2009, respectively, to a manager for Mr. Conway's airplane for services and supplies relating to business use flight operations.

As the co-founder primarily responsible for, among other things, maintaining strong relationships with and securing future commitments from Carlyle's investors, particularly outside the United States Mr. Rubenstein has an exceptionally rigorous travel schedule. For example, in 2010, Mr. Rubenstein traveled extensively outside of Washington for more than 180 days, visiting 24 countries and 33 non-U.S. cities, many of which he visited on multiple occasions.

Investments In and Alongside Carlyle Funds

Our directors and executive officers are permitted to co-invest their own capital alongside our carry funds and we encourage our professionals to do so because we believe that investing in and alongside our funds further aligns the interests of our professionals with those of our fund investors and with our own. Co-investments are investments in investment vehicles or other assets on the same terms and conditions as those available to the applicable fund, except that these co-investments are not subject to management fees or carried interest. These investments are funded with our professionals' own "after tax" cash and not with deferral of management or incentive fees. Co-investors are responsible for their pro-rata share of partnership and other general and administrative fees and expenses. In addition, our directors and executive officers are permitted to invest their own capital directly in investment funds we advise, in most instances not subject to management fees, incentive fees or carried interest. Since our inception through June 30, 2011, our senior Carlyle professionals, senior advisors and other professionals have invested or committed to invest in excess of \$4 billion in or alongside our funds, placing significant amounts of their own capital at risk. In 2011 alone, our founders invested an aggregate of \$ in and alongside our funds, an amount which far exceeded their compensation for such time period. We intend to continue our co-investment program following this offering and we expect that our senior Carlyle professionals will continue to invest significant amounts of their own capital in and alongside the funds that we manage.

The amount invested in and alongside our investment funds by our directors and executive officers (and their family members and investment vehicles) during 2011 was \$ for Mr. Conway, \$ for Mr. D'Aniello, \$ for Mr. Rubenstein, \$ for Mr. Youngkin, \$ for Ms. Friedman and \$ for Mr. Ferguson. The amount of distributions, including profits and return of capital, to our directors and executive officers (and their family members and investment vehicles) during 2011 in respect of previous investments was \$ for Mr. Conway, \$ for Mr. D'Aniello, \$ for Mr. Rubenstein, \$ for Mr. Youngkin, \$ for Ms. Friedman and \$ for Mr. Ferguson. In addition, our directors and executive officers (and their family members and investment vehicles) made additional commitments to our investment funds during 2011. In the aggregate, our directors and executive officers (and their family members and investment vehicles) increased their commitment to our investment funds during 2011 by approximately \$ million, and the total unfunded commitment to our investment funds as of December 31, 2011 was \$ for Mr. Conway, \$ for Mr. D'Aniello, \$ for Mr. Rubenstein, \$ for Mr. Youngkin, \$ for Ms. Friedman

and \$ for Mr. Ferguson. The opportunity to invest in and alongside our funds is available to all of our senior Carlyle professionals and to those of our employees whom we have determined to have a status that reasonably permits us to offer them these types of investments in compliance with applicable laws. Our directors and officers may also purchase outstanding interests in our investment funds, whereupon the interests may no longer be subject to management fees or carried interest in some cases. See “Business — Structure and Operation of Our Investment Funds — Capital Invested in and Alongside Our Investment Funds.”

Statement of Policy Regarding Transactions with Related Persons

Prior to the completion of this offering, the board of directors of our general partner will adopt a written statement of policy regarding transactions with related persons, which we refer to as our “related person policy.” Our related person policy requires that a “related person” (as defined as in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to the General Counsel of our general partner any “related person transaction” (defined as any transaction that is anticipated would be reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. The General Counsel will then promptly communicate that information to the board of directors of our general partner. No related person transaction will be executed without the approval or ratification of the board of directors of our general partner or any committee of the board of directors consisting exclusively of disinterested directors. It is our policy that directors interested in a related person transaction will recuse themselves from any vote of a related person transaction in which they have an interest.

Indemnification of Directors and Officers

Under our partnership agreement we generally will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts on an after tax basis: our general partner, any departing general partner, any person who is or was a tax matters partner, officer or director of our general partner or any departing general partner, any officer or director of our general partner or any departing general partner who is or was serving at the request of our general partner or any departing general partner as an officer, director, employee, member, partner, tax matters partner, agent, fiduciary or trustee of another person, any person who is named in this registration statement as being or about to become a director or a person performing similar functions of our general partner and any person our general partner in its sole discretion designates as an “indemnitee” for purposes of our partnership agreement. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. The general partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable it to effectuate, indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

PRINCIPAL UNITHOLDERS

The following table sets forth information regarding the beneficial ownership of The Carlyle Group L.P. common units and Carlyle Holdings partnership units by each person known to us to beneficially own more than 5% of any class of the outstanding voting securities of The Carlyle Group L.P., each of the directors and named executive officers of our general partner and all directors and executive officers of our general partner as a group. As described under “Material Provisions of The Carlyle Group L.P. Partnership Agreement,” we are managed by our general partner, Carlyle Management L.L.C., and the limited partners of The Carlyle Group L.P. do not presently have the right to elect or remove our general partner or its directors. Accordingly, we do not believe the common units are “voting securities” as such term is defined in Rule 12b-2 under the Exchange Act.

The number of common units and Carlyle Holdings partnership units outstanding and percentage of beneficial ownership before the Offering Transactions set forth below is based on the number of our common units and Carlyle Holdings partnership units to be issued and outstanding immediately prior to the consummation of this offering after giving effect to the Reorganization. The number of common units and Carlyle Holdings partnership units and percentage of beneficial ownership after the Offering Transactions set forth below is based on common units and Carlyle Holdings partnership units to be issued and outstanding immediately after the Offering Transactions. Beneficial ownership is determined in accordance with the rules of the SEC.

Name of Beneficial Owner	Common Units Beneficially Owned(1)(2)				Carlyle Holdings Partnership Units Beneficially Owned(1)(2)				
	Number	%	% After the Offering Transactions Assuming the Underwriters’ Option is Not Exercised	% After the Offering Transactions Assuming the Underwriters’ Option is Exercised in Full	Prior to the Offering Transactions		After the Offering Transactions Assuming the Underwriters’ Option is Not Exercised		After the Offering Transactions Assuming the Underwriters’ Option is Exercised in Full
					Number	%	Number	%	
William E. Conway, Jr.	—	—	—	—	—	—	—	—	—
Daniel A. D’Aniello	—	—	—	—	—	—	—	—	—
David M. Rubenstein	—	—	—	—	—	—	—	—	—
Glenn A. Youngkin	—	—	—	—	—	—	—	—	—
Adena T. Friedman	—	—	—	—	—	—	—	—	—
Directors and executive officers as a group (6 persons)	—	—	—	—	—	—	—	—	—

- (1) Subject to certain requirements and restrictions, the partnership units of Carlyle Holdings are exchangeable for common units of The Carlyle Group L.P. on a one-for-one basis, from and after the first anniversary date of the closing of this offering (subject to the terms of the exchange agreement). See “Certain Relationships and Related Person Transactions — Exchange Agreement.” Beneficial ownership of Carlyle Holdings partnership units reflected in this table is presented separately from the beneficial ownership of the common units of The Carlyle Group L.P. for which such partnership units may be exchanged.
- (2) TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, will hold a special voting unit in The Carlyle Group L.P. that will entitle it, on those few matters that may be submitted for a vote of The Carlyle Group L.P. common unitholders, to participate in the vote on the same basis as the common unitholders and provide it with a number of votes that is equal to the aggregate number of vested and unvested partnership units in Carlyle Holdings held by the limited partners of Carlyle Holdings on the relevant record date. See “Material Provisions of The Carlyle Group L.P. Partnership Agreement — Withdrawal or Removal of the General Partner,” “— Meetings; Voting” and “— Election of Directors of General Partner.”

PRICING SENSITIVITY ANALYSIS

Throughout this prospectus we provide information assuming that the initial public offering price per common unit in this offering is \$, which is the midpoint of the price range indicated on the front cover of this prospectus. However, some of this information will be affected if the initial public offering price per common unit in this offering is different from the midpoint of the price range. The following table presents how some of the information set forth in this prospectus would be affected by an initial public offering price per common unit at the low-, mid- and high-points of the price range indicated on the front cover of this prospectus, assuming that the underwriters' option to purchase additional common units is not exercised.

	Initial Public Offering Price per Common Unit		
	\$	\$	\$
(Dollars in millions, except per unit data)			
Outstanding Equity Following the Offering Transactions			
Number of common units offered in this offering			
Common units outstanding after the offering transactions			
Number of Carlyle Holdings partnership units held by wholly-owned subsidiaries of The Carlyle Group L.P. after this offering			
Carlyle Holdings partnership units held by our existing owners after the offering transactions (including Carlyle Holdings partnership units issued upon conversion of notes)(1):			
Vested			
Unvested			
Total			
Common units outstanding after the offering transactions if all outstanding Carlyle Holdings partnership units (other than those held by wholly-owned subsidiaries of The Carlyle Group L.P.) were exchanged for newly-issued common units on a one-for-one basis			
Carlyle Holdings Equity Ownership Percentages Following the Offering Transactions			
Percentage held by wholly-owned subsidiaries of The Carlyle Group L.P.	%	%	%
Percentage held by existing owners (other than wholly-owned subsidiaries of The Carlyle Group L.P.)	%	%	%
	%	%	%
Limited Partner Voting Power of The Carlyle Group L.P. Following the Offering Transactions			
Percentage held by investors in this offering	%	%	%
Percentage held by existing owners	%	%	%
	%	%	%
Use of Proceeds			
Proceeds from offering, net of underwriting discounts	\$	\$	\$
Estimated offering expenses to be borne by Carlyle Holdings			
Remaining proceeds to Carlyle Holdings	\$	\$	\$

	Initial Public Offering Price per Common Unit		
	\$	\$	\$
Pro Forma Cash and Cash Equivalents and Capitalization of The Carlyle Group L.P.			
Cash and cash equivalents	\$	\$	\$
Loans payable	\$	\$	\$
Subordinated loan payable to Mubadala			
Loans payable to Consolidated Funds			
Redeemable non-controlling interests in consolidated entities			
Members' equity			
Accumulated other comprehensive income			
Equity appropriated for Consolidated Funds			
Non-controlling interests in consolidated entities			
Total capitalization	\$	\$	\$
Dilution			
Pro forma net tangible book value per common unit after the offering	\$	\$	\$
Dilution in pro forma net tangible book value per common unit to investors in this offering	\$	\$	\$

(1) As further described in "Organizational Structure — Reorganization," the number of Carlyle Holdings partnership units to be received by Mubadala (as part of the Reorganization) upon conversion of the notes held by it will vary depending on the initial public offering price per common unit in this offering.

In addition, throughout this prospectus we provide information assuming that the underwriters' option to purchase an additional common units from us is not exercised. However, some of this information will be affected if the underwriters' option to purchase additional common units is exercised. The following table presents how some of the information set forth in this prospectus would be affected if the underwriters exercise in full their option to purchase additional common

units where the initial public offering price per common unit is at the low-, mid- and high-points of the price range indicated on the front cover of this prospectus.

	Initial Public Offering Price per Common Unit		
	\$	\$	\$
Outstanding Equity Following the Offering Transactions(1)			
Number of common units offered in this offering			
Common units outstanding after the offering transactions			
Number of Carlyle Holdings partnership units held by wholly-owned subsidiaries of The Carlyle Group L.P. after this offering			
Carlyle Holdings partnership units held by our existing owners after the offering transactions (including Carlyle Holdings partnership units issued upon conversion of notes)(1):			
Vested			
Unvested			
Total			
Common units outstanding after the offering transactions if all outstanding Carlyle Holdings partnership units (other than those held by wholly-owned subsidiaries of The Carlyle Group L.P.) were exchanged for newly-issued common units on a one-for-one basis			
Carlyle Holdings Equity Ownership Percentages Following the Offering Transactions			
Percentage held by wholly-owned subsidiaries of The Carlyle Group L.P.	%	%	%
Percentage held by existing owners (other than wholly-owned subsidiaries of The Carlyle Group L.P.)	%	%	%
Limited Partner Voting Power of The Carlyle Group L.P. Following the Offering Transactions			
Percentage held by investors in this offering	%	%	%
Percentage held by existing owners	%	%	%
Use of Proceeds			
Proceeds from offering, net of underwriting discounts	\$	\$	\$
Proceeds used by The Carlyle Group L.P. to purchase newly-issued Carlyle Holdings partnership units from Carlyle Holdings			
Estimated offering expenses to be borne by Carlyle Holdings			
Remaining proceeds to Carlyle Holdings	\$	\$	\$

	Initial Public Offering Price per Common Unit		
	\$	\$	\$
(Dollars in millions, except per unit data)			
Pro Forma Cash and Cash Equivalents and Capitalization of The Carlyle Group L.P.			
Cash and cash equivalents	\$	\$	\$
Loans payable	\$	\$	\$
Subordinated loan payable to Mubadala			
Loans payable of Consolidated Funds			
Redeemable non-controlling interests in consolidated entities			
Members' equity			
Accumulated other comprehensive loss			
Equity appropriated for Consolidated Funds			
Non-controlling interests in consolidated entities			
Total capitalization	\$	\$	\$
Dilution			
Pro forma net tangible book value per common unit after the offering	\$	\$	\$
Dilution in pro forma net tangible book value per common unit to investors in this offering	\$	\$	\$

(1) As further described in "Organizational Structure — Reorganization," the number of Carlyle Holdings partnership units to be received by Mubadala (as part of the Reorganization) upon conversion of the notes held by it will vary depending on the initial public offering price per common unit in this offering.

CONFLICTS OF INTEREST AND FIDUCIARY RESPONSIBILITIES

Conflicts of Interest

Conflicts of interest exist and may arise in the future as a result of the relationships between our general partner or its affiliates (including each party's respective owners) on the one hand, and our partnership, its subsidiaries or our limited partners, on the other hand.

Whenever a potential conflict arises between our general partner or its affiliates or associates, on the one hand, and us, our subsidiaries or any other partner, on the other hand, our general partner will resolve that conflict. Our partnership agreement contains provisions that reduce and eliminate our general partner's duties (including fiduciary duties) to the common unitholders and that specifically define our general partner's duties to us and our limited partners. Our partnership agreement also restricts the remedies available to common unitholders for actions taken that without those limitations might constitute breaches of duty (including fiduciary duties).

Under our partnership agreement, our general partner will not be in breach of its obligations under the partnership agreement or its duties to us or our common unitholders if the resolution of the conflict is:

- approved by the conflicts committee, although our general partner is not obligated to seek such approval;
- approved by the vote of a majority of the voting power of our voting units, excluding any voting units owned by our general partner and any of its affiliates, although our general partner is not obligated to seek such approval; or
- approved by our general partner in good faith as determined under the partnership agreement.

Our general partner may, but is not required to, seek the approval of such resolution from the conflicts committee or the holders of our voting units. If our general partner does not seek approval from the conflicts committee or the holders of our voting units, any resolution or course of action taken by it with respect to the conflict of interest shall be conclusively deemed approved by us and our partners and not a breach of our partnership agreement or any duty (including any fiduciary duties) unless our general partner subjectively believes that the resolution or course of action is opposed to the best interests of the partnership. In any proceeding brought by or on behalf of any limited partner or us or any other person bound by the partnership agreement, the person bringing or prosecuting such proceeding will have the burden of providing that the general partner subjectively believed that such resolution or course of action was opposed to the best interests of the partnership. Unless the resolution of a conflict is specifically provided for in our partnership agreement, our general partner or the conflicts committee may consider any factors it determines in good faith to consider when resolving a conflict.

The three bullet points above establish the procedures by which conflict of interest situations are to be resolved pursuant to our partnership agreement. These procedures benefit our general partner by providing our general partner with significant flexibility with respect to its ability to make decisions and pursue actions involving conflicts of interest. Given the significant flexibility afforded our general partner to resolve conflicts of interest — including that our general partner has the right to determine not to seek the approval of the common unitholders with respect to the resolution of such conflicts — the general partner may resolve conflicts of interest pursuant to the partnership agreement in a manner that common unitholders may not believe to be in their or in our best interests. Neither our common unitholders nor we will have any recourse against our general partner if our general partner satisfies one of the standards described in the four bullet points above.

In addition to the provisions relating to conflicts of interest, our partnership agreement contains provisions that waive or consent to conduct by our general partner and its affiliates that might

otherwise raise issues about compliance with fiduciary duties or other applicable law. For example, our partnership agreement provides that when our general partner, in its capacity as our general partner, is permitted to or required to make a decision in its “sole discretion” or “discretion” or pursuant to any provision of our partnership agreement not subject to an express standard of “good faith,” then our general partner will not be subject to any fiduciary duty and will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any limited partners and will not be subject to any different standards imposed by the partnership agreement or otherwise existing at law, in equity or otherwise. These modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and our common unitholders will only have recourse and be able to seek remedies against our general partner if our general partner breaches its obligations pursuant to our partnership agreement. Unless our general partner breaches its obligations pursuant to our partnership agreement, we and our common unitholders will not have any recourse against our general partner even if our general partner were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our partnership agreement, our partnership agreement provides that our general partner and its officers and directors will not be liable to us or our common unitholders for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the general partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These modifications are detrimental to the common unitholders because they restrict the remedies available to common unitholders for actions that without those limitations might constitute breaches of duty (including fiduciary duty).

Potential Conflicts

Conflicts of interest could arise in the situations described below, among others.

Actions taken by our general partner may affect the amount of cash flow from operations to our common unitholders.

The amount of cash that is available for distribution to our common unitholders is affected by decisions of our general partner regarding such matters as:

- the amount and timing of cash expenditures, including those relating to compensation;
- the amount and timing of investments and dispositions;
- levels of indebtedness;
- tax matters;
- levels of reserves; and
- issuances of additional partnership securities.

In addition, borrowings by our partnership and our affiliates do not constitute a breach of any duty owed by our general partner to our common unitholders. Our partnership agreement provides that we and our subsidiaries may borrow funds from our general partner and its affiliates on terms agreed to by our general partner in good faith. Under our partnership agreement, those borrowings conclusively will be deemed to be in good faith and not a breach of our partnership agreement or any duty of the general partner if: (1) they are approved by the conflicts committee of our general partner or by the vote of a majority of the voting power of our voting units, excluding any voting units held by our general partner or any of its affiliates, in accordance with the terms of the partnership agreement or (2) they are otherwise approved by our general partner in good faith as determined under the partnership agreement account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to us).

We will reimburse our general partner and its affiliates for expenses.

We will reimburse our general partner and its affiliates for all costs incurred in managing and operating us, and our partnership agreement provides that our general partner will determine the expenses that are allocable to us.

Our general partner intends to limit its liability regarding our obligations.

Our general partner intends to limit its liability under contractual arrangements so that the other party has recourse only to our assets, and not against our general partner, its assets or its owners. Our partnership agreement provides that any action taken by our general partner to limit its liability or our liability is not a breach of our general partner's fiduciary duties, even if we could have obtained more favorable terms without the limitation on liability. The limitation on our general partner's liability does not constitute a waiver of compliance with U.S. federal securities laws that would be void under Section 14 of the Securities Act.

Our common unitholders will have no right to enforce obligations of our general partner and its affiliates under agreements with us.

Any agreements between us on the one hand, and our general partner and its affiliates on the other, will not grant to the common unitholders, separate and apart from us, the right to enforce the obligations of our general partner and its affiliates in our favor.

Contracts between us, on the one hand, and our general partner and its affiliates, on the other, will not be the result of arm's-length negotiations.

Our partnership agreement allows our general partner to determine in its sole discretion any amounts to reimburse itself or its affiliates for any costs or expenses incurred in connection with our activities. Our general partner may also enter into additional contractual arrangements with any of its affiliates on our behalf. Neither the partnership agreement nor any of the other agreements, contracts and arrangements between us on the one hand, and our general partner and its affiliates on the other, are or will be the result of arm's-length negotiations. Our general partner will determine the terms of any of these transactions entered into after this offering on terms that it agrees to in good faith as determined under our partnership agreement. Our general partner and its affiliates will have no obligation to permit us to use any facilities or assets of our general partner and its affiliates, except as may be provided in contracts entered into specifically dealing with that use. There will not be any obligation of our general partner and its affiliates to enter into any contracts of this kind.

Our common units are subject to our general partner's limited call right.

Our general partner may exercise its right to call and purchase common units as provided in our partnership agreement or assign this right to one of its affiliates or to us. Our general partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise this right. As a result, a common unitholder may have his common units purchased from him at an undesirable time or price. See "Material Provisions of The Carlyle Group L.P. Partnership Agreement — Limited Call Right."

We may choose not to retain separate counsel for ourselves or for the holders of common units.

Attorneys, independent accountants and others who will perform services for us are selected by our general partner or the conflicts committee, and may perform services for our general partner and its affiliates. We are not required to retain separate counsel for ourselves or the holders of our common units in the event of a conflict of interest between our general partner and its affiliates on the one hand, and us or the holders of our common units on the other.

Our general partner's affiliates may compete with us.

The partnership agreement provides that our general partner will be restricted from engaging in any business activities other than activities incidental to its ownership of interests in us. The partnership agreement does not prohibit affiliates of the general partner, including its owners, from engaging in other business or activities, including those that might compete directly with us.

Certain of our subsidiaries have obligations to investors in our investment funds and may have obligations to other third parties that may conflict with your interests.

Our subsidiaries that serve as the general partners of our investment funds have fiduciary and contractual obligations to the investors in those funds and some of our subsidiaries may have contractual duties to other third parties. As a result, we expect to regularly take actions with respect to the allocation of investments among our investment funds (including funds that have different fee structures), the purchase or sale of investments in our investment funds, the structuring of investment transactions for those funds, the advice we provide or otherwise that comply with these fiduciary and contractual obligations. In addition, directors and officers of our general partner, our senior Carlyle professionals, senior advisors and other professionals have made personal investments in and alongside a variety of our investment funds, which may result in conflicts of interest among investors in our funds or our common unitholders regarding investment decisions for these funds. Some of these actions might at the same time adversely affect our near-term results of operations or cash flow.

U.S. federal income tax considerations of our partners may conflict with your interests.

Because our partners hold their Carlyle Holdings partnership units directly or through entities that are not subject to corporate income taxation and The Carlyle Group L.P. holds Carlyle Holdings partnership units through wholly-owned subsidiaries, at least one of which is subject to taxation as a corporation in the United States, conflicts may arise between our partners and The Carlyle Group L.P. relating to the selection and structuring of investments or other matters. Our limited partners will be deemed to expressly acknowledge that our general partner is under no obligation to consider the separate interests of our limited partners (including among other things the tax consequences to limited partners) in deciding whether to cause us to take (or decline to take) any actions.

Fiduciary Duties

Duties owed to common unitholders by our general partner are prescribed by law and our partnership agreement. The Delaware Limited Partnership Act provides that Delaware limited partnerships may in their partnership agreements expand, restrict or eliminate the duties (including fiduciary duties) otherwise owed by a general partner to limited partners and the partnership.

Our partnership agreement contains various provisions modifying, restricting and eliminating the duties (including fiduciary duties) that might otherwise be owed by our general partner. We have adopted these restrictions to allow our general partner and its affiliates to engage in transactions with us that might otherwise be prohibited by state-law fiduciary duty standards and to take into account the interests of other parties in addition to our interests and the interests of the common unitholders when resolving conflicts of interest. Without these modifications, the general partner's ability to make decisions involving conflicts of interest would be restricted. These modifications are detrimental to the common unitholders because they restrict the remedies available to common unitholders for actions that without those limitations might constitute breaches of duty (including a fiduciary duty), as described below, and they permit our general partner to take

into account its own interests and the interests of third parties in addition to our interests and the interests of the common unitholders when resolving conflicts of interest.

The following is a summary of the material restrictions on the fiduciary duties owed by our general partner to the limited partners:

State Law Fiduciary Duty Standards

Fiduciary duties are generally considered to include an obligation to act in good faith and with due care and loyalty. In the absence of a provision in a partnership agreement providing otherwise, the duty of care would generally require a general partner to inform itself prior to making a business decision of all material information reasonably available to it. In the absence of a provision in a partnership agreement providing otherwise, the duty of loyalty would generally prohibit a general partner of a Delaware limited partnership from taking any action or engaging in any transaction that is not fair to and in the best interests of the partnership where a conflict of interest is present.

Partnership Agreement Modified Standards

General. Our partnership agreement contains provisions that waive duties of or consent to conduct by our general partner and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our partnership agreement provides that when our general partner, in its capacity as our general partner, is permitted to or required to make a decision in its “sole discretion” or “pursuant to any provision of our partnership agreement not subject to an express standard of “good faith” then our general partner will not be subject to any fiduciary duty and will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any factors affecting us or any limited partners, including our common unitholders, and will not be subject to any different standards imposed by the partnership agreement or otherwise existing of law, in equity or otherwise. In addition, when our general partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it may act without any fiduciary obligation to us or the common unitholders whatsoever. These standards reduce the obligations to which our general partner would otherwise be held.

In addition to the other more specific provisions limiting the obligations of our general partner, our partnership agreement further provides that our general partner and its officers and directors will not be liable to us, our limited partners, including our common unitholders, or assignees for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that our general partner or its

officers and directors acted in bad faith or engaged in fraud or willful misconduct.

Special Provisions Regarding Affiliated Transactions. Our partnership agreement generally provides that affiliated transactions and resolutions of conflicts of interest not approved by a vote of holders of voting units (excluding voting units owned by the general partner and its affiliates) and that are not approved by the conflicts committee of the board of directors of our general partner will conclusively be deemed approved by the partnership and all partners, and will not constitute a breach of our partnership agreement or of any duty (including any fiduciary duty) existing at law, in equity or otherwise, unless our general Partner subjectively believes that the resolution or course of action in respect of such conflict of interest is opposed to the best interests of the partnership.

In any proceeding brought by or on behalf of any limited partner, including our common unitholders, or our partnership or any other person bound by our partnership agreement, the person bringing or prosecuting such proceeding will have the burden of proving that the general Partner subjectively believed that such resolution or course of action was opposed to the best interests of the partnership. These standards reduce the obligations to which our general partner would otherwise be held.

Rights and Remedies of Common Unitholders Restricted by Modified Standards

The Delaware Limited Partnership Act generally provides that a limited partner may institute legal action on behalf of the partnership to recover damages from a third-party where a general partner has refused to institute the action or where an effort to cause a general partner to do so is not likely to succeed. In addition, the statutory or case law of some jurisdictions may permit a limited partner to institute legal action on behalf of himself and all other similarly situated limited partners to recover damages from a general partner for violations of its fiduciary duties to the limited partners.

By holding our common units, each common unitholder will automatically agree to be bound by the provisions in our partnership agreement, including the provisions discussed above. This is in accordance with the policy of the Delaware Limited Partnership Act favoring the principle of freedom of contract and the enforceability of partnership agreements. The failure of a common unitholder to sign our partnership agreement does not render our partnership agreement unenforceable against that person.

We have agreed to indemnify our general partner, any departing general partner, any person who is or was a tax matters partner, officer or director of our general partner or any departing general partner, any officer or directors of our general partner or any departing general partner who is or was serving at the request of our general partner as an officer, director, employee, member, partner, tax matters partner, agent, fiduciary or trustee of another person, any person who is named in this registration statement as being or about to become a director of our general partner, or any person designated by our general partner, against any and all losses, claims, damages, liabilities,

joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts incurred by our general partner or these other persons on an after tax basis. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Thus, our general partner could be indemnified for its negligent acts if it met the requirements set forth above. To the extent these provisions purport to include indemnification for liabilities arising under the Securities Act, in the opinion of the SEC such indemnification is contrary to public policy and therefore unenforceable. See “Material Provisions of The Carlyle Group L.P. Partnership Agreement — Indemnification.”

DESCRIPTION OF COMMON UNITS

Common Units

Our common units represent limited partner interests in The Carlyle Group L.P. The holders of our common units are entitled to participate in our distributions and exercise the rights or privileges available to limited partners under our partnership agreement. For a description of the relative rights and preferences of holders of our common units in and to our distributions, see “Cash Distribution Policy.” For a description of the rights and privileges of limited partners under our partnership agreement, including voting rights, see “Material Provisions of The Carlyle Group L.P. Partnership Agreement.”

Unless our general partner determines otherwise, we will issue all our common units in uncertificated form.

Transfer of Common Units

By acceptance of the transfer of our common units in accordance with our partnership agreement, each transferee of our common units will be admitted as a common unitholder with respect to the common units transferred when such transfer and admission is reflected in our books and records. Additionally, each transferee of our common units:

- represents that the transferee has the capacity, power and authority to enter into our partnership agreement;
- will become bound by the terms of, and will be deemed to have agreed to be bound by, our partnership agreement;
- gives the consents, approvals, acknowledgements and waivers set forth in our partnership agreement, such as the approval of all transactions and agreements that we are entering into in connection with our formation and this offering.

A transferee will become a substituted limited partner of our partnership for the transferred common units automatically upon the recording of the transfer on our books and records. Our general partner will cause any transfers to be recorded on our books and records no less frequently than quarterly.

Common units are securities and are transferable according to the laws governing transfers of securities. In addition to other rights acquired upon transfer, the transferor gives the transferee the right to become a substituted limited partner in our partnership for the transferred common units.

Until a common unit has been transferred on our books, we and the transfer agent, notwithstanding any notice to the contrary, may treat the record holder of the common unit as the absolute owner for all purposes, except as otherwise required by law or stock exchange regulations. A beneficial holder's rights are limited solely to those that it has against the record holder as a result of any agreement between the beneficial owner and the record holder.

Transfer Agent and Registrar

American Stock Transfer & Trust Company will serve as registrar and transfer agent for our common units. You may contact the registrar and transfer agent at 6201 15th Avenue, Brooklyn, NY 11219.

**MATERIAL PROVISIONS OF
THE CARLYLE GROUP L.P. PARTNERSHIP AGREEMENT**

The following is a summary of the material provisions of the Amended and Restated Agreement of Limited Partnership of The Carlyle Group L.P. The Amended and Restated Agreement of Limited Partnership of The Carlyle Group L.P. as it will be in effect at the time of this offering, which is referred to in this prospectus as our partnership agreement, is included in this prospectus as Appendix A, and the following summary is qualified by reference thereto. For additional information, you should read the limited partnership agreement included in Appendix A to this prospectus, “Description of Common Units — Transfer of Common Units” and “Material U.S. Federal Tax Considerations.”

General Partner

Our general partner, Carlyle Group Management L.L.C., will manage all of our operations and activities. Our general partner is authorized in general to perform all acts that it determines to be necessary or appropriate to carry out our purposes and to conduct our business. Our partnership agreement will contain provisions that reduce or eliminate duties (including fiduciary duties) of our general partner and limit remedies available to common unitholders for actions that might otherwise constitute a breach of duty. See “Conflicts of Interest and Fiduciary Responsibilities.” Carlyle Group Management L.L.C. is wholly-owned by our senior Carlyle professionals. See “Management — Composition of the Board of Directors after this Offering.” Our common unitholders have only limited voting rights on matters affecting our business and therefore have limited ability to influence management’s decisions regarding our business. The voting rights of our common unitholders are limited as set forth in our partnership agreement and in the Delaware Limited Partnership Act. For example, our general partner may generally make amendments to our partnership agreement or certificate of limited partnership without the approval of any common unitholder as set forth under “— Amendment of the Partnership Agreement — No Limited Partner Approval.”

Organization

We were formed on July 18, 2011 and will continue until cancellation of our certificate of limited partnership as provided in the Delaware Limited Partnership Act.

Purpose

Under our partnership agreement we will be permitted to engage, directly or indirectly, in any business activity that is approved by our general partner in its sole discretion and that lawfully may be conducted by a limited partnership organized pursuant to the Delaware Limited Partnership Act.

Power of Attorney

Each limited partner, and each person who acquires a limited partner interest in accordance with our partnership agreement, grants to our general partner and, if appointed, a liquidator, a power of attorney to, among other things, execute and file documents required for our qualification, continuance, dissolution or termination. The power of attorney will also grant our general partner the authority to amend, and to make consents and waivers under, our partnership agreement and certificate of limited partnership, in each case in accordance with our partnership agreement.

Capital Contributions

Our common unitholders will not be obligated to make additional capital contributions, except as described below under “— Limited Liability.” Our general partner is not obligated to make any capital contributions.

Limited Liability

Assuming that a limited partner does not participate in the control of our business within the meaning of the Delaware Limited Partnership Act and that he, she or it otherwise acts in conformity with the provisions of our partnership agreement, his, her or its liability under the Delaware Limited Partnership Act will be limited, subject to possible exceptions, to the amount of capital he, she or it is obligated to contribute to us for his, her or its common units, plus his, her or its share of any undistributed profits and assets, plus his, her or its obligation to make other payments that will be provided for in our partnership agreement. If it were determined however that the right, or exercise of the right, by the limited partners as a group:

- to elect the directors of our general partner in limited circumstances,
- to approve some amendments to our partnership agreement, or
- to take other action under our partnership agreement,

constituted “participation in the control” of our business for the purposes of the Delaware Limited Partnership Act, then our limited partners could be held personally liable for our obligations under the laws of Delaware to the same extent as our general partner. This liability would extend to persons who transact business with us who reasonably believe that the limited partner is a general partner. Neither our partnership agreement nor the Delaware Limited Partnership Act specifically provides for legal recourse against our general partner if a limited partner were to lose limited liability through any fault of our general partner. While this does not mean that a limited partner could not seek legal recourse, we know of no precedent for this type of a claim in Delaware case law. The limitation on our general partner’s liability does not constitute a waiver of compliance with U.S. federal securities laws that would be void under Section 14 of the Securities Act.

Under the Delaware Limited Partnership Act, a limited partnership may not make a distribution to a partner if, after the distribution, all liabilities of the limited partnership, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of the assets of the limited partnership. For the purpose of determining the fair value of the assets of a limited partnership, the Delaware Limited Partnership Act provides that the fair value of property subject to liability for which recourse of creditors is limited will be included in the assets of the limited partnership only to the extent that the fair value of that property exceeds the non-recourse liability. The Delaware Limited Partnership Act provides that a limited partner who receives a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act will be liable to the limited partnership for the amount of the distribution for three years from the date of the distribution. Under the Delaware Limited Partnership Act, a substituted limited partner of a limited partnership is liable for the obligations of his assignor to make contributions to the partnership, except that such person is not obligated for liabilities unknown to him at the time he became a limited partner and that could not be ascertained from the partnership agreement.

Moreover, if it were determined that we were conducting business in any state without compliance with the applicable limited partnership statute, or that the right or exercise of the right by the limited partners as a group to elect the directors of our general partner, to approve some amendments to our partnership agreement or to take other action under our partnership agreement constituted “participation in the control” of our business for purposes of the statutes of any relevant jurisdiction, then the limited partners could be held personally liable for our obligations under the law of that jurisdiction to the same extent as our general partner under the circumstances. We intend to operate in a manner that our general partner considers reasonable and necessary or appropriate to preserve the limited liability of the limited partners.

Issuance of Additional Securities

Our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our general partner in its sole discretion without the approval of any limited partners.

In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partnership interests that have designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the common units.

Distributions

Distributions will be made to the partners pro rata according to the percentages of their respective partnership interests. See “Cash Distribution Policy.”

Amendment of the Partnership Agreement

General

Amendments to our partnership agreement may be proposed only by our general partner. To adopt a proposed amendment, other than the amendments that require the approval of each limited partner affected or that do not require limited partner approval, each as discussed below, our general partner must seek approval of the holders of a majority of our outstanding voting units, unless a greater or lesser percentage is required under our partnership agreement, in order to approve the amendment or call a meeting of the limited partners to consider and vote upon the proposed amendment. See “— Meetings; Voting.”

Prohibited Amendments

No amendment may be made that would:

- (1) enlarge the obligations of any limited partner without its consent, unless such enlargement may be deemed to have occurred as a result of any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests that has been approved by the holders of not less than a majority of the outstanding partnership interests of the class affected; or
- (2) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable by us to our general partner or any of its affiliates without the consent of our general partner, which may be given or withheld in its sole discretion.

No Limited Partner Approval

Our general partner may generally make amendments to our partnership agreement or certificate of limited partnership without the approval of any limited partner to reflect:

- (1) a change in the name of the partnership, the location of the partnership’s principal place of business, the partnership’s registered agent or its registered office;
- (2) the admission, substitution, withdrawal or removal of partners in accordance with our partnership agreement;
- (3) a change that our general partner determines in its sole discretion is necessary or appropriate for the partnership to qualify or to continue our qualification as a limited partnership or a partnership in which the limited partners have limited liability under the laws of any state or other jurisdiction or to ensure that the partnership will not be treated as an

association taxable as a corporation or otherwise taxed as an entity for U.S. federal income tax purposes;

(4) a change that our general partner determines in its sole discretion to be necessary or appropriate to address certain changes in U.S. federal, state or local income tax regulations, legislation or interpretation;

(5) an amendment that is necessary, in the opinion of our counsel, to prevent the partnership or our general partner or its directors, officers, employees, agents or trustees, from having a material risk of being in any manner subjected to registration under the provisions of the 1940 Act, the Advisers Act or "plan asset" regulations adopted under ERISA, whether or not substantially similar to plan asset regulations currently applied or proposed by the U.S. Department of Labor;

(6) an amendment that our general partner determines in its sole discretion to be necessary or appropriate in connection with the creation, authorization or issuance of any class or series of partnership securities or options, rights, warrants or appreciation rights relating to partnership securities;

(7) any amendment expressly permitted in our partnership agreement to be made by our general partner acting alone;

(8) an amendment effected, necessitated or contemplated by an agreement of merger, consolidation or other business combination agreement that has been approved under the terms of our partnership agreement;

(9) any amendment that in the sole discretion of our general partner is necessary or appropriate to reflect and account for the formation by the partnership of, or its investment in, any corporation, partnership, joint venture, limited liability company or other entity;

(10) a change in our fiscal year or taxable year and related changes;

(11) a merger with or conversion or conveyance to another limited liability entity that is newly formed and has no assets, liabilities or operations at the time of the merger, conversion or conveyance other than those it receives by way of the merger, conversion or conveyance or those arising out of its incorporation or formation;

(12) an amendment effected, necessitated or contemplated by an amendment to any partnership agreement of the Carlyle Holdings partnerships that requires unitholders of any Carlyle Holdings partnership to provide a statement, certification or other proof of evidence to the Carlyle Holdings partnerships regarding whether such unitholder is subject to U.S. federal income taxation on the income generated by the Carlyle Holdings partnerships;

(13) any amendment that the general partner determines to be necessary or appropriate to cure any ambiguity, omission, mistake, defect or inconsistency; or

(14) any other amendments substantially similar to any of the matters described in (1) through (13) above.

In addition, our general partner may make amendments to our partnership agreement without the approval of any limited partner if those amendments, in the discretion of our general partner:

(1) do not adversely affect our limited partners considered as a whole (or adversely affect any particular class of partnership interests as compared to another class of partnership interests, except under clause (6) above) in any material respect; provided, however, for purposes of determining whether an amendment satisfies the requirements in this clause (1), our general partner may disregard any adverse effect on any class or classes of partnership interests that have approved such amendment by the holders of not less than a majority of the outstanding partnership interests of the class so affected;

(2) are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal, state, local or non-U.S. agency or judicial authority or contained in any federal, state, local or non-U.S. statute (including the Delaware Limited Partnership Act);

(3) are necessary or appropriate to facilitate the trading of limited partner interests or to comply with any rule, regulation, guideline or requirement of any securities exchange on which the limited partner interests are or will be listed for trading;

(4) are necessary or appropriate for any action taken by our general partner relating to splits or combinations of units under the provisions of our partnership agreement; or

(5) are required to effect the intent expressed in the registration statement of which this prospectus forms a part or the intent of the provisions of our partnership agreement or are otherwise contemplated by our partnership agreement.

Opinion of Counsel and Limited Partner Approval

Our general partner will not be required to obtain an opinion of counsel that an amendment will not result in a loss of limited liability to the limited partners if one of the amendments described above under “— No Limited Partner Approval” should occur. No other amendments to our partnership agreement (other than an amendment pursuant to a merger, sale or other disposition of assets effected in accordance with the provisions described under “— Merger, Sale or Other Disposition of Assets” or an amendment described in the following paragraphs) will become effective without the approval of holders of at least 90% of the outstanding voting units, unless we obtain an opinion of counsel to the effect that the amendment will not affect the limited liability of any of our limited partners under the Delaware Limited Partnership Act.

Except for amendments that may be adopted solely by our general partner or pursuant to a merger, any amendment that would have a material adverse effect on the rights or preferences of any class of partnership interests in relation to other classes of partnership interests will also require the approval of the holders of not less than a majority of the outstanding partnership interests of the class so affected. Unless our general partner determines otherwise in its sole discretion, only our voting units will be treated as a separate class of partnership interest for this purpose.

In addition, any amendment that reduces the voting percentage required to take any action under our partnership agreement must be approved by the written consent or the affirmative vote of limited partners whose aggregate outstanding voting units constitute not less than the voting or consent requirement sought to be reduced.

Merger, Sale or Other Disposition of Assets

Our partnership agreement provides that our general partner in its sole discretion may not, without the approval of the holders of at least a majority of the voting power of the outstanding voting units, cause us to, among other things, sell or exchange all or substantially all of our assets in a single transaction or a series of related transactions, or approve the sale, exchange or other disposition of all or substantially all of the assets of our subsidiaries; provided, however our general partner in its sole discretion may mortgage, pledge, hypothecate or grant a security interest in any or all of our assets (including for the benefit of persons other than us or our subsidiaries), including, in each case, pursuant to any forced sale of any or all of our assets pursuant to the foreclosure or other realization upon those encumbrances without the approval of the limited partners.

Our general partner may, with the approval of the holders of at least a majority of the voting power of the outstanding voting units, cause us to merge or consolidate or otherwise combine with one or more other persons. In addition, if conditions specified in our partnership agreement are satisfied, our general partner may, without limited partner approval, convert or merge us into, or convey some or all of our assets to, a newly formed limited liability entity if (i) the sole purpose of

that merger or conveyance is to effect a mere change in our legal form into another limited liability entity, (ii) our general partner receives an opinion of counsel that the merger or conveyance will not result in the loss of limited liability of any limited partner, and (iii) the governing instruments of the new entity provide the limited partners and our general partner with substantially the same rights and obligations as are contained in the partnership agreement. Additionally, our general partner may, without limited partner approval, cause our subsidiaries to merge or consolidate or otherwise combine with one or more other persons. The common unitholders will not be entitled to dissenters' rights of appraisal under our partnership agreement or the Delaware Limited Partnership Act in the event of a merger or consolidation, a sale of substantially all of our assets or any other similar transaction or event.

Election to be Treated as a Corporation

If our general partner, in its sole discretion, determines that it is no longer in our interests to continue as a partnership for U.S. federal income tax purposes, our general partner may elect to treat our partnership (or any of our subsidiaries) as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes or may effect such change by merger or conversion or otherwise under applicable law.

Dissolution

We will dissolve upon:

- (1) the election of our general partner to dissolve our partnership, if approved by the holders of a majority of the voting power of the partnership's outstanding voting units;
- (2) there being no limited partners, unless our partnership is continued without dissolution in accordance with the Delaware Limited Partnership Act;
- (3) the entry of a decree of judicial dissolution of our partnership pursuant to the Delaware Limited Partnership Act; or
- (4) the withdrawal of our general partner or any other event that results in its ceasing to be our general partner other than by reason of a transfer by our general partner of all of its general partner interests pursuant to our partnership agreement unless a successor general partner is appointed in accordance with our partnership agreement.

Upon a dissolution under clause (4), the holders of a majority of the voting power of our outstanding voting units may also elect, within specific time limitations, to continue the partnership's business without dissolution on the same terms and conditions described in the partnership agreement by appointing as a successor general partner an individual or entity approved by the holders of a majority of the voting power of the outstanding voting units, subject to the partnership's receipt of an opinion of counsel to the effect that: (1) the action would not result in the loss of limited liability of any limited partner; and (2) neither we nor any of our subsidiaries (excluding those formed or existing as corporations) would be treated as an association taxable as a corporation or otherwise be taxable as an entity for U.S. federal income tax purposes upon the exercise of that right to continue.

Liquidation and Distribution of Proceeds

Upon our dissolution, our general partner shall act, or select in its sole discretion one or more persons to act, as liquidator. Unless we are continued as a limited partnership, the liquidator authorized to wind up our affairs will, acting with all of the powers of our general partner that the liquidator deems necessary or appropriate in its judgment, liquidate our assets and apply the proceeds of the liquidation first, to discharge our liabilities as provided in our partnership agreement and by law, and thereafter, to the partners according to the percentages of their respective partnership interests as of a record date selected by the liquidator. The liquidator may defer liquidation or distribution of our assets for a reasonable period of time or distribute assets to

partners in kind if it determines that an immediate sale or distribution of all or some of our assets would be impractical or would cause undue loss to the partners.

Withdrawal or Removal of the General Partner

Except as described below, our general partner will agree not to withdraw voluntarily as the general partner on or prior to December 31, 2021 without obtaining the approval of the holders of at least a majority of the voting power of the outstanding voting units, excluding voting units held by our general partner and its affiliates, and furnishing an opinion of counsel regarding tax and limited liability matters. After December 31, 2021, our general partner may withdraw as general partner without first obtaining approval of any common unitholder by giving 90 days' advance notice, and that withdrawal will not constitute a violation of our partnership agreement. Notwithstanding the foregoing, our general partner may withdraw at any time without common unitholder approval upon 90 days' advance notice to the limited partners if at least 50% of the outstanding common units are beneficially owned, owned of record or otherwise controlled by one person and its affiliates other than our general partner and its affiliates.

Upon the withdrawal of our general partner under any circumstances, the holders of a majority of the voting power of the partnership's outstanding voting units may elect a successor to that withdrawing general partner. If a successor is not elected, or is elected but an opinion of counsel regarding limited liability and tax matters cannot be obtained, the partnership will be dissolved, wound up and liquidated, unless within specific time limitations after that withdrawal, the holders of a majority of the voting power of the partnership's outstanding voting units agree in writing to continue our business and to appoint a successor general partner. See "—Dissolution" above.

Our common unitholders will have no right to remove or expel, with or without cause, our general partner.

In circumstances where a general partner withdraws and a successor general partner is elected in accordance with our partnership agreement, the departing general partner will have the option to require the successor general partner to purchase the general partner interest of the departing general partner for a cash payment equal to its fair value. This fair value will be determined by agreement between the departing general partner and the successor general partner. If no agreement is reached within 30 days of the effective date of the general partner's departure, an independent investment banking firm or other independent expert, which, in turn, may rely on other experts, selected by the departing general partner and the successor general partner will determine the fair value. If the departing general partner and the successor general partner cannot agree upon an expert within 45 days of the effective date of the general partner's departure, then an expert chosen by agreement of the independent investment banking firms or independent experts selected by each of them will determine the fair value.

If the option described above is not exercised by the departing general partner, the departing general partner's general partner interest will automatically convert into common units pursuant to a valuation of those interests as determined by an investment banking firm or other independent expert selected in the manner described in the preceding paragraph.

In addition, we will be required to reimburse the departing general partner for all amounts due the departing general partner, including without limitation all employee-related liabilities, including severance liabilities, incurred for the termination of any employees employed by the departing general partner or its affiliates for the partnership's benefit.

Transfer of General Partner Interests

Except for transfer by our general partner of all, but not less than all, of its general partner interests in the partnership to an affiliate of our general partner, or to another entity as part of the merger or consolidation of our general partner with or into another entity or the transfer by our

general partner of all but not less than all, of its assets to another entity, our general partner may not transfer all or any part of its general partner interest in the partnership to another person prior to December 31, 2021 without the approval of the holders of at least a majority of the voting power of the partnership's outstanding voting units, excluding voting units held by our general partner and its affiliates. On or after December 31, 2021, our general partner may transfer all or any part of its general partner interest without first obtaining approval of any common unitholder. As a condition of this transfer, the transferee must assume the rights and duties of the general partner under our partnership agreement and agree to be bound by the provisions of our partnership agreement and furnish to us an opinion of counsel regarding limited liability matters. At any time, the members of our general partner may sell or transfer all or part of their limited liability company interests in our general partner without the approval of the common unitholders.

Limited Call Right

If at any time:

- (i) less than 10% of the total limited partner interests of any class then outstanding (other than special voting units), including our common units, are held by persons other than our general partner and its affiliates; or
- (ii) the partnership is subjected to registration under the provisions of the 1940 Act,

our general partner will have the right, which it may assign in whole or in part to any of its affiliates or to us, exercisable in its sole discretion, to purchase all, but not less than all, of the remaining limited partner interests of the class held by unaffiliated persons as of a record date to be selected by our general partner, on at least ten but not more than 60 days notice. The purchase price in the event of this purchase is the greater of:

- (1) the current market price as of the date three days before the date the notice is mailed, and
- (2) the highest cash price paid by our general partner or any of its affiliates acting in concert with us for any limited partner interests of the class purchased within the 90 days preceding the date on which our general partner first mails notice of its election to purchase those limited partner interests.

As a result of our general partner's right to purchase outstanding limited partner interests, a holder of limited partner interests may have his limited partner interests purchased at an undesirable time or price. The U.S. tax consequences to a common unitholder of the exercise of this call right are the same as a sale by that common unitholder of his common units in the market. See "Material U.S. Federal Tax Considerations — United States Taxes — Consequences to U.S. Holders of Common Units."

Meetings; Voting

Except as described below regarding a person or group owning 20% or more of The Carlyle Group L.P. common units then outstanding, record holders of common units (other than any person whom our general partner may from time to time with such person's consent designate as a non-voting common unitholder) or of special voting units will be entitled to notice of, and to vote at, meetings of our limited partners and to act upon matters as to which holders of limited partner interests have the right to vote or to act.

Except as described below regarding a person or group owning 20% or more of The Carlyle Group L.P. common units then outstanding, each record holder of a common unit of The Carlyle Group L.P. (other than any person whom our general partner may from time to time with such person's consent designate as a non-voting common unitholder) is entitled to a number of votes equal to the number of common units held of record as of the relevant record date.

In addition, TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, will hold a special voting unit that provides it with a number of votes on any matter that may be submitted for a vote of our common unitholders that is equal to the aggregate number of vested and unvested Carlyle Holdings partnership units held by any limited partner of Carlyle Holdings that does not itself hold a special voting unit. A special voting unit held by any holder other than TCG Carlyle Global Partners L.L.C. will provide that holder with a number of votes on any matter that may be submitted for a vote of our common unitholders that is equal to the number of vested and unvested Carlyle Holdings partnership units held by such holder. We do not expect any holder other than TCG Carlyle Global Partners L.L.C. to hold a special voting unit upon consummation of this offering. We refer to our common units (other than those held by any person whom our general partner may from time to time with such person's consent designate as a non-voting common unitholder) and our special voting units as "voting units." Our voting units will be treated as a single class on all such matters submitted for a vote of our common unitholders. If the ratio at which Carlyle Holdings partnership units are exchangeable for our common units changes from one-for-one as described under "Certain Relationships and Related Person Transactions — Exchange Agreement," the number of votes to which the holders of the special voting units are entitled will be adjusted accordingly. Additional limited partner interests having special voting rights could also be issued. See "— Issuance of Additional Securities" above.

In the case of common units held by our general partner on behalf of non-citizen assignees, our general partner will distribute the votes on those common units in the same ratios as the votes of partners in respect of other limited partner interests are cast.

Our general partner does not anticipate that any meeting of common unitholders will be called in the foreseeable future. Any action that is required or permitted to be taken by the limited partners may be taken either at a meeting of the limited partners or without a meeting, without a vote and without prior notice if consented to in writing or by electronic transmission by limited partners owning not less than the minimum percentage of the voting power of the outstanding limited partner interests that would be necessary to authorize or take that action at a meeting at which all the limited partners were present and voted. Meetings of the limited partners may be called by our general partner or by limited partners owning at least 50% or more of the voting power of the outstanding limited partner interests of the class or classes for which a meeting is proposed. Common unitholders may vote either in person or by proxy at meetings. The holders of a majority of the voting power of the outstanding limited partner interests of the class or classes for which a meeting has been called, represented in person or by proxy, will constitute a quorum unless any action by the limited partners requires approval by holders of a greater percentage of such limited partner interests, in which case the quorum will be the greater percentage.

However, if at any time any person or group (other than our general partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of any class of The Carlyle Group L.P. common units then outstanding, that person or group will lose voting rights on all of its common units and the common units owned by such person or group may not be voted on any matter and will not be considered to be outstanding when sending notices of a meeting of limited partners, calculating required votes, determining the presence of a quorum or for other similar purposes.

Election of Directors of General Partner

On January 31 of each year (each a "Determination Date"), our general partner will determine whether the total voting power held by (i) holders of the special voting units in The Carlyle Group L.P. (including voting units held by our general partner and its affiliates) in their capacity as such, (ii) then-current or former Carlyle personnel (treating voting units deliverable to such persons pursuant to outstanding equity awards as being held by them), or (iii) any estate, trust, partnership or limited liability company or other similar entity of which any such person is a trustee, partner, member or similar party, respectively, constitutes at least 10% of the voting power of the outstanding

voting units of The Carlyle Group L.P., which we refer to as the “Carlyle Partners Ownership Condition.”

The method of nomination, election and removal of the members of the board of directors of our general partner shall be determined accordingly as follows: (i) in any year in which our general partner has determined on the applicable Determination Date that the Carlyle Partners Ownership Condition has not been satisfied, the directors shall be elected at an annual meeting of our common unitholders; and (ii) in any year in which our general partner has determined on the applicable Determination Date that the Carlyle Partners Ownership Condition has been satisfied, the board of directors of our general partner will be appointed and removed by its members in accordance with the limited liability company agreement of our general partner and not by our limited partners. See “Management — Composition of the Board of Directors after this Offering.”

We will hold an annual meeting of our common unitholders for the election of directors in any year in which we do not satisfy the Carlyle Partners Ownership Condition on the applicable Determination Date. At any such annual meeting, the holders of outstanding voting units shall vote together as a single class for the election of directors to the board of directors of our general partner. Our limited partners shall elect by a plurality of the votes cast at such meeting persons to serve as directors who are nominated in accordance with our partnership agreement. If our general partner has provided at least thirty days advance notice of any meeting at which directors are to be elected, then the limited partners holding outstanding voting units that attend such meeting shall constitute a quorum, and if the our general partner has provided less than thirty days advance notice of any such meeting, then limited partners holding a majority of the voting power of our outstanding voting units shall constitute a quorum.

Prior to any annual meeting of our common unitholders for the election of directors held in the next succeeding year following a year in which an annual meeting of our common unitholders for the election of directors was not held (each such annual meeting an “Initial Annual Meeting”), the board of directors of our general partner shall be divided into three classes, Class I, Class II, and Class III, as determined by the then-existing board of directors in its sole discretion. Each Director shall serve for a three-year term; provided, however, that the directors designated to Class I shall serve for an initial term that expires on the applicable Initial Annual Meeting, the directors designated to Class II shall serve for an initial term that expires on the first annual meeting following the applicable Initial Annual Meeting, and the directors designated to Class III shall serve for an initial term that expires on the second annual meeting following the applicable Initial Annual Meeting. At each succeeding annual meeting of limited partners for the election of Directors following an Initial Annual Meeting, successors to the directors whose term expires at that annual meeting shall be elected for a three-year term. If in any year following an Initial Annual Meeting, our general partner determines on the applicable Determination Date that the Carlyle Partners Ownership Condition has been satisfied, the board of directors of our general partner will be appointed and removed by its members in accordance with the limited liability company agreement of our general partner and not by our limited partners.

Non-Voting Common Unitholders

Any person whom our general partner may from time to time with such person’s consent designate as a non-voting common unitholder, will have no voting rights whatsoever with respect to their common units, including any voting rights that may otherwise exist under our partnership agreement, under the Delaware Limited Partnership Act, at law, in equity or otherwise, provided that any amendment to the partnership agreement that would have a material adverse effect on the rights or preferences of our common units beneficially owned by non-voting common unitholders in relation to other common units must be approved by the holders of not less than a majority of the common units beneficially owned by the non-voting common unitholders. However, unaffiliated

third party transferees of common units from a non-voting common unitholder will have the same voting rights with respect to such common units as other holders of common units.

Status as Limited Partner

By transfer of common units in accordance with our partnership agreement, each transferee of common units will be admitted as a limited partner with respect to the common units transferred when such transfer and admission is reflected in our books and records. The common units will be fully paid and non-assessable except as such non-assessability may be affected by section 17-607 as described under “— Limited Liability” above, pursuant to Section 17-804 of the Delaware Limited Partnership Act (which relates to the liability of a limited partner who receives a distribution of assets during the winding up of a limited partnership and who knew at the time of such distribution that it was in violation of this provision) or as set forth in the partnership agreement.

Non-Citizen Assignees; Redemption

If the partnership or any subsidiary is or becomes subject to federal, state or local laws or regulations that in the determination of our general partner in its sole discretion create a substantial risk of cancellation or forfeiture of any property in which the partnership or any subsidiary has an interest because of the nationality, citizenship or other related status of any limited partner, we may redeem the common units held by that limited partner at their current market price. To avoid any cancellation or forfeiture, our general partner may require each limited partner to furnish information about his, her or its nationality, citizenship or related status. If a limited partner fails to furnish information about his nationality, citizenship or other related status within 30 days after receipt of a request for the information or our general partner determines, with the advice of counsel, after receipt of the information that the limited partner is not an eligible citizen, the limited partner may be treated as a non-citizen assignee. A non-citizen assignee does not have the right to direct the voting of his, her or its common units and may not receive distributions in kind upon our liquidation but will be entitled to the cash equivalent thereof.

Indemnification

Under our partnership agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts on an after tax basis:

- our general partner;
- any departing general partner;
- any person who is or was a tax matters partner, officer or director of our general partner or any departing general partner;
- any officer or director of our general partner or any departing general partner who is or was serving at the request of our general partner or any departing general partner as an officer, director, employee, member, partner, tax matters partner, agent, fiduciary or trustee of another person;
- any person who controls a general partner or departing general partner;
- any person who is named in this registration statement as being or about to become a director of our general partner; or
- any person designated by our general partner in its sole discretion.

We would agree to provide this indemnification unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that these persons

acted in bad faith or engaged in fraud or willful misconduct. We will also agree to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of the partnership's assets. The general partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to the partnership to enable the partnership to effectuate indemnification. The indemnification of the persons described above in the fourth bullet point shall be secondary to any indemnification such person is entitled from another person or the relevant Carlyle fund to the extent applicable. Our partnership agreement will provide that each of our limited partners and any other person who acquires an equity interest in the partnership will waive, to the fullest extent permitted by law, any and all rights to seek punitive and certain other damages. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether the partnership would have the power to indemnify the person against liabilities under our partnership agreement.

Exclusive Delaware Jurisdiction

Our partnership agreement will provide that each of the limited partners and the general partner and each person holding any beneficial interest in our partnership, to the fullest extent permitted by law, (1) irrevocably agrees that any claims, suits, actions or proceedings arising out of or relating in any way to our partnership agreement 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 in the State of Delaware with subject matter jurisdiction; (2) irrevocably submits to the exclusive jurisdiction of such courts in connection with any such claim, suit, action or proceeding; (3) 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; (4) expressly waives any requirement for the posting of a bond by a party bringing such claim, suit, action or proceeding; (5) 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 under our partnership agreement, and agrees that such service shall constitute good and sufficient service of process and notice thereof; *provided*, that nothing in clause (5) hereof shall affect or limit any right to serve process in any other manner permitted by law; and (6) irrevocably waives any and all right to trial by jury in any such claim, suit, action or proceeding.

Books and Reports

Our general partner is required to keep appropriate books of the partnership's business at our principal offices or any other place designated by our general partner. The books will be maintained for both tax and financial reporting purposes on an accrual basis. For tax and financial reporting purposes, our year ends on December 31.

As soon as reasonably practicable after the end of each fiscal year, we will furnish to each partner tax information (including a Schedule K-1), which describes on a U.S. dollar basis such partner's share of our income, gain, loss and deduction for our preceding taxable year. It may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that Schedule K-1s may be prepared for our partnership. Consequently, holders of common units who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year. In addition, each partner will be required to report for all tax purposes consistently with the information provided by us. See "Material U.S. Federal Tax Considerations — Administrative Matters — Information Returns."

Right to Inspect Our Books and Records

Our partnership agreement will provide that a limited partner can, for a purpose reasonably related to his interest as a limited partner, upon reasonable written demand stating the purpose for such demand and at his own expense, have furnished to him:

- promptly after becoming available, a copy of our U.S. federal income tax returns (excluding for the avoidance of doubt, information that is specific to another partner);
- a current list of the name and last known business, residence or mailing address of each record holder; and
- copies of our partnership agreement, the certificate of limited partnership of the partnership, related amendments and powers of attorney under which they have been executed.

Our general partner may, and intends to, keep confidential from the limited partners trade secrets or other information the disclosure of which our general partner believes is not in our partnership's best interests, could damage our partnership or its business or which the partnership is required by law or by agreements with third parties to keep confidential. In addition, our partnership agreement will provide for certain restrictions on the rights of a limited partner to receive information from us for the purpose of determining whether to pursue litigation or assist in pending litigation against us.

COMMON UNITS ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common units. We cannot predict the effect, if any, future sales of common units, or the availability for future sale of common units, will have on the market price of our common units prevailing from time to time. The sale of substantial amounts of our common units in the public market, or the perception that such sales could occur, could harm the prevailing market price of our common units.

Upon completion of this offering we will have a total of _____ of our common units outstanding (or _____ common units if the underwriters exercise in full their option to purchase additional common units). All of the common units will have been sold in this offering and will be freely tradable without restriction or further registration under the Securities Act by persons other than our “affiliates.” Under the Securities Act, an “affiliate” of an issuer is a person that directly or indirectly controls, is controlled by or is under common control with that issuer.

In addition, subject to certain limitations and exceptions, pursuant to the terms of an exchange agreement we will enter into with our existing owners, limited partners of the Carlyle Holdings partnerships may from time to time and up to four times each year, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange partnership units in Carlyle Holdings for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. 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. Upon consummation of this offering, our existing owners will beneficially own _____ Carlyle Holdings partnership units (or _____ Carlyle Holdings partnership units if the underwriters exercise in full their option to purchase additional common units), all of which will be exchangeable for our common units. The common units we issue upon such exchanges would be “restricted securities” as defined in Rule 144 unless we register such issuances. However, we will enter into one or more registration rights agreements with our existing owners that will require us to register under the Securities Act these common units. See “— Registration Rights” and “Certain Relationships and Related Person Transactions — Registration Rights Agreements.”

Under the terms of the partnership agreements of the Carlyle Holdings partnerships, the Carlyle Holdings partnership units received by our existing owners that we employ (or The Carlyle Group L.P. common units that may be received in exchange for such Carlyle Holdings partnership units) will be subject to vesting and minimum retained ownership requirements and transfer restrictions. The partnership units received by CalPERS and Mubadala (or The Carlyle Group L.P. common units that may be received in exchange for such Carlyle Holdings partnership units) will be subject to certain transfer restrictions. See “Management — Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions” and “Certain Relationships and Related Person Transactions — Carlyle Holdings Partnership Agreements.”

Further, at the time of this offering, we intend to grant _____ deferred restricted units and _____ phantom deferred restricted units, to employees who are not senior Carlyle professionals. Additional common units and Carlyle Holdings partnership units will be available for future grant under our Equity Incentive Plan, which plan provides for automatic annual increases in the number of units available for future issuance. See “Management — Equity Incentive Plan” and “— IPO Date Equity Awards.” We intend to file one or more registration statements on Form S-8 under the Securities Act to register common units or securities convertible into or exchangeable for common units issued or available for future grant under our Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, common units registered under such registration statement will be available for sale in the open market. We expect that the initial registration statement on Form S-8 will cover _____ common units.

Our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our general partner in its sole discretion without the approval of any limited partners. In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partnership interests that have certain designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to common units. See “Material Provisions of The Carlyle Group L.P. Partnership Agreement — Issuance of Additional Securities.” Similarly, the Carlyle Holdings partnership agreements authorize the wholly-owned subsidiaries of The Carlyle Group L.P. which are the general partners of those partnerships to issue an unlimited number of additional partnership securities of the Carlyle Holdings partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Carlyle Holdings partnerships units, and which may be exchangeable for our common units.

Registration Rights

We will enter into a registration rights agreement with our existing owners other than CalPERS and Mubadala (the “Senior Carlyle Professional Registration Rights Agreement”). The following description of the Senior Carlyle Professional Registration Rights Agreement is not complete and is qualified by reference to the full text of the form of Senior Carlyle Professional Registration Rights Agreement, which will be filed as an exhibit to the registration statement of which this prospectus forms a part. Pursuant to the Senior Carlyle Professional Registration Rights Agreement, we will agree to register the exchange of Carlyle Holdings partnership units for common units by our existing owners. In addition, TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, has the right to request that we register the sale of common units held by our existing owners an unlimited number of times and may require us to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. In addition, TCG Carlyle Global Partners L.L.C. will have the ability to exercise certain piggyback registration rights in respect of common units held by our existing owners in connection with registered offerings requested by other registration rights holders or initiated by us. Securities registered under any such registration statement will be available for sale in the open market unless restrictions apply. See “Certain Relationships and Related Person Transactions — Registration Rights Agreements.”

In addition, in accordance with the terms of their respective subscription agreements, we will enter into separate registration rights agreements with CalPERS (the “CalPERS Registration Rights Agreement”) and Mubadala (the “Mubadala Registration Rights Agreement”). The following description of the CalPERS Registration Rights Agreement and the Mubadala Registration Rights Agreement is not complete and is qualified by reference to the full text of the forms of such agreements, which will be filed as exhibits to the registration statement of which this prospectus forms a part. Pursuant to these agreements, we will grant CalPERS and Mubadala and their respective affiliates the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act common units delivered in exchange for Carlyle Holdings partnership units or common units (and other securities convertible into or exchangeable or exercisable for our common units) otherwise held by them. Under the CalPERS Registration Rights Agreement, at any time following the 180th day after the completion of this offering, CalPERS will have the right to request that we register the sale of common units held by them under the Securities Act on Form S-1 in minimum amounts of \$25 million, or on Form S-3, in minimum amounts of \$10.0 million, provided, however, that we will not be obligated to effect any such requested registration within 180 days after the effective date of a previous registration pursuant to the CalPERS Registration Rights Agreement. Under the Mubadala Registration Rights Agreement, upon the expiration of the applicable lock-up period, as described below under “— Lock-Up Arrangements — Mubadala Transfer Restrictions,” Mubadala will have the right to request not more than six times that we register the sale of common units held by them in minimum amounts of

\$25 million, provided, however, that we will not be obligated to effect any such requested registration within 180 days after the effective date of a previous registration pursuant to the Mubadala Registration Rights Agreement. In addition, CalPERS and Mubadala will have the ability to exercise certain piggyback registration rights in respect of common units held by them in connection with registered offerings requested by other registration rights holders or initiated by us.

Lock-Up Arrangements

We and all of the directors and officers of our general partner have agreed that without the prior written consent of the representatives on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any common units or any securities convertible into or exercisable or exchangeable for common units; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common units;

whether any such transaction described above is to be settled by delivery of common units or such other securities, in cash or otherwise, or publicly disclose the intention to do any of the foregoing. In addition, we have agreed that, without the prior written consent of on behalf of the underwriters, we will not file any registration statement with the SEC relating to the offering of any common units or any securities convertible into or exercisable or exchangeable for common units (other than any registration statement on Form S-8 to register common units or securities convertible into or exchangeable for common units issued or available for future grant under our Equity Incentive Plan) or publicly disclose the intention to do so. All of the directors and officers of our general partner have also agreed that, without the prior written consent of the representatives on behalf of the underwriters, they will not during the period ending 180 days after the date of this prospectus, make any demand for, or exercise any right with respect to, the registration of any common units or any securities convertible into or exercisable or exchangeable for common units.

The 180-day restricted period described in the preceding paragraph will be extended if:

- during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to Carlyle occurs; or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

These restrictions do not apply to:

- (1) the sale of common units to the underwriters;
- (2) the issuance by us of our common units or any security convertible into or exercisable or exchangeable for common units upon the exercise of an option or a warrant or a right (including an earn-out right) or the conversion of a security outstanding on the date of this prospectus of which the underwriters have been advised in writing;
- (3) transactions by any person other than us relating to common units acquired in open market transactions after the completion of this offering;
- (4) transfers by any person other than us of common units or any security convertible into or exercisable or exchangeable for common units by will or intestacy;

- (5) transfers by any person other than us of common units or any security convertible into or exercisable or exchangeable for common units as a bona fide gift;
- (6) distributions by any person other than us of common units or any security convertible into or exercisable or exchangeable for common units to such person's limited partners or members;
- (7) the transfer by any person other than us of common units or any security convertible into or exercisable or exchangeable for common units to a member or members of such person's immediate family or to a trust, the beneficiaries of which are exclusively such person or a member or members of his or her immediate family or to any other entity that is wholly-owned by such persons;
- (8) the transfer by any person other than us of common units or any security convertible into or exercisable or exchangeable for common units to a corporation, partnership, limited liability company or other entity that is wholly-owned by such person and/or by such person's immediate family;
- (9) the transfer by any person other than us of common units or any security convertible into or exercisable or exchangeable for common units to charitable organizations, family foundations or donor-advised funds at sponsoring organizations;
- (10) the entry by any person other than us into a trading plan established in accordance with Rule 10b5-1 under the Exchange Act, provided that sales under any such plan may not occur during the 180-day restricted period;
- (11) the exchange by any person other than us of Carlyle Holdings partnership units for common units (provided that such common units will be subject to the restrictions on transfer described above);
- (12) the issuance by us of common units or securities convertible into or exercisable or exchangeable for common units pursuant to our Equity Incentive Plan;
- (13) the sale of common units pursuant to the "cashless" exercise at expiration of options granted pursuant to our Equity Incentive Plan (the term "cashless" exercise being intended to include the sale of a portion of the option common units or previously owned common units to us or in the open market to cover payment of the exercise price);
- (14) the sale of common units in respect of tax withholding payments due upon the exercise of options or the vesting of restricted unit grants pursuant to our Equity Incentive Plan; and
- (15) the issuance by us of up to 5% of the common units outstanding after this offering (assuming all partnership units in Carlyle Holdings have been exchanged for common units), or securities convertible into or exercisable or exchangeable for common units in connection with mergers or acquisitions, joint ventures, commercial relationships or other strategic transactions;

provided that in the case of transactions described in the fifth, sixth, seventh, eighth and ninth clauses above, each donee or other transferee agrees to be subject to the restrictions on transfer described above.

The representatives in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice. The representatives do not have any current intention to release common units or other securities subject to the lock-up agreements. If the representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up agreement for an officer or director of our general partner and provide us with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, we have agreed to announce the impending release or waiver by a press release through a major news service at least two business days before the effective date of the release or waiver. In addition, the partnership agreements of the Carlyle Holdings partnerships and related agreements will contractually restrict our existing owners' ability to transfer the Carlyle Holdings partnership units or the common units

they hold. We have agreed that we will not waive, modify or amend such transfer restrictions during the period ending 180 days after the date of this prospectus. We also have instituted an internal policy that prohibits our employees from selling short or trading in derivative securities relating to the common units.

Carlyle Transfer Restrictions

As described in “Management — Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions,” holders of our Carlyle Holdings partnership units (other than Mubadala and CalPERS), including our founders and other senior Carlyle professionals, will be prohibited from transferring or exchanging any such units until the _____ anniversary of this offering without our consent.

Mubadala Transfer Restrictions

The equity interests in Carlyle held by Mubadala (whether held in the form of common units, partnership units or otherwise, and including equity interests to be received by Mubadala upon conversion of the notes) are subject to the transfer restrictions described in the Mubadala Subscription Agreement. The transfer restrictions that will be applicable upon consummation of this offering are outlined below, although we may waive such restrictions in whole or in part from time to time.

None of the equity interests in our business held by Mubadala after the closing of this offering and the consummation of the offering transactions, as described above under “Organizational Structure — Offering Transactions” will be transferable prior to the twelve month anniversary of the closing of this offering.

Following the twelve month anniversary of the closing of this offering, Mubadala may transfer its equity interests in our business to the extent necessary to reduce its aggregate beneficial ownership of our business below 10% in order to comply with, or eliminate the obligation to comply with, any applicable regulatory, stock or exchange or other government regulations or requirements (other than those pursuant to Sections 13 or 16 of the Exchange Act or Rule 144 under the Securities Act) if non-compliance with such regulations or requirements would materially and adversely impact Mubadala.

In addition, 100% of the equity interests in our business held by Mubadala represented by Mubadala’s initial investment in our business in October 2007 (the “initial interests”) will be free from transfer restrictions following the 12-month anniversary of the closing of this offering. With respect to the equity interests represented by Mubadala’s investment in December 2010, including the partnership units to be received by Mubadala upon conversion of the notes (the “new interests”), 50% of such new interests will be free from transfer restrictions following the 18-month anniversary of the closing of this offering, and 100% of such new interests will be free from transfer restrictions following the 24-month anniversary of the closing of this offering. For the purposes of the foregoing, the partnership units to be sold by Mubadala to the wholly-owned subsidiaries The Carlyle Group L.P. as described above under “Organizational Structure — Offering Transactions” will be deemed to be initial interests. Based on an assumed initial offering price of \$ _____ per common unit (the midpoint of the range indicated on the front cover of this prospectus), after giving effect to the Reorganization, including the conversion of the subordinated notes, and this offering, Mubadala will own an aggregate of _____ Carlyle Holdings partnership units _____ of which will constitute “initial interests” and _____ of which will constitute “new interests.”

The table below presents the maximum number of Carlyle Holdings partnership units that may be transferred by Mubadala during the periods presented, after giving effect to the conversion of the notes (assuming an initial offering price of \$ per common unit, the midpoint of the range indicated on the front cover of this prospectus) and the consummation of the offering.

Period	Maximum Number
12-18 months after the closing of this offering	Units
18-24 months after the closing of this offering	Units
24 months after the closing of this offering	Units

The foregoing restrictions on transfer will terminate and be of no further force and effect after the occurrence of certain change of control events. In addition, the foregoing restrictions will not apply in certain circumstances, including: (1) transfers required to comply with the limit on Mubadala’s beneficial ownership described above under “Management — Composition of the Board of Directors after this Offering — Certain Rights and Restrictions Applicable to Mubadala,” (2) certain transfers to affiliates, (3) certain pledges, hypothecations, mortgages and encumbrances or (4) transfers with respect to which our general partner has provided prior written consent; *provided, that* in the case of (2) through (4) above the transferee agrees to be bound by Mubadala’s obligations and that certain other requirements shall be met.

In addition, Mubadala is subject to a limitation on beneficial ownership which provides that at no time after the consummation of this offering may Mubadala acquire or permit its affiliates to acquire collectively interests representing more than 19.9% of the equity interest in our business on a fully diluted basis.

Mubadala has also agreed to be bound by the restrictions described above under “— Lock-Up Arrangements.”

CalPERS Transfer Restrictions

CalPERS has also agreed to be bound by the restrictions described above under “— Lock-Up Arrangements.” However, the Carlyle Holdings partnership units held by CalPERS are not otherwise subject to transfer restrictions. After the consummation of this offering, CalPERS will own an aggregate of Carlyle Holdings partnership units.

Rule 144

In general, under Rule 144 a person (or persons whose common units are aggregated), including any person who may be deemed our affiliate, is entitled to sell within any three-month period a number of restricted securities that does not exceed the greater of 1% of the then outstanding common units and the average weekly trading volume during the four calendar weeks preceding each such sale, provided that at least six months have elapsed since such common units were acquired from us or any affiliate of ours and certain manner of sale, notice requirements and requirements as to availability of current public information about us are satisfied. Any person who is deemed to be our affiliate must comply with the provisions of Rule 144 (other than the six-month holding period requirement) in order to sell common units which are not restricted securities (such as common units acquired by affiliates either in this offering or through purchases in the open market following this offering). In addition, a person who is not our affiliate, and who has not been our affiliate at any time during the 90 days preceding any sale, is entitled to sell common units without regard to the foregoing limitations, provided that at least one year has elapsed since the common units were acquired from us or any affiliate of ours.

MATERIAL U.S. FEDERAL TAX CONSIDERATIONS

This summary discusses the material U.S. federal income tax considerations related to the purchase, ownership and disposition of our common units as of the date hereof. For purposes of this discussion, references to “Carlyle,” “we,” “our,” and “us” mean only The Carlyle Group L.P. and not its subsidiaries, except as otherwise indicated. This summary is based on provisions of the Internal Revenue Code of 1986, as amended, on the regulations promulgated thereunder and on published administrative rulings and pronouncements of the IRS and judicial decisions, all of which are subject to change or differing interpretations at any time, possibly with retroactive effect. This discussion is necessarily general and may not apply to all categories of investors, some of which, such as banks, or other financial institutions, real estate investment trusts, investors who are deemed to own 10% or more of our common units, persons holding common units as part of a hedging, integrated or conversion transaction or straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, charitable remainder unit trusts, common trust funds, insurance companies, persons liable for the alternative minimum tax, dealers and other investors that do not own their common units as capital assets, may be subject to special rules. Tax-exempt organizations and mutual funds are discussed separately below. In addition, except to the extent provided below, this discussion does not address any aspect of state, local or non-U.S. tax law. The actual tax consequences of the purchase and ownership of common units will vary depending on your circumstances. This discussion, to the extent that it states matters of U.S. federal tax law or legal conclusions and subject to the qualifications herein, represents the opinion of Simpson Thacher & Bartlett LLP. Such opinion is based in part on facts described in this prospectus and on various other factual assumptions, representations and determinations. Any alteration or incorrectness of such facts, assumptions, representations or determinations could adversely affect such opinion. However, opinions of counsel are not binding upon the IRS or any court, and the IRS may challenge the conclusions herein and a court may sustain such a challenge.

For purposes of this discussion, a “U.S. Holder” is a beneficial holder of a common unit that is for U.S. federal income tax purposes (1) an individual citizen or resident of the United States; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (4) a trust which either (A) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (B) has a valid election in effect under applicable Treasury regulations to be treated as a United States person. A “non-U.S. Holder” is a holder (other than a partnership) that is not a U.S. Holder.

If a partnership holds common units, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common units, you should consult your tax advisors. This discussion does not constitute tax advice and is not intended to be a substitute for tax planning.

Prospective holders of common units should consult their own tax advisors concerning the U.S. federal, state and local income tax and estate tax consequences in their particular situations of the purchase, ownership and disposition of a common unit, as well as any consequences under the laws of any other taxing jurisdiction.

Taxation of our Partnership and the Carlyle Holdings Partnerships

Subject to the discussion set forth in the next paragraph, an entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether or not cash distributions are then made. Investors in this offering will become limited partners of The Carlyle Group L.P. Distributions of cash by a partnership to a

partner are generally not taxable unless the amount of cash distributed to a partner is in excess of the partner's adjusted basis in its partnership interest.

An entity that would otherwise be classified as a partnership for U.S. federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership," unless an exception applies. An entity that would otherwise be classified as a partnership is a publicly traded partnership if (i) interests in the partnership are traded on an established securities market or (ii) interests in the partnership are readily tradable on a secondary market or the substantial equivalent thereof. We will be publicly traded. However, an exception to taxation as a corporation, referred to as the "Qualifying Income Exception," exists if at least 90% of such partnership's gross income for every taxable year consists of "qualifying income" and the partnership is not required to register under the 1940 Act. Qualifying income includes certain interest income, dividends, real property rents, gains from the sale or other disposition of real property, and any gain from the sale or disposition of a capital asset or other property held for the production of income that otherwise constitutes qualifying income. We expect that allocations of carried interest from investments in stock and securities of corporations will typically consist of qualifying income, while income in respect of management, advisory and incentive fees as well as income allocations from our interest in investments in businesses conducted in non-corporate form (such as partnerships or LLCs) will typically not constitute qualified income. We intend to hold investments that generate income that is not qualifying income through entities classified as corporations for U.S. federal income tax purposes. Distributions received from such corporations will generally constitute qualifying income.

Our general partner will adopt a set of investment policies and procedures that will govern the types of investments we can make (and income we can earn), including structuring certain investments through entities classified as corporations for U.S. federal income tax purposes, to ensure that we will meet the Qualifying Income Exception in each taxable year. It is the opinion of Simpson Thacher & Bartlett LLP that we will be treated as a partnership and not as a corporation for U.S. federal income tax purposes based on certain assumptions and factual statements and representations made by us, including statements and representations as to the manner in which we intend to manage our affairs, the composition of our income, and that our general partner will ensure that we comply with the investment policies and procedures put in place to ensure that we meet the Qualifying Income Exception in each taxable year. However, this opinion is based solely on current law and does not take into account any proposed or potential changes in law, which may be enacted with retroactive effect. Moreover, opinions of counsel are not binding upon the IRS or any court, and the IRS may challenge this conclusion and a court may sustain such a challenge.

If we fail to meet the Qualifying Income Exception, other than a failure that is determined by the IRS to be inadvertent and that is cured within a reasonable time after discovery, or if we are required to register under the 1940 Act, we will be treated as if we had transferred all of our assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which we fail to meet the Qualifying Income Exception, in return for stock in that corporation, and then distributed the stock to the holders of common units in liquidation of their interests in us. This deemed contribution and liquidation should generally be tax-free to holders so long as we do not have liabilities in excess of the tax basis of our assets at that time. Thereafter, we would be treated as a corporation for U.S. federal income tax purposes.

If we were treated as a corporation in any taxable year, either as a result of a failure to meet the Qualifying Income Exception or otherwise, our items of income, gain, loss and deduction would be reflected only on our tax return rather than being passed through to holders of common units, and we would be subject to U.S. corporate income tax on our taxable income at regular corporate rates, thereby materially reducing the amount of cash available for distribution to holders of our common units. Distributions made to holders of our common units would be treated as either taxable dividend income, which may be eligible for reduced rates of taxation, to the extent of our current or accumulated earnings and profits, or in the absence of earnings and profits, as a nontaxable return of capital, to the extent of the holder's tax basis in the common units, or as taxable capital gain, after the holder's basis is reduced to zero. In addition, in the case of non-U.S. Holders, income that we

receive with respect to investments may be subject to a higher rate of U.S. withholding tax. Accordingly, treatment as a corporation could materially reduce a holder's after-tax return and thus could result in a substantial reduction of the value of the common units.

If at the end of any taxable year we fail to meet the Qualifying Income Exception, we may still qualify as a partnership if we are entitled to relief under the Internal Revenue Code for an inadvertent termination of partnership status. This relief will be available if (i) the failure is cured within a reasonable time after discovery, (ii) the failure is determined by the IRS to be inadvertent, and (iii) we agree to make such adjustments (including adjustments with respect to our partners) or to pay such amounts as are required by the IRS. It is not possible to state whether we would be entitled to this relief in any or all circumstances. It also is not clear under the Internal Revenue Code whether this relief is available for our first taxable year as a publicly traded partnership. If this relief provision is inapplicable to a particular set of circumstances involving us, we will not qualify as a partnership for federal income tax purposes. Even if this relief provision applies and we retain our partnership status, we or the holders of our common units (during the failure period) will be required to pay such amounts as are determined by the IRS.

The remainder of this section assumes that we and the Carlyle Holdings partnerships will be treated as partnerships for U.S. federal income tax purposes.

Taxation of Carlyle Holdings I GP Inc.

Carlyle Holdings I GP Inc. is taxable as a corporation for U.S. federal income tax purposes and therefore, as the holder of Carlyle Holdings I GP Inc.'s common stock, we will not be taxed directly on earnings of entities we hold through Carlyle Holdings I GP Inc. Distributions of cash or other property that Carlyle Holdings I GP Inc. pays to us will constitute dividends for U.S. federal income tax purposes to the extent paid from its current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If the amount of a distribution by Carlyle Holdings I GP Inc. exceeds its current and accumulated earnings and profits, such excess will be treated as a tax-free return of capital to the extent of our tax basis in Carlyle Holdings I GP Inc.'s common stock, and thereafter will be treated as a capital gain. We expect to hold certain of our entities that are expected to generate income that is not qualifying income for purposes of the Qualifying Income Exception through Carlyle Holdings I GP Inc., which is a corporation for U.S. federal income tax purposes, so that income in respect of such investments will be paid to us as distributions from Carlyle Holdings I GP Inc. that will constitute qualifying income.

Carlyle Holdings I GP Inc. will incur U.S. federal income taxes on its proportionate share of any net taxable income of Carlyle Holdings I L.P. In accordance with its partnership agreement, we will cause Carlyle Holdings I L.P. to distribute cash on a pro rata basis to holders of its units (that is, Carlyle Holdings I GP Inc. and our existing owners) in an amount at least equal to the maximum tax liabilities arising from their ownership of such units, if any.

Taxation of Carlyle Holdings II GP L.L.C.

As a single member limited liability company that has not elected to be treated as a corporation for U.S. federal income tax purposes, Carlyle Holdings II GP L.L.C. will be treated as an entity disregarded as a separate entity from us. Accordingly, all the assets, liabilities and items of income, deduction and credit of Carlyle Holdings II GP L.L.C. will be treated as our assets, liabilities and items of income, deduction and credit.

We anticipate that Carlyle Holdings II GP L.L.C. will invest directly or indirectly in a variety of assets and otherwise engage in activities and derive income that is consistent with the Qualifying Income Exception discussed above.

Taxation of Carlyle Holdings III GP L.P.

Carlyle Holdings III GP L.P. is a wholly-owned *société en commandite* organized in Québec. Carlyle Holdings III GP L.P. is taxable as a foreign corporation for U.S. federal income tax purposes. Distributions of cash or other property that Carlyle Holdings III GP L.P. pays to us will constitute

dividends for U.S. federal income tax purposes to the extent paid from its current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If the amount of a distribution by Carlyle Holdings III GP L.P. exceeds its current and accumulated earnings and profits, such excess will be treated as a tax-free return of capital to the extent of our tax basis in Carlyle Holdings III GP L.P.'s common stock, and thereafter will be treated as a capital gain. Income realized by Carlyle Holdings III GP L.P. will not be subject to U.S. federal income tax to the extent it has a foreign source and is not treated as ECI. Carlyle Holdings III GP L.P. is expected to be operated so as not to produce ECI. Its assets, liabilities and items of income, deduction and credit will not be treated as our assets, liabilities and items of income, deduction and credit. We expect to hold certain of our entities that are expected to generate income that is not qualifying income for purposes of the Qualifying Income Exception through Carlyle Holdings III GP L.P., which is a corporation for U.S. federal income tax purposes, so that income in respect of such entities will be paid to us as distributions from Carlyle Holdings III GP L.P. that will constitute qualifying income.

Personal Holding Companies

Carlyle Holdings I GP Inc. could be subject to additional U.S. federal income tax on a portion of its income if it is determined to be a personal holding company, or "PHC," for U.S. federal income tax purposes. Subject to certain exceptions, a U.S. corporation generally will be classified as a PHC for U.S. federal income tax purposes in a given taxable year if (i) at any time during the last half of such taxable year, five or fewer individuals (without regard to their citizenship or residency and including as individuals for this purpose certain entities such as certain tax-exempt organizations and pension funds) own or are deemed to own (pursuant to certain constructive ownership rules) more than 50% of the stock of the corporation by value and (ii) at least 60% of the corporation's adjusted ordinary gross income, as determined for U.S. federal income tax purposes, for such taxable year consists of PHC income (which includes, among other things, dividends, interest, royalties, annuities and, under certain circumstances, rents). The PHC rules do not apply to non-U.S. corporations.

Due to applicable attribution rules, it is likely that five or fewer individuals or tax-exempt organizations will be treated as owning actually or constructively more than 50% of the value of units in Carlyle Holdings I GP Inc. Consequently, Carlyle Holdings I GP Inc. could be or become a PHC, depending on whether it fails the PHC gross income test. If as a factual matter, the income of Carlyle Holdings I GP Inc. fails the PHC gross income test, it will be a PHC. Certain aspects of the gross income test cannot be predicted with certainty. Thus, no assurance can be given that Carlyle Holdings I GP Inc. will not become a PHC following this offering or in the future.

If Carlyle Holdings I GP Inc. is or were to become a PHC in a given taxable year, it would be subject to an additional 15% PHC tax on its undistributed PHC income, which generally includes the company's taxable income, subject to certain adjustments. For taxable years beginning after December 31, 2012, the PHC tax rate on undistributed PHC income will be equal to the highest marginal rate on ordinary income applicable to individuals. If Carlyle Holdings I GP Inc. were to become a PHC and had significant amounts of undistributed PHC income, the amount of PHC tax could be material; in that event, distribution of such income would generally reduce the PHC income subject to tax.

Certain State, Local and Non-U.S. Tax Matters

We and our subsidiaries may be subject to state, local or non-U.S. taxation in various jurisdictions, including those in which we or they transact business, own property or reside. For example, we and our subsidiaries may be subject to New York City and/or District of Columbia unincorporated business tax. We may be required to file tax returns in some or all of those jurisdictions. The state, local or non-U.S. tax treatment of us and our common unitholders may not conform to the U.S. federal income tax treatment discussed herein. We will pay non-U.S. taxes, and dispositions of foreign property or operations involving, or investments in, foreign property may give rise to non-U.S. income or other tax liability in amounts that could be substantial. Any

non-U.S. taxes incurred by us may not pass through to common unitholders as a credit against their U.S. federal income tax liability.

Consequences to U.S. Holders of Common Units

The following is a summary of the material U.S. federal income tax consequences that will apply to you if you are a U.S. Holder of common units.

For U.S. federal income tax purposes, your allocable share of our recognized items of income, gain, loss, deduction or credit, and our allocable share of those items of Carlyle Holdings, will be determined by the limited partnership agreements for our partnership and Carlyle Holdings if such allocations have “substantial economic effect” or are determined to be in accordance with your interest in our partnership. We believe that for U.S. federal income tax purposes, such allocations will be given effect as being in accordance with your interest in The Carlyle Group L.P., and our general partner intends to prepare tax returns based on such allocations. If the IRS successfully challenges the allocations made pursuant to the limited partnership agreements, the resulting allocations for U.S. federal income tax purposes might be less favorable than the allocations set forth in the limited partnership agreements.

With respect to U.S. Holders who are individuals, certain dividends paid by a corporation, including certain qualified foreign corporations, to us and that are allocable to such U.S. Holders prior to January 1, 2013 may be subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of specified income tax treaties with the United States. In addition, a foreign corporation is treated as a qualified corporation on shares that are readily tradable on an established securities market in the United States. We do not expect that Carlyle Holdings III GP L.P. will be a qualified foreign corporation for purposes of the reduced rates of taxation on dividends. Among other exceptions, a U.S. Holder who is an individual will not be eligible for reduced rates of taxation on any dividend if the payer is a PFIC (as defined below) in the taxable year in which such dividend is paid or in the preceding taxable year or on any income required to be reported by the U.S. Holder as a result of a QEF election (as defined below) that is attributable to a dividend received by an entity that is a PFIC and in which the fund holds a direct or indirect interest. Prospective investors should consult their own tax advisors regarding the application of the foregoing rules to their particular circumstances.

We may derive taxable income from an investment that is not matched by a corresponding distribution of cash. This could occur, for example, if we used cash to make an investment or to reduce debt instead of distributing profits. In addition, special provisions of the Internal Revenue Code may be applicable to certain of our investments, and may affect the timing of our income, requiring us (and, consequently, you) to recognize taxable income before we (or you) receive cash attributable to such income. Accordingly, it is possible that your U.S. federal income tax liability with respect to your allocable share of our income for a particular taxable year could exceed any cash distribution you receive for the year, thus giving rise to an out-of-pocket tax liability for you.

Basis

You will have an initial tax basis for your common unit equal to the amount you paid for the common unit plus your share under the partnership tax rules of our liabilities, if any. That basis will be increased by your share of our income and by increases in your share of our liabilities, if any. That basis will be decreased, but not below zero, by distributions from us, by your share of our losses and by any decrease in your share of our liabilities.

Holders who purchase common units in separate transactions must combine the basis of those units and maintain a single adjusted tax basis for all those units. Upon a sale or other disposition of less than all of the common units, a portion of that tax basis must be allocated to the common units sold.

Limits on Deductions for Losses and Expenses

Your deduction of your share of our losses will be limited to your tax basis in your common units and, if you are an individual or a corporate holder that is subject to the “at risk” rules, to the

amount for which you are considered to be “at risk” with respect to our activities, if that is less than your tax basis. In general, you will be at risk to the extent of your tax basis in your common units, reduced by (1) the portion of that basis attributable to your share of our liabilities for which you will not be personally liable and (2) any amount of money you borrow to acquire or hold your common units, if the lender of those borrowed funds owns an interest in us, is related to you or can look only to the common units for repayment. Your at risk amount generally will increase by your allocable share of our income and gain and decrease by cash distributions to you and your allocable share of losses and deductions. You must recapture losses deducted in previous years to the extent that distributions cause your at risk amount to be less than zero at the end of any taxable year. Losses disallowed or recaptured as a result of these limitations will carry forward and will be allowable to the extent that your tax basis or at risk amount, whichever is the limiting factor, subsequently increases. Any excess loss above that gain previously suspended by the at risk or basis limitations may no longer be used.

We do not expect to generate income or losses from “passive activities” for purposes of Section 469 of the Internal Revenue Code. Accordingly, income allocated to you by us may not be offset by your Section 469 passive losses and losses allocated to you generally may not be used to offset your Section 469 passive income. In addition, other provisions of the Internal Revenue Code may limit or disallow any deduction for losses by you or deductions associated with certain assets of the partnership in certain cases, including potentially Section 470 of the Internal Revenue Code. You should consult with your tax advisors regarding their limitations on the deductibility of losses under applicable sections of the Internal Revenue Code.

Limitations on Deductibility of Organizational Expenses and Syndication Fees

In general, neither we nor any U.S. Holder may deduct organizational or syndication expenses. An election may be made by our partnership to amortize organizational expenses over a 15-year period. Syndication fees (which would include any sales or placement fees or commissions or underwriting discount payable to third parties) must be capitalized and cannot be amortized or otherwise deducted.

Limitations on Interest Deductions

Your share of our interest expense is likely to be treated as “investment interest” expense. If you are a non-corporate U.S. Holder, the deductibility of “investment interest” expense is generally limited to the amount of your “net investment income.” Your share of our dividend and interest income will be treated as investment income, although “qualified dividend income” subject to reduced rates of tax in the hands of an individual will only be treated as investment income if you elect to treat such dividend as ordinary income not subject to reduced rates of tax. In addition, state and local tax laws may disallow deductions for your share of our interest expense.

The computation of your investment interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase a common unit. Net investment income includes gross income from property held for investment and amounts treated as portfolio income, such as dividends and interest, under the passive loss rules less deductible expenses, other than interest, directly connected with the production of investment income, but generally does not include gains attributable to the disposition of property held for investment. For this purpose, any long-term capital gain or qualifying dividend income that is taxable at long-term capital gain rates is excluded from net investment income, unless the U.S. holder elects to pay tax on such gain or dividend income at ordinary income rates.

Deductibility of Partnership Investment Expenditures by Individual Partners and by Trusts and Estates

Subject to certain exceptions, all miscellaneous itemized deductions of an individual taxpayer, and certain of such deductions of an estate or trust, are deductible only to the extent that such deductions exceed 2% of the taxpayer’s adjusted gross income. Moreover, for taxable years

beginning on or after January 1, 2013, the otherwise allowable itemized deductions of individuals whose gross income exceeds an applicable threshold amount are subject to reduction by an amount equal to the lesser of (1) 3% of the excess of the individual's adjusted gross income over the threshold amount, or (2) 80% of the amount of the itemized deductions. The operating expenses of Carlyle Holdings, including the management fee and management fees paid with respect to private funds advised by Carlyle to the extent these private funds are treated as partnerships for U.S. federal income tax purposes, may be treated as miscellaneous itemized deductions subject to the foregoing rule. Alternatively, it is possible that we will be required to capitalize the management fees. Accordingly, if you are a non-corporate U.S. Holder, you should consult your tax advisors with respect to the application of these limitations.

Treatment of Distributions

Distributions of cash by us will not be taxable to you to the extent of your adjusted tax basis (described above) in your common units. Any cash distributions in excess of your adjusted tax basis will be considered to be gain from the sale or exchange of common units (described below). Under current laws, such gain would be treated as capital gain and would be long-term capital gain if your holding period for your common units exceeds one year, subject to certain exceptions (described below). A reduction in your allocable share of our liabilities, and certain distributions of marketable securities by us, are treated similar to cash distributions for U.S. federal income tax purposes.

Sale or Exchange of Common Units

You will recognize gain or loss on a sale of common units equal to the difference, if any, between the amount realized and your tax basis in the common units sold. Your amount realized will be measured by the sum of the cash or the fair market value of other property received plus your share under the partnership tax rules of our liabilities, if any. Your adjusted tax basis will be adjusted for this purpose by your allocable share of our income or loss for the year of such sale or other disposition.

Gain or loss recognized by you on the sale or exchange of a common unit generally will be taxable as capital gain or loss and will be long-term capital gain or loss if all of the common units you hold were held for more than one year on the date of such sale or exchange. Assuming we have not made an election, referred to as a "QEF election," to treat our interest in a PFIC as a "qualified electing fund," or "QEF," gain attributable to such investment in a PFIC would be taxable as ordinary income and would be subject to an interest charge. See "— Passive Foreign Investment Companies." In addition, certain gain attributable to our investment in a controlled foreign corporation, or CFC, may be characterized as ordinary income and certain gain attributable to "unrealized receivables" or "inventory items" would be characterized as ordinary income rather than capital gain. For example, if we hold debt acquired at a market discount, accrued market discount on such debt would be treated as "unrealized receivables." The deductibility of capital losses is subject to limitations.

Holders who purchase units at different times and intend to sell all or a portion of the units within a year of their most recent purchase are urged to consult their tax advisors regarding the application of certain "split holding period" rules to them and the treatment of any gain or loss as long-term or short-term capital gain or loss.

Foreign Tax Credit Limitations

You generally will be entitled to a foreign tax credit with respect to your allocable share of creditable foreign taxes paid on our income and gains. Complex rules may, depending on your particular circumstances, limit the availability or use of foreign tax credits. Gains from the sale of our investments may be treated as U.S. source gains. Consequently, you may not be able to use the foreign tax credit arising from any foreign taxes imposed on such gains unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from

foreign sources. Certain losses that we incur may be treated as foreign source losses, which could reduce the amount of foreign tax credits otherwise available.

Section 754 Election

We currently do not intend to make the election permitted by Section 754 of the Internal Revenue Code with respect to us, Carlyle Holdings II L.P. or Carlyle Holdings III L.P. Carlyle Holdings I L.P. currently intends to make such an election. The election, if made, is irrevocable without the consent of the IRS and would generally require the electing partnership to adjust the tax basis in its assets, or “inside basis,” attributable to a transferee of interests in the electing partnership under Section 743(b) of the Internal Revenue Code to reflect the purchase price of such interests paid by the transferee. If Carlyle Holdings I L.P. makes a Section 754 election as intended, then Carlyle Holdings I GP Inc. would be required to adjust the basis in its assets attributable to interests in Carlyle Holding I L.P. acquired by Carlyle Holdings I GP Inc. from the limited partners of Carlyle Holdings I L.P. pursuant to the Exchange Agreement described under “Certain Relationships and Related Person Transactions — Exchange Agreement.” If, as intended, we do not make the Section 754 election with respect to us, no similar adjustment to basis in assets owned directly or indirectly by us attributable to common units acquired by transferees would be made. Because we own our interests in Carlyle Holdings I L.P. indirectly through Carlyle Holdings I GP Inc., a corporation for U.S. federal income tax purposes, and our interests in Carlyle Holdings III L.P. indirectly through Carlyle Holdings III GP L.P., a corporation for U.S. federal income tax purposes, there will be no adjustment to the inside basis for a transferee of common units in respect of Carlyle Holdings I L.P. or Carlyle Holdings III L.P. regardless of whether a Section 754 election is made in respect of us or those partnerships.

If no Section 754 election is made by us and Carlyle Holdings II L.P., there will be no adjustment for the transferee of common units, even if the purchase price of those common units is higher than the common units’ share of the aggregate tax basis of our assets or the assets of Carlyle Holdings II L.P. immediately prior to the transfer. In that case, on a sale of any such asset, gain allocable to the transferee would include built-in gain allocable to the transferee at the time of the transfer, which built-in gain would otherwise generally be eliminated if we and Carlyle Holdings II L.P. had made a Section 754 election.

Even assuming no Section 754 election is made, if common units are transferred at a time when we had a “substantial built-in loss” inherent in our assets, we would be obligated to reduce the tax basis in the portion of such assets attributable to such common units.

The calculations under Section 754 of the Internal Revenue Code are complex. We will make them on the basis of assumptions as to the value of our assets and other matters.

Uniformity of Common Units

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

Foreign Currency Gain or Loss

Our functional currency will be the U.S. dollar, and our income or loss will be calculated in U.S. dollars. It is likely that we will recognize “foreign currency” gain or loss with respect to transactions involving non-U.S. dollar currencies. In general, foreign currency gain or loss is treated as ordinary income or loss. You should consult your tax advisor with respect to the tax treatment of foreign currency gain or loss.

Passive Foreign Investment Companies

You may be subject to special rules applicable to indirect investments in foreign corporations, including an investment in a PFIC. Carlyle Holdings I GP Inc. will be subject to rules similar to those described below with respect to any PFICs owned directly or indirectly by it.

A PFIC is defined as any foreign corporation with respect to which either (1) 75% or more of the gross income for a taxable year is “passive income” (as defined in Section 1297 of the Internal Revenue Code and the regulations promulgated thereunder) or (2) 50% or more of its assets in any taxable year (generally based on the quarterly average of the value of its assets) produce “passive income.” There are no minimum stock ownership requirements for PFICs. Once a corporation qualifies as a PFIC it is, subject to certain exceptions, always treated as a PFIC, regardless of whether it satisfies either of the qualification tests in subsequent years. Any gain on disposition of stock of a PFIC, as well as income realized on certain “excess distributions” by the PFIC, is treated as though realized ratably over the shorter of your holding period of common units or our holding period for the PFIC. Such gain or income is taxable as ordinary income and, as discussed above, dividends paid by a PFIC to an individual will not be eligible for the reduced rates of taxation that are available for certain qualifying dividends. In addition, an interest charge would be imposed on you based on the tax deferred from prior years.

Although it may not always be possible, we expect to make a QEF election where possible with respect to each entity treated as a PFIC to treat such non-U.S. entity as a QEF in the first year we hold shares in such entity. However, we expect that in many circumstances we may not have access to information necessary to make a QEF election because, for example, one of our investment funds may hold minority interests directly or indirectly in an entity over which we have no control. A QEF election is effective for our taxable year for which the election is made and all subsequent taxable years and may not be revoked without the consent of the IRS. If we make a QEF election under the Internal Revenue Code with respect to our interest in a PFIC, in lieu of the foregoing treatment, we would be required to include in income each year a portion of the ordinary earnings and net capital gains of the QEF called “QEF Inclusions,” even if not distributed to us. Thus, holders may be required to report taxable income as a result of QEF Inclusions without corresponding receipts of cash. However, a holder may elect to defer, until the occurrence of certain events, payment of the U.S. federal income tax attributable to QEF Inclusions for which no current distributions are received, but will be required to pay interest on the deferred tax computed by using the statutory rate of interest applicable to an extension of time for payment of tax. However, net losses (if any) of a non-U.S. entity owned through Carlyle Holdings II GP L.L.C. that is treated as a PFIC will not pass through to us or to holders and may not be carried back or forward in computing such PFIC’s ordinary earnings and net capital gain in other taxable years. Consequently, holders may over time be taxed on amounts that as an economic matter exceed our net profits. Our tax basis in the shares of such non-U.S. entities, and a holder’s basis in our common units, will be increased to reflect QEF Inclusions. No portion of the QEF Inclusion attributable to ordinary income will be eligible for reduced rates of taxation applicable to qualified dividend income of individual U.S. Holders. Amounts included as QEF Inclusions with respect to direct and indirect investments generally will not be taxed again when distributed. You should consult your tax advisors as to the manner in which QEF Inclusions affect your allocable share of our income and your basis in your common units.

Alternatively, in the case of a PFIC that is a publicly-traded foreign portfolio company, we may make an election to “mark to market” the stock of such foreign portfolio company on an annual basis. Pursuant to such an election, you would include in each year as ordinary income the excess, if any, of the fair market value of such stock over its adjusted basis at the end of the taxable year. You may treat as ordinary loss any excess of the adjusted basis of the stock over its fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the election in prior years.

When making investment or other decisions, we will consider whether an investment will be a PFIC and the tax consequences related thereto. We may make certain investments, including for instance investments in specialized investment funds or investments in funds of funds through non-U.S. corporate subsidiaries of the Carlyle Holdings partnerships or through other non-U.S. corporations. Such entities may be a PFICs for U.S. federal income tax purposes. In addition, certain of our investments could be in PFICs. Thus, we can make no assurance that some of our investments will not be treated as held through a PFIC or as interests in PFICs or that such PFICs will be eligible for the “mark to market” election, or that as to any such PFICs we will be able to make QEF elections.

If we do not make a QEF election with respect to a PFIC, Section 1291 of the Internal Revenue Code will treat all gain on a disposition by us of shares of such entity, gain on the disposition of common units by a holder at a time when we own shares of such entity, as well as certain other defined “excess distributions,” as if the gain or excess distribution were ordinary income earned ratably over the shorter of the period during which the holder held its common units or the period during which we held our shares in such entity. For gain and excess distributions allocated to prior years, (i) the tax rate will be the highest in effect for that taxable year and (ii) the tax will be payable generally without regard to offsets from deductions, losses and expenses. Holders will also be subject to an interest charge for any deferred tax. No portion of this ordinary income will be eligible for the favorable tax rate applicable to “qualified dividend income” for individual U.S. persons.

Controlled Foreign Corporations

A non-U.S. entity will be treated as a CFC if it is treated as a corporation for U.S. federal income tax purposes and if more than 50% of (i) the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote or (ii) the total value of the stock of the non-U.S. entity is owned by U.S. Shareholders on any day during the taxable year of such non-U.S. entity. For purposes of this discussion, a “U.S. Shareholder” with respect to a non-U.S. entity means a U.S. person that owns 10% or more of the total combined voting power of all classes of stock of the non-U.S. entity entitled to vote.

When making investment or other decisions, we will consider whether an investment will be a CFC and the consequences related thereto. If we are a U.S. Shareholder in a non-U.S. entity that is treated as a CFC, each common unitholder may be required to include in income its allocable share of the CFC’s “Subpart F” income reported by us. Subpart F income generally includes dividends, interest, net gain from the sale or disposition of securities, non-actively managed rents, fees for services provided to certain related persons and certain other generally passive types of income. The aggregate Subpart F income inclusions in any taxable year relating to a particular CFC are limited to such entity’s current earnings and profits. These inclusions are treated as ordinary income (whether or not such inclusions are attributable to net capital gains). Thus, an investor may be required to report as ordinary income its allocable share of the CFC’s Subpart F income reported by us without corresponding receipts of cash and may not benefit from capital gain treatment with respect to the portion of our earnings (if any) attributable to net capital gains of the CFC.

The tax basis of our shares of such non-U.S. entity, and a holder’s tax basis in our common units, will be increased to reflect any required Subpart F income inclusions. Such income will be treated as income from sources within the United States, for certain foreign tax credit purposes, to the extent derived by the CFC from U.S. sources. Such income will not be eligible for the reduced rate of tax applicable to “qualified dividend income” for individual U.S. persons. See “— Consequences to U.S. Holders of Common Units.” Amounts included as such income with respect to direct and indirect investments generally will not be taxable again when distributed.

Regardless of whether any CFC has Subpart F income, any gain allocated to you from our disposition of stock in a CFC will be treated as ordinary income to the extent of your allocable share of the current and/or accumulated earnings and profits of the CFC. In this regard, earnings would not include any amounts previously taxed pursuant to the CFC rules. However, net losses (if any) of a non-U.S. entity owned by us that is treated as a CFC will not pass through to you. Moreover, a

portion of your gain from the sale or exchange of your common units may be treated as ordinary income. Any portion of any gain from the sale or exchange of a common unit that is attributable to a CFC may be treated as an “unrealized receivable” taxable as ordinary income. See “— Sale or Exchange of Common Units.”

If a non-U.S. entity held by us is classified as both a CFC and a PFIC during the time we are a U.S. Shareholder of such non-U.S. entity, a holder will be required to include amounts in income with respect to such non-U.S. entity pursuant to this subheading, and the consequences described under the subheading “Passive Foreign Investment Companies” above will not apply. If our ownership percentage in a non-U.S. entity changes such that we are not a U.S. Shareholder with respect to such non-U.S. entity, then common unitholders may be subject to the PFIC rules. The interaction of these rules is complex, and prospective holders are urged to consult their tax advisors in this regard.

It is expected that Carlyle Holdings III GP L.P. will be a CFC subject to the above rules and as such, each common unitholder that is a U.S. person will be required to include in income its allocable share of Carlyle Holdings III GP L.P.’s Subpart F income reported by us.

Investment Structure

To manage our affairs so as to meet the Qualifying Income Exception for the publicly traded partnership rules (discussed above) and comply with certain requirements in our Limited Partnership Agreement, we may need to structure certain investments through an entity classified as a corporation for U.S. federal income tax purposes. However, because our common unitholders will be located in numerous taxing jurisdictions, no assurances can be given that any such investment structure will be beneficial to all our common unitholders to the same extent, and may even impose additional tax burdens on some of our common unitholders. As discussed above, if the entity were a non-U.S. corporation it may be considered a CFC or a PFIC. If the entity were a U.S. corporation, it would be subject to U.S. federal income tax on its operating income, including any gain recognized on its disposal of its investments. In addition, if the investment involves U.S. real estate, gain recognized on disposition would generally be subject to such tax, whether the corporation is a U.S. or a non-U.S. corporation.

Taxes in Other State, Local and Non-U.S. Jurisdictions

In addition to U.S. federal income tax consequences, you may be subject to potential U.S. state and local taxes because of an investment in us in the U.S. state or locality in which you are a resident for tax purposes or in which we have investments or activities. You may also be subject to tax return filing obligations and income, franchise or other taxes, including withholding taxes, in state, local or non-U.S. jurisdictions in which we invest, or in which entities in which we own interests conduct activities or derive income. Income or gains from investments held by us may be subject to withholding or other taxes in jurisdictions outside the United States, subject to the possibility of reduction under applicable income tax treaties. If you wish to claim the benefit of an applicable income tax treaty, you may be required to submit information to tax authorities in such jurisdictions. You should consult your own tax advisors regarding the U.S. state, local and non-U.S. tax consequences of an investment in us.

Transferor/Transferee Allocations

In general, our taxable income and losses will be determined and apportioned among investors using conventions we regard as consistent with applicable law. As a result, if you transfer your common units, you may be allocated income, gain, loss and deduction realized by us after the date of transfer. Similarly, a transferee may be allocated income, gain, loss and deduction realized by us prior to the date of the transferee’s acquisition of our common units.

Although Section 706 of the Internal Revenue Code generally provides guidelines for allocations of items of partnership income and deductions between transferors and transferees of partnership interests, it is not clear that our allocation method complies with its requirements. If our convention

were not permitted, the IRS might contend that our taxable income or losses must be reallocated among the investors. If such a contention were sustained, your respective tax liabilities would be adjusted to your possible detriment. Our general partner is authorized to revise our method of allocation between transferors and transferees (as well as among investors whose interests otherwise vary during a taxable period).

U.S. Federal Estate Taxes

If common units are included in the gross estate of a U.S. citizen or resident for U.S. federal estate tax purposes, then a U.S. federal estate tax might be payable in connection with the death of such person. Prospective individual U.S. Holders should consult their own tax advisors concerning the potential U.S. federal estate tax consequences with respect to our common units.

U.S. Taxation of Tax-Exempt U.S. Holders of Common Units

A holder of common units that is a tax-exempt organization for U.S. federal income tax purposes and therefore generally exempt from U.S. federal income taxation, may nevertheless be subject to unrelated business income tax, or UBTI, to the extent, if any, that its allocable share of our income consists of UBTI. A tax-exempt partner of a partnership that regularly engages in a trade or business which is unrelated to the exempt function of the tax-exempt partner must include in computing its UBTI its pro rata share (whether or not distributed) of such partnership's gross income derived from such unrelated trade or business. Moreover, a tax-exempt partner of a partnership could be treated as earning UBTI to the extent that such partnership derives income from "debt-financed property," or if the partnership interest itself is debt financed. Debt-financed property means property held to produce income with respect to which there is "acquisition indebtedness" (that is, indebtedness incurred in acquiring or holding property).

Because we are under no obligation to minimize UBTI, tax-exempt U.S. Holders of common units should consult their own tax advisors regarding all aspects of UBTI.

Investments by U.S. Mutual Funds

U.S. mutual funds that are treated as regulated investment companies, or RICs, for U.S. federal income tax purposes are required, among other things, to meet an annual 90% gross income and a quarterly 50% asset value test under Section 851(b) of the Internal Revenue Code to maintain their favorable U.S. federal income tax status. The treatment of an investment by a RIC in common units for purposes of these tests will depend on whether we are treated as a "qualifying publicly traded partnership." If our partnership is so treated, then the common units themselves are the relevant assets for purposes of the 50% asset value test and the net income from the common units is the relevant gross income for purposes of the 90% gross income test. RICs may not invest greater than 25% of their assets in one or more qualifying publicly traded partnerships. All income derived from a qualifying publicly traded partnership is considered qualifying income for purposes of the RIC 90% gross income test above. However, if we are not treated as a qualifying publicly traded partnership for purposes of the RIC rules, then the relevant assets for the RIC asset test will be the RIC's allocable share of the underlying assets held by us and the relevant gross income for the RIC income test will be the RIC's allocable share of the underlying gross income earned by us. Whether we will qualify as a "qualifying publicly traded partnership" depends on the exact nature of our future investments, but it is likely that we will not be treated as a "qualifying publicly traded partnership." In addition, as discussed above under "— Consequences to U.S. Holders of Common Units," we may derive taxable income from an investment that is not matched by a corresponding cash distribution. Accordingly, a RIC investing in our common units may recognize income for U.S. federal income tax purposes without receiving cash with which to make distributions in amounts necessary to satisfy the distribution requirements under Section 852 and 4982 of the Internal Revenue Code for avoiding income and excise taxes. RICs should consult their own tax advisors about the U.S. tax consequences of an investment in common units.

Consequences to Non-U.S. Holders of Common Units

U.S. Income Tax Consequences

In light of our intended investment activities, we may be or may become engaged in a U.S. trade or business for U.S. federal income tax purposes, in which case some portion of our income would be treated as ECI with respect to non-U.S. Holders. If a non-U.S. Holder were treated as being engaged in a U.S. trade or business in any year because of an investment in our common units in such year, such non-U.S. Holder generally would be (1) subject to withholding by us on any actual distributions, (2) required to file a U.S. federal income tax return for such year reporting its allocable share, if any, of income or loss effectively connected with such trade or business, including certain income from U.S. sources not related to The Carlyle Group L.P. and (3) required to pay U.S. federal income tax at regular U.S. federal income tax rates on any such income. Moreover, a corporate non-U.S. Holder might be subject to a U.S. branch profits tax on its allocable share of its ECI. Any amount so withheld would be creditable against such non-U.S. Holder's U.S. federal income tax liability, and such non-U.S. Holder could claim a refund to the extent that the amount withheld exceeded such non-U.S. Holder's U.S. federal income tax liability for the taxable year. Finally, if we were treated as being engaged in a U.S. trade or business, a portion of any gain recognized by a holder who is a non-U.S. Holder on the sale or exchange of its common units could be treated for U.S. federal income tax purposes as ECI, and hence such non-U.S. Holder could be subject to U.S. federal income tax on the sale or exchange.

Generally, under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") provisions of the Internal Revenue Code, non-U.S. persons are subject to U.S. federal income tax in the same manner as U.S. persons on any gain realized on the disposition of an interest, other than an interest solely as a creditor, in U.S. real property. An interest in U.S. real property includes stock in a U.S. corporation (except for certain stock of publicly traded U.S. corporations) if interests in U.S. real property constitute 50% or more by value of the sum of the corporation's assets used in a trade or business, its U.S. real property interests and its interests in real property located outside the United States (a "United States Real Property Holding Corporation" or "USRPHC"). The FIRPTA tax applies if a non-U.S. person is a holder of an interest in a partnership that realizes gain in respect of an interest in U.S. real property or an interest in a USRPHC. We may, from time to time, make certain investments (other than direct investments in U.S. real property), for example, through one of our investment funds held by Carlyle Holdings II GP L.L.C. that could constitute investments in U.S. real property or USRPHCs. If we make such investments, each non-U.S. Holder will be subject to U.S. federal income tax under FIRPTA on such holder's allocable share of any gain we realize on the disposition of a FIRPTA interest and will be subject to the tax return filing requirements regarding ECI discussed above.

Although each non-U.S. Holder is required to provide an IRS Form W-8, we may not be able to provide complete information related to the tax status of our investors to Carlyle Holdings for purposes of obtaining reduced rates of withholding on behalf of our investors. Accordingly, to the extent we receive dividends from a U.S. corporation through Carlyle Holdings and its investment vehicles, your allocable share of distributions of such dividend income will be subject to U.S. withholding tax at a 30% rate, unless relevant tax status information is provided. Distributions to you may also be subject to withholding to the extent they are attributable to the sale of a U.S. real property interest or if the distribution is otherwise considered fixed or determinable annual or periodic income under the Internal Revenue Code, provided that an exemption from or a reduced rate of such withholding may apply if certain tax status information is provided. If such information is not provided and you would not be subject to U.S. tax based on your tax status or are eligible for a reduced rate of U.S. withholding, you may need to take additional steps to receive a credit or refund of any excess withholding tax paid on your account, which may include the filing of a non-resident U.S. income tax return with the IRS. Among other limitations, if you reside in a treaty jurisdiction which does not treat our partnership as a pass-through entity, you may not be eligible to receive a refund or credit of excess U.S. withholding taxes paid on your account. You should consult your tax advisors regarding the treatment of U.S. withholding taxes.

Special rules may apply in the case of a non-U.S. Holder that (1) has an office or fixed place of business in the U.S., (2) is present in the U.S. for 183 days or more in a taxable year or (3) is a former citizen of the U.S., a foreign insurance company that is treated as holding a partnership interests in us in connection with their U.S. business, a PFIC or a corporation that accumulates earnings to avoid U.S. federal income tax. You should consult your tax advisors regarding the application of these special rules.

U.S. Federal Estate Tax Consequences

The U.S. federal estate tax treatment of our common units with regards to the estate of a non-citizen who is not a resident of the United States is not entirely clear. If our common units are includable in the U.S. gross estate of such person, then a U.S. federal estate tax might be payable in connection with the death of such person. Prospective individual non-U.S. Holders who are non-citizens and not residents of the United States should consult their own tax advisors concerning the potential U.S. federal estate tax consequences with regard to our units.

Administrative Matters

Taxable Year

We currently intend to use the calendar year as our taxable year for U.S. federal income tax purposes. Under certain circumstances which we currently believe are unlikely to apply, a taxable year other than the calendar year may be required for such purposes.

Tax Matters Partner

Our general partner will act as our “tax matters partner.” As the tax matters partner, the general partner will have the authority, subject to certain restrictions, to act on our behalf in connection with any administrative or judicial review of our items of income, gain, loss, deduction or credit.

Information Returns

We have agreed to furnish to you, as soon as reasonably practicable after the close of each calendar year, tax information (including Schedule K-1), which describes on a U.S. dollar basis your share of our income, gain, loss and deduction for our preceding taxable year. It will most likely require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that K-1s may be prepared for us. Consequently, holders of common units who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year. In addition, each partner will be required to report for all tax purposes consistently with the information provided by us for the taxable year.

In preparing this information, we will use various accounting and reporting conventions, some of which have been mentioned in the previous discussion, to determine your share of income, gain, loss and deduction. The IRS may successfully contend that certain of these reporting conventions are impermissible, which could result in an adjustment to your income or loss.

We may be audited by the IRS. Adjustments resulting from an IRS audit may require you to adjust a prior year’s tax liability and possibly may result in an audit of your own tax return. Any audit of your tax return could result in adjustments not related to our tax returns as well as those related to our tax returns.

Tax Shelter Regulations

If we were to engage in a “reportable transaction,” we (and possibly you and others) would be required to make a detailed disclosure of the transaction to the IRS in accordance with recently issued regulations governing tax shelters and other potentially tax-motivated transactions. A transaction may be a reportable transaction based upon any of several factors, including the fact that it is a type of tax avoidance transaction publicly identified by the IRS as a “listed transaction” or that it produces certain kinds of losses in excess of \$2 million. An investment in us may be considered a

“reportable transaction” if, for example, we recognize certain significant losses in the future. In certain circumstances, a common unitholder who disposes of an interest in a transaction resulting in the recognition by such holder of significant losses in excess of certain threshold amounts may be obligated to disclose its participation in such transaction. Our participation in a reportable transaction also could increase the likelihood that our U.S. federal income tax information return (and possibly your tax return) would be audited by the IRS. Certain of these rules are currently unclear and it is possible that they may be applicable in situations other than significant loss transactions.

Moreover, if we were to participate in a reportable transaction with a significant purpose to avoid or evade tax, or in any listed transaction, you may be subject to (i) significant accuracy-related penalties with a broad scope, (ii) for those persons otherwise entitled to deduct interest on federal tax deficiencies, non-deductibility of interest on any resulting tax liability, and (iii) in the case of a listed transaction, an extended statute of limitations.

Common unitholders should consult their tax advisors concerning any possible disclosure obligation under the regulations governing tax shelters with respect to the dispositions of their interests in us.

Constructive Termination

Subject to the electing large partnership rules described below, we will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period.

Our termination would result in the close of our taxable year for all holders of common units. In the case of a holder reporting on a taxable year other than a fiscal year ending on our year-end, the closing of our taxable year may result in more than 12 months of our taxable income or loss being includable in the holder's taxable income for the year of termination. We would be required to make new tax elections after a termination, including a new tax election under Section 754 of the Internal Revenue Code. A termination could also result in penalties if we were unable to determine that the termination had occurred. Moreover, a termination might either accelerate the application of, or subject us to, any tax legislation enacted before the termination.

Elective Procedures for Large Partnerships

The Internal Revenue Code allows large partnerships to elect streamlined procedures for income tax reporting. This election would reduce the number of items that must be separately stated on the Schedules K-1 that are issued to the common unitholders, and such Schedules K-1 would have to be provided to common unitholders on or before the first March 15 following the close of each taxable year. In addition, this election would prevent us from suffering a “technical termination” (which would close our taxable year) if within a 12-month period there is a sale or exchange of 50 percent or more of our total interests. It is possible we might make such an election, if eligible. If we make such election, IRS audit adjustments will flow through to holders of the common units for the year in which the adjustments take effect, rather than the holders of common units in the year to which the adjustment relates. In addition, we, rather than the holders of the common units individually, generally will be liable for any interest and penalties that result from an audit adjustment.

Treatment of Amounts Withheld

If we are required to withhold any U.S. tax on distributions made to any common unitholder, we may pay such withheld amount to the IRS. That payment, if made, will be treated as a distribution of cash to the common unitholder with respect to whom the payment was made and will reduce the amount of cash to which such common unitholder would otherwise be entitled.

Withholding and Backup Withholding

For each calendar year, we will report to you and the IRS the amount of distributions we made to you and the amount of U.S. federal income tax (if any) that we withheld on those distributions.

The proper application of rules for withholding under Section 1441 of the Internal Revenue Code (applicable to certain dividends, interest and similar items) is unclear. Because the documentation we receive may not properly reflect the identities of partners at any particular time (in light of possible sales of common units), we may over-withhold or under-withhold with respect to a particular holder of common units. For example, we may impose withholding, remit that amount to the IRS and thus reduce the amount of a distribution paid to a non-U.S. Holder. It may turn out, however, the corresponding amount of our income was not properly allocable to such holder, and the withholding should have been less than the actual withholding. Such holder would be entitled to a credit against the holder's U.S. tax liability for all withholding, including any such excess withholding, but if the withholding exceeded the holder's U.S. tax liability, the holder would have to apply for a refund to obtain the benefit of the excess withholding. Similarly, we may fail to withhold on a distribution, and it may turn out the corresponding income was properly allocable to a non-U.S. Holder and withholding should have been imposed. In that event, we intend to pay the under-withheld amount to the IRS, and we may treat such under-withholding as an expense that will be borne by all partners on a pro rata basis (since we may be unable to allocate any such excess withholding tax cost to the relevant non-U.S. Holder).

Under the backup withholding rules, you may be subject to backup withholding tax (at the applicable rate, currently 28%) with respect to distributions paid unless: (1) you are a corporation or come within another exempt category and demonstrate this fact when required or (2) you provide a taxpayer identification number, certify as to no loss of exemption from backup withholding tax and otherwise comply with the applicable requirements of the backup withholding tax rules. If you are an exempt holder, you should indicate your exempt status on a properly completed IRS Form W-9. A non-U.S. Holder may qualify as an exempt recipient by submitting a properly completed IRS Form W-BBEN. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund.

If you do not timely provide us (or the clearing agent or other intermediary, as appropriate) with IRS Form W-8 or W-9, as applicable, or such form is not properly completed, we may become subject to U.S. backup withholding taxes in excess of what would have been imposed had we received certifications from all investors. Such excess U.S. backup withholding taxes may be treated by us as an expense that will be borne by all investors on a pro rata basis (since we may be unable to allocate any such excess withholding tax cost to the holders that failed to timely provide the proper U.S. tax certifications).

Additional Withholding Requirements

Under recently enacted legislation and administrative guidance, the relevant withholding agent may be required to withhold 30% of any interest, dividends and other fixed or determinable annual or periodical gains, profits and income from sources within the United States paid after December 31, 2013 or gross proceeds from the sale of any property of a type which can produce interest or dividends from sources within the United States paid after December 31, 2014 to (i) a foreign financial institution (for which purposes includes foreign broker-dealers, clearing organizations, investment companies, hedge funds and certain other investment entities) unless such foreign financial institution agrees to verify, report and disclose its U.S. accountholders and meets certain other specified requirements or (ii) a non-financial foreign entity that is a beneficial owner of the payment unless such entity certifies that it does not have any substantial U.S. owners or provides the name, address and taxpayer identification number of each substantial U.S. owner and such entity meets certain other specified requirements or otherwise qualifies for an exemption from this withholding. Non U.S. and U.S. Holders are encouraged to consult their own tax advisors regarding the possible implications of this proposed legislation on their investment in our common units.

Nominee Reporting

Persons who hold an interest in our partnership as a nominee for another person are required to furnish to us:

- (a) the name, address and taxpayer identification number of the beneficial owner and the nominee;
- (b) whether the beneficial owner is (1) a person that is not a U.S. person, (2) a foreign government, an international organization or any wholly-owned agency or instrumentality of either of the foregoing, or (3) a tax-exempt entity;
- (c) the amount and description of common units held, acquired or transferred for the beneficial owner; and
- (d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Brokers and financial institutions are required to furnish additional information, including whether they are U.S. persons and specific information on common units they acquire, hold or transfer for their own account. A penalty of \$50 per failure, up to a maximum of \$100,000 per calendar year, is imposed by the Internal Revenue Code for failure to report that information to us. The nominee is required to supply the beneficial owner of the common units with the information furnished to us.

New Legislation or Administrative or Judicial Action

The U.S. federal income tax treatment of common unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. No assurance can be given as to whether, or in what form, any proposals affecting us or our common unitholders will be enacted. The IRS pays close attention to the proper application of tax laws to partnerships. The present U.S. federal income tax treatment of an investment in our common units may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. Changes to the U.S. federal income tax laws and interpretations thereof could make it more difficult or impossible to meet the Qualifying Income Exception for us to be treated as a partnership that is not taxable as a corporation for U.S. federal income tax purposes affect or cause us to change our investments and commitments, affect the tax considerations of an investment in us, change the character or treatment of portions of our income (including, for instance, the treatment of carried interest as ordinary income rather than capital gain) and adversely affect an investment in our common units. See “Risk Factors — Risks Related to U.S. Taxation — Our structure involves complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. Our structure also is subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis” and “Risk Factors — Risks Related to Our Company—Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership for U.S. federal income tax purposes or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to you and the market price of our common units, could be reduced.” In addition, statutory changes, revisions to regulations and other modifications and interpretations with respect to the tax laws of the states and other jurisdictions in which we operate could result in us or our common unitholders having to pay additional taxes. Our organizational documents and agreements permit the board of directors to modify the amended and restated operating agreement from time to time, without the consent of the common unitholders, in order to address

certain changes in U.S. federal and state income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all of our common unitholders.

THE FOREGOING DISCUSSION IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. THE TAX MATTERS RELATING TO CARLYLE AND ITS UNITHOLDERS ARE COMPLEX AND ARE SUBJECT TO VARYING INTERPRETATIONS. MOREOVER, THE MEANING AND IMPACT OF TAX LAWS AND OF PROPOSED CHANGES WILL VARY WITH THE PARTICULAR CIRCUMSTANCES OF EACH PROSPECTIVE UNITHOLDER. PROSPECTIVE UNITHOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF ANY INVESTMENT IN THE COMMON UNITS.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of our common units by (i) employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), (ii) plans that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) and (iii) entities whose underlying assets are considered to include “plan assets” of such employee benefit plans and plans (each of the foregoing described in clauses (i), (ii) and (iii) being referred to as an ERISA Plan).

In considering whether to invest the assets of any ERISA Plan in the common units, a fiduciary of an ERISA Plan should determine, among other things, whether the investment is in accordance with the documents and instruments governing such plan and the applicable provisions of ERISA, the Code or any provisions of Similar Law (as defined below) relating to a fiduciary’s duties to such ERISA Plan, including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any Similar Law.

Prohibited Transaction Issues

ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest,” within the meaning of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engaged in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Whether or not our underlying assets were deemed to include “plan assets,” as described below, the acquisition of our common units by an ERISA Plan with respect to which we are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor (the “DOL”) has issued prohibited transaction class exemptions, or “PTCEs,” that may apply to the acquisition and holding of the common units or any interest therein. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers, although there can be no assurance that all of the conditions of any such exemptions will be satisfied.

Plan Asset Issues

ERISA and the regulations (the “Plan Asset Regulations”) promulgated under ERISA by the DOL generally provide that when an ERISA Plan acquires an equity interest in an entity that is neither a “publicly-offered security” nor a security issued by an investment company registered under the 1940 Act, the ERISA Plan’s assets include both the equity interests and an undivided interest in each of the underlying assets of the entity unless it is established either that less than 25% of the total value of each class of equity interests in the entity is held by “benefit plan investors” as defined in Section 3(42) of ERISA (the “25% Test”) or that the entity is an “operating company,” as defined in the Plan Asset Regulations. There can be no assurance that we will satisfy the 25% Test and it is not anticipated that we will qualify as an operating company or register as an investment company under the 1940 Act. It is anticipated that the common units offered hereunder will qualify for the exemption for a “publicly-offered security,” although no assurances can be given in this regard.

For purposes of the Plan Asset Regulations, a “publicly offered security” is a security that is (a) “freely transferable,” (b) part of a class of securities that is “widely held,” and (c) (i) sold to the ERISA Plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act of 1933 and the class of securities to which such security is a part is registered under the Securities Exchange Act of 1934 within 120 days after the end of the fiscal year of the issuer during which the offering of such securities to the public has occurred, or (ii) is part of a class of securities that is registered under Section 12 of the Exchange Act. We intend to effect such a registration under the Securities Act and Securities Exchange Act. The Plan Asset Regulations provide that a security is “widely held” only if it is part of a class of securities that is owned by 100 or more investors independent of the issuer and one another. A security will not fail to be “widely held” because the number of independent investors falls below 100 subsequent to the initial offering thereof as a result of events beyond the control of the issuer. The Plan Asset Regulations provide that whether a security is “freely transferable” is a factual question to be determined on the basis of all the relevant facts and circumstances. It is anticipated that our common units to be sold in this offering will be “widely held” and “freely transferable,” although no assurances can be given in this regard.

If our assets were deemed to be “plan assets” under ERISA, this would result, among other things, in (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by us, and (ii) the possibility that certain transactions in which we might seek to engage could constitute “prohibited transactions” under ERISA.

Governmental plans, certain church plans and non-United States plans (such plans together with ERISA Plans referred to herein as “Plans”), while not subject to the fiduciary responsibility or prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to other federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the foregoing provisions of ERISA or the Code (collectively referred to herein as “Similar Laws”).

Representation

Because of the foregoing, the common units should not be purchased or held by any person investing “plan assets” of any Plan unless the purchase and holding will not constitute a non-exempt prohibited transaction under Title I of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Laws. Accordingly, by its acquisition of common units or any interest therein each purchaser will be deemed to have represented and warranted that either (i) no portion of the assets used to purchase or hold the common units or any interest therein constitutes the assets of any Plan, or (ii) the purchase and holding of the common units and any interest therein will not result in a non-exempt prohibited transaction under Title I of ERISA or Section 4975 of the Code or a similar violation of any applicable Similar Laws.

Each Plan fiduciary or other persons considering purchasing our common units on behalf of, or with the assets of, any Plan should consult with its legal advisor concerning the matters described herein.

UNDERWRITING

J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC are acting as representatives of the underwriters. We and the underwriters named below have entered into an underwriting agreement covering the common units to be sold in this offering. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the initial public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of common units listed next to its name in the following table:

<u>Underwriter</u>	<u>Number of Common Units</u>
J.P. Morgan Securities LLC	
Citigroup Global Markets Inc.	
Credit Suisse Securities (USA) LLC	
Total	

The underwriters are offering the common units subject to their acceptance of the common units from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the common units offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the common units offered by this prospectus if any such common units are taken. However, the underwriters are not required to take or pay for the common units covered by the underwriters' over-allotment option described below.

The underwriters initially propose to offer part of the common units directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of \$ a unit under the public offering price. Any such dealers may resell common units to certain other brokers or dealers at a discount of up to \$ a unit from the initial public offering price. After the initial offering of the common units, the offering price and other selling terms may from time to time be varied by the representatives. The offering of the common units by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional common units at the public offering price listed on the cover page of this prospectus, less underwriting discounts. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the common units offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to specified conditions, to purchase approximately the same percentage of common units as the number listed next to the underwriter's name in the preceding table bears to the total number of common units listed next to the names of all underwriters in the preceding table. If the underwriters' option is exercised in full, the total price to the public would be \$, the total underwriters' discounts would be \$ and the total proceeds to us would be \$.

The underwriters have informed us that they do not expect sales to discretionary accounts to exceed five percent of the total number of common units offered.

We have agreed that we will not (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement (other than any registration statement on Form S-8 to register common units issued or available for future grant under the 2012 Carlyle Group Equity Incentive Plan) under the Securities Act relating to, any of our common units or securities convertible into or exchangeable or exercisable for our common units, or publicly disclose the

intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any of our common units or any such other securities (regardless of whether any of these transactions are to be settled by the delivery of common units or such other securities, in cash or otherwise), in each case without the prior written consent of the representatives for a period of 180 days after the date of this prospectus. Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to Carlyle occurs; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. These restrictions do not apply to certain sales, issuances, distributions and transfers. See “Common Units Eligible for Future Sale — Lock-Up Arrangements.”

The directors and officers of our general partner as well as _____ have entered into lock up agreements with the underwriters prior to the commencement of this offering pursuant to which each of these persons or entities, with limited exceptions, for a period of 180 days after the date of this prospectus, may not, without the prior written consent of the representatives, (1) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any of our common units or any securities convertible into or exercisable or exchangeable for our common units (including, without limitation, common units or such other securities which may be deemed to be beneficially owned by such directors, executive officers, and in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of an option or warrant) or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common units or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common units or such other securities, in cash or otherwise, or (3) make any demand for or exercise any right with respect to the registration of any of our common units or any security convertible into or exercisable or exchangeable for our common units. Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to Carlyle occurs; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. These restrictions do not apply to certain sales, issuances, distributions and transfers. See “Common Units Eligible for Future Sale — Lock-Up Arrangements.”

The representatives in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice. The representatives have no present intent or arrangement to release any of the securities subject to these lock-up agreements. The release of any lock-up is considered on a case-by-case basis. Factors in deciding whether to release common units may include the length of time before the lock-up expires, the number of common units involved, the reason for the requested release, market conditions, the trading price of our common units, historical trading volumes of our common units and whether the person seeking the release is an officer, director or affiliate of us. If the representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up agreement for an officer or director of our general partner and provide us with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, we have agreed to announce the impending release or waiver by a press release through a major news service at least two business days before the effective date of the release or waiver.

The following table shows the per common unit and total underwriting discounts payable by us. The amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional common units.

	Paid by Us	
	No Exercise	Full Exercise
Per common unit	\$	\$
Total	\$	\$

In addition, we estimate that the expenses of this offering payable by us, other than underwriting discounts, will be approximately \$.

In order to facilitate the offering of the common units, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common units. The underwriters may sell more common units than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of common units available for purchase by the underwriters under their over-allotment option. The underwriters can close out a covered short sale by exercising their over-allotment option or purchasing common units in the open market. In determining the source of common units to close out a covered short sale, the underwriters will consider, among other things, the open market price of common units compared to the price available under their over-allotment option. The underwriters may also sell common units in excess of their over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing common units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common units in the open market after pricing that could adversely affect investors who purchase in the offering. In addition, to stabilize the price of the common units, the underwriters may bid for and purchase common units in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the common units in the offering, if the syndicate repurchases previously distributed common units to cover syndicate short positions or to stabilize the price of the common units. These activities may raise or maintain the market price of the common units above independent market levels or prevent or retard a decline in the market price of the common units. The underwriters may conduct these transactions on or in the over-the-counter market, or otherwise. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

We intend to apply to list the common units on the under the symbol “ .”

Affiliates of some of the underwriters own limited partnership interests in some of the investment funds we manage. Affiliates of the underwriters have participated, or in the future may participate, in co-investments with our investment funds in portfolio companies of these investment funds. Each of the underwriters or their respective affiliates have performed investment banking, financial advisory and lending services for us, the investment funds we manage and our funds' portfolio companies, from time to time for which they have received customary fees and expenses. Affiliates of each of the representatives are participating lenders in our existing credit facility. In addition, the underwriters may, from time to time, engage in other transactions with and perform services for us, the investment funds we manage and our funds' portfolio companies, in the ordinary course of their business.

A prospectus in electronic format may be made available on the websites maintained by one or more underwriters. The representatives may agree to allocate a number of common units to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations. Other than the prospectus in electronic format, the information on any underwriter's or selling group member's website and any information contained in any other website maintained by an underwriter or selling group member is not part of the prospectus or the

registration statement of which this prospectus forms a part, has not been approved or endorsed by us or any underwriter or selling group member in its capacity as underwriter or selling group member and should not be relied upon by investors.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

Pricing of the Offering

Prior to this offering, there has been no public market for our common units. The initial public offering price will be determined by negotiations between us and the representatives. Among the factors to be considered in determining the initial public offering price will be:

- our future prospects and those of our industry in general;
- our revenues, earnings and other financial operating information in recent periods;
- the general condition of the securities markets at the time of this offering;
- an assessment of our management;
- the price-earnings ratios, price revenues ratios, market prices of securities and financial and operating information of companies engaged in activities similar to ours; and
- other factors deemed relevant by the underwriters and us.

The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors.

Neither we nor the underwriters can assure investors that an active trading market will develop for our common units, or that the common units will trade in the public market at or above the initial public offering price.

LEGAL MATTERS

The validity of the common units and certain tax matters will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York. An investment vehicle composed of certain partners of Simpson Thacher & Bartlett LLP, members of their families, related parties and others owns interests representing less than 1% of the capital commitments of certain investment funds advised by Carlyle. Certain legal matters in connection with this offering will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. Skadden, Arps, Slate, Meagher & Flom LLP has in the past performed, and may continue to perform, legal services for Carlyle.

EXPERTS

The balance sheet of The Carlyle Group L.P. at August 1, 2011, appearing in this Prospectus and Registration Statement has been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The combined and consolidated financial statements of Carlyle Group at December 31, 2010 and 2009, and for each of the three years in the period ended December 31, 2010, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated balance sheet of Alpinvest Partners N.V. at June 30, 2011, appearing in this Prospectus and Registration Statement has been audited by Ernst & Young Accountants LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and is included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the common units offered by this prospectus. This prospectus, filed as part of the registration statement, does not contain all of the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us and our common units, we refer you to the registration statement and to its exhibits and schedules. Anyone may inspect the registration statement and its exhibits and schedules without charge at the public reference facilities the SEC maintains at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of these materials from the SEC upon the payment of certain fees prescribed by the SEC. You may obtain further information about the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also inspect these reports and other information without charge at a website maintained by the SEC. The address of this site is <http://www.sec.gov>.

Upon completion of this offering, we will become subject to the informational requirements of the Exchange Act and will be required to file reports and other information with the SEC. You will be able to inspect and copy these reports and other information at the public reference facilities maintained by the SEC at the address noted above. You also will be able to obtain copies of this material from the Public Reference Room of the SEC as described above, or inspect them without charge at the SEC's website. We intend to make available to our common unitholders annual reports containing consolidated financial statements audited by an independent registered public accounting firm.

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Report of Independent Registered Public Accounting Firm

The Partners of The Carlyle Group L.P.

We have audited the accompanying balance sheet of The Carlyle Group L.P. (the "Partnership"), as of August 1, 2011. This balance sheet is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. We were not engaged to perform an audit of the Partnership's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, and evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of The Carlyle Group L.P. at August 1, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

McLean, Virginia
September 6, 2011

THE CARLYLE GROUP L.P.

Balance Sheet
As of August 1, 2011

Assets	
Cash	<u>\$ 1</u>
Members' Equity	
Members' Equity	<u>\$ 1</u>

Notes to Balance Sheet

1. ORGANIZATION

The Carlyle Group L.P. (the “Partnership”) was formed as a Delaware limited partnership on July 18, 2011. Pursuant to a reorganization into a holding partnership structure, the Partnership will become a holding partnership and its sole assets are expected to be an equity interest through wholly-owned subsidiary entities in Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P. (collectively, “Carlyle Holdings”). Through wholly-owned subsidiary entities, the Partnership will be the sole general partner of Carlyle Holdings and will operate and control all of the businesses and affairs of Carlyle Holdings and, through Carlyle Holdings and its subsidiaries, continue to conduct the business now conducted by these subsidiaries. Carlyle Group Management L.L.C. is the general partner of the Partnership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The Balance Sheet has been prepared in accordance with accounting principles generally accepted in the United States of America. Separate Statements of Operations, Changes in Equity and of Cash Flows have not been presented in the financial statement because there have been no activities of this entity.

3. PARTNERS’ CAPITAL

Carlyle Group Limited Partner L.L.C., a wholly-owned subsidiary of Carlyle Group Management L.L.C., is the organizational limited partner of the Partnership, and contributed \$1 to the Partnership on the date of formation.

Report of Independent Registered Public Accounting Firm

The Members of Carlyle Group

We have audited the accompanying combined and consolidated balance sheets of Carlyle Group, as described in Note 1, (the "Company") as of December 31, 2010 and 2009, and the related combined and consolidated statements of operations, changes in equity and redeemable non-controlling interests in consolidated entities, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined and consolidated financial position of Carlyle Group, as described in Note 1, at December 31, 2010 and 2009, and the combined and consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the combined and consolidated financial statements, on January 1, 2010, the Company adopted guidance issued by the Financial Accounting Standards Board related to variable interest entities.

/s/ Ernst & Young LLP

McLean, Virginia
September 6, 2011

Carlyle Group
Combined and Consolidated Balance Sheets

	December 31,	
	2010	2009
	(Dollars in millions)	
Assets		
Cash and cash equivalents	\$ 616.9	\$ 488.1
Cash and cash equivalents held at Consolidated Funds	729.5	52.4
Restricted cash	16.5	14.6
Restricted cash and securities of Consolidated Funds	135.5	—
Investments and accrued performance fees	2,594.3	1,279.2
Investments of Consolidated Funds	11,864.6	163.9
Due from affiliates and other receivables, net	325.8	433.0
Due from affiliates and other receivables of Consolidated Funds, net	239.6	4.9
Fixed assets, net	39.6	37.0
Deposits and other	51.9	36.3
Intangible assets, net	448.4	—
Total assets	\$ 17,062.6	\$ 2,509.4
Liabilities and equity		
Loans payable	\$ 597.5	\$ 412.2
Subordinated loan payable to affiliate	494.0	—
Loans payable of Consolidated Funds	10,433.5	—
Accounts payable, accrued expenses and other liabilities	211.6	122.7
Accrued compensation and benefits	520.9	350.4
Due to Carlyle partners	948.6	360.9
Due to affiliates	23.6	33.2
Deferred revenue	202.2	190.6
Other liabilities of Consolidated Funds	618.5	20.8
Accrued giveback obligations	119.6	305.0
Total liabilities	14,170.0	1,795.8
Commitments and contingencies		
Redeemable non-controlling interests in consolidated entities	694.0	—
Members' equity	929.7	448.5
Accumulated other comprehensive loss	(34.5)	(11.0)
Total members' equity	895.2	437.5
Equity appropriated for Consolidated Funds	938.5	—
Non-controlling interests in consolidated entities	364.9	276.1
Total equity	2,198.6	713.6
Total liabilities and equity	\$ 17,062.6	\$ 2,509.4

See accompanying notes.

Carlyle Group
Combined and Consolidated Statements of Operations

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Revenues			
Fund management fees	\$ 770.3	\$ 788.1	\$ 811.4
Performance fees			
Realized	266.4	11.1	59.3
Unrealized	1,215.6	485.6	(944.0)
Total performance fees	1,482.0	496.7	(884.7)
Investment income (loss)			
Realized	11.9	(5.2)	5.7
Unrealized	60.7	10.2	(110.6)
Total investment income (loss)	72.6	5.0	(104.9)
Interest and other income	21.4	27.3	38.2
Interest and other income of Consolidated Funds	452.6	0.7	18.7
Total revenues	2,798.9	1,317.8	(121.3)
Expenses			
Compensation and benefits			
Base compensation	265.2	264.2	297.2
Performance fee related			
Realized	46.6	1.1	23.3
Unrealized	117.2	83.1	(223.1)
Total compensation and benefits	429.0	348.4	97.4
General, administrative and other expenses	177.2	236.6	245.1
Interest	17.8	30.6	46.1
Interest and other expenses of Consolidated Funds	233.3	0.7	6.8
Loss (gain) from early extinguishment of debt, net of related expenses	2.5	(10.7)	—
Equity issued for affiliate debt financing	214.0	—	—
Loss on CCC liquidation	—	—	147.0
Total expenses	1,073.8	605.6	542.4
Other income (loss)			
Net investment gains (losses) of Consolidated Funds	(245.4)	(33.8)	162.5
Income (loss) before provision for income taxes	1,479.7	678.4	(501.2)
Provision for income taxes	20.3	14.8	12.5
Net income (loss)	1,459.4	663.6	(513.7)
Net income (loss) attributable to non-controlling interests in consolidated entities	(66.2)	(30.5)	94.5
Net income (loss) attributable to Carlyle Group	\$ 1,525.6	\$ 694.1	\$ (608.2)

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

Carlyle Group

Combined and Consolidated Statements of Changes in Equity and Redeemable Non-Controlling Interests in Consolidated Entities

	Members' Equity	Accumulated Other Comprehensive Income (Loss)	Equity Appropriated for Consolidated Funds	Non-controlling Interests in Consolidated Entities (Dollars in millions)	Total Equity	Redeemable Non-controlling Interests in Consolidated Entities	Comprehensive Income (Loss)
Equity at December 31, 2007	\$ 1,203.7	\$ 52.4	\$ —	\$ 1,103.1	\$ 2,359.2	\$ —	
Deconsolidation of certain co-investment entities and Hedge Fund	—	—	—	(824.2)	(824.2)	—	
Contributions	347.6	—	—	258.6	606.2	—	
Distributions due to reorganization (non-cash)	(551.2)	(13.8)	—	—	(565.0)	—	
Distributions	(309.1)	—	—	(319.9)	(629.0)	—	
Net income (loss)	(608.2)	—	—	94.5	(513.7)	—	\$ (513.7)
Currency translation adjustments	—	(50.9)	—	(9.2)	(60.1)	—	(60.1)
Change in fair value of cash flow hedge instrument	—	(10.9)	—	—	(10.9)	—	(10.9)
Equity at December 31, 2008	82.8	(23.2)	—	302.9	362.5	—	\$ (584.7)
Consolidation of a real estate fund	—	—	—	8.7	8.7	—	
Contributions	43.5	—	—	14.0	57.5	—	
Distributions	(371.9)	—	—	(24.4)	(396.3)	—	
Net income (loss)	694.1	—	—	(30.5)	663.6	—	\$ 663.6
Currency translation adjustments	—	9.1	—	5.4	14.5	—	14.5
Change in fair value of cash flow hedge instrument	—	3.1	—	—	3.1	—	3.1
Equity at December 31, 2009	448.5	(11.0)	—	276.1	713.6	—	\$ 691.2
Adjustment relating to initial consolidation of the CLOs	—	—	1,213.3	—	1,213.3	—	
Acquisition of hedge funds	—	—	—	—	—	694.0	
Equity issued for affiliate debt financing	214.0	—	—	—	214.0	—	
Contributions	51.7	—	—	53.1	104.8	—	
Distributions	(1,310.1)	—	—	(157.4)	(1,467.5)	—	
Net income (loss)	1,525.6	—	(256.6)	190.4	1,459.4	—	\$ 1,459.4
Currency translation adjustments	—	(22.7)	(18.2)	2.7	(38.2)	—	(38.2)
Change in fair value of cash flow hedge instrument	—	(0.8)	—	—	(0.8)	—	(0.8)
Equity at December 31, 2010	\$ 929.7	\$ (34.5)	\$ 938.5	\$ 364.9	\$ 2,198.6	\$ 694.0	\$ 1,420.4

See accompanying notes.

Carlyle Group
Combined and Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Cash flows from operating activities			
Net income (loss)	\$ 1,459.4	\$ 663.6	\$ (513.7)
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	24.5	28.6	27.1
Amortization of deferred financing fees	1.6	2.8	3.2
Non-cash equity issued for affiliate debt financing	214.0	—	—
Non-cash performance fees	(1,344.4)	(485.6)	962.2
Loss (gain) on early extinguishment of debt	2.5	(10.7)	152.3
Loss from CCC liquidation	—	—	—
Other non-cash amounts included in net income	(25.9)	17.6	(47.5)
Consolidated Funds related:			
Realized/unrealized (gain) loss on investments of Consolidated Funds	(502.0)	30.2	(162.5)
Realized/unrealized loss from loans payable of Consolidated Funds	752.4	—	—
Purchases of investments by Consolidated Funds	(3,234.3)	(0.9)	(3.7)
Proceeds from sale of investments by Consolidated Funds	5,432.6	2.5	503.5
Non-cash interest income, net	(113.7)	—	—
Change in cash and cash equivalents held at Consolidated Funds	149.8	18.9	112.3
Change in other receivables held at Consolidated Funds	(58.5)	—	—
Change in other liabilities held at Consolidated Funds	126.7	—	—
Other assets and liabilities of a consolidated hedge fund	—	—	(276.8)
Investment (income) loss	(69.0)	(0.9)	99.7
Purchases of investments	(114.8)	(24.3)	(172.7)
Proceeds from the sale of investments	41.9	24.8	167.6
Proceeds from sale of trading securities and other	7.9	—	(30.1)
Change in due from affiliates and other receivables	14.5	(11.7)	5.3
Change in deposits and other	(18.7)	(2.1)	6.1
Change in accounts payable, accrued expenses and other liabilities	41.9	12.3	(274.1)
Change in accrued compensation and benefits	121.8	91.7	(344.0)
Change in due to affiliates	(5.9)	17.8	(122.7)
Change in deferred revenue	(7.3)	44.1	(37.2)
Net cash provided by operating activities	2,877.0	418.7	54.3
Cash flows from investing activities			
Change in held-to-maturity investments, net	—	—	21.4
Change in restricted cash	(0.3)	—	(0.8)
Purchases of fixed assets, net	(21.2)	(27.5)	(36.1)
Purchases of intangible assets (management contracts)	(58.5)	—	—
Acquisitions, net of cash acquired	(105.0)	—	—
Net cash used in investing activities	(185.6)	(27.5)	(15.5)
Cash flows from financing activities			
Proceeds from loans payable	994.0	6.7	83.1
Payments on loans payable	(411.9)	(303.6)	(9.1)
Net payment on loans payable of Consolidated Funds	(2,280.5)	—	—
Contributions from members	46.1	43.5	79.0
Distributions to members	(787.8)	(215.6)	(253.9)
Distributions due to reorganization	—	—	(171.5)
Contributions from non-controlling interest holders	48.4	14.0	258.6
Distributions to non-controlling interest holders	(157.4)	(24.4)	(319.9)
Change in due to/from affiliates financing activities	16.4	(105.3)	(135.4)
Change in due to/from affiliates and other receivables of Consolidated Funds	(0.7)	(2.6)	(2.3)
Net cash used in financing activities	(2,533.4)	(587.3)	(469.4)
Effect of foreign exchange rate changes	(29.2)	3.4	(3.6)
Increase (decrease) in cash and cash equivalents	128.8	(192.7)	(434.2)
Cash and cash equivalents, beginning of period	488.1	680.8	1,115.0
Cash and cash equivalents, end of period	\$ 616.9	\$ 488.1	\$ 680.8
Supplemental disclosures			
Cash paid for interest	\$ 15.8	\$ 27.7	\$ 42.7
Cash paid for income taxes	\$ 24.0	\$ 11.9	\$ 17.4
Supplemental non-cash disclosures			
Net assets related to consolidation of the CLOs	\$ 1,213.3	\$ —	\$ —
Net assets related to acquisition of hedge funds	\$ 694.0	\$ —	\$ —
Non-cash contributions from members	\$ 5.6	\$ —	\$ —
Non-cash distributions to members	\$ 522.3	\$ 156.3	\$ 213.4
Non-cash contributions from non-controlling interest holders	\$ 4.7	\$ 8.7	\$ —
Non-cash distributions due to reorganization	\$ —	\$ —	\$ 565.0

See accompanying notes.

Carlyle Group

Notes to the Combined and Consolidated Financial Statements

1. Organization and Basis of Presentation

The Carlyle Group (“Carlyle”) is one of the world’s largest global alternative asset management 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 accompanying financial statements combine the accounts of four affiliated entities: TC Group, L.L.C., TC Group Cayman L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P., as well as their majority-owned subsidiaries (collectively “the Company” or “Carlyle Group”), which are under common ownership and control by Carlyle’s individual partners, CalPERS, and Mubadala Development Company (“Mubadala”). In addition, certain Carlyle-affiliated funds, related co-investment entities, and certain collateralized loan obligations (“CLOs”) managed by the Company (collectively the “Consolidated Funds”) have been consolidated in the accompanying financial statements for certain of the periods presented pursuant to U.S. generally accepted accounting principles (“U.S. GAAP”) as described in Note 2. This consolidation generally has a gross-up effect on assets, liabilities and cash flows, and has no effect on the net income attributable to Carlyle Group or members’ equity. The majority economic ownership interests of the investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities, equity appropriated for consolidated entities, and redeemable non-controlling interests in consolidated entities in the accompanying combined and consolidated financial statements. As further described in Note 2, the CLOs are consolidated as of January 1, 2010 or the acquisition date for CLOs subsequently acquired (see Note 3 and Note 15) and, accordingly, the accompanying combined and consolidated financial statements do not consolidate the same entities in each year and are, in that regard, not comparable.

The Company provides investment management services to, and has transactions with, various private equity funds, real estate funds, CLOs, hedge funds and other investment products sponsored by the Company for the investment of client assets in the normal course of business. The Company serves as the general partner, investment manager or collateral manager, making day-to-day investment decisions concerning the assets of these products. The Company operates its business through three reportable segments: Corporate Private Equity, Real Assets and Global Market Strategies (see Note 14).

Net income (loss) is determined in accordance with U.S. GAAP for partnerships and is not comparable to net income (loss) of a corporation. All distributions and compensation for services rendered by Carlyle’s individual partners have been reflected as distributions from equity rather than compensation expense in the accompanying combined and consolidated financial statements.

Significant Transactions

In August 2010, the Company completed the acquisition of management contracts relating to CLO vehicles previously managed by Stanfield Capital Partners, LLC (“Stanfield”).

On December 6, 2010, the Company completed the acquisition of management contracts relating to CLO vehicles previously managed by Mizuho Alternative Investment, LLC (“Mizuho”).

On December 16, 2010, the Company issued \$500.0 million in subordinated notes and equity interests in the Company to Mubadala for \$494.0 million of cash.

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)**

On December 31, 2010, the Company completed the acquisition of Claren Road Asset Management, LLC, its subsidiaries, and Claren Road Capital, LLC (collectively, “Claren Road”), a credit hedge fund manager.

2. Summary of Significant Accounting Policies***Principles of Consolidation***

In addition to the four affiliated entities described in Note 1, the accompanying combined and consolidated financial statements consolidate: 1) Carlyle-affiliated funds and co-investment entities, for which the Company is the sole general partner and the presumption of control by the general partner has not been overcome and 2) variable interest entities (VIEs), including certain CLOs, for which the Company is deemed to be the primary beneficiary; consolidation of these entities is a requirement under U.S. GAAP. All significant inter-entity transactions and balances have been eliminated.

For entities that are determined to be VIEs, the Company consolidates those entities where it is deemed to be the primary beneficiary. Prior to January 1, 2010, the primary beneficiary of any of our VIEs is the entity that has a variable interest in the VIE, and the obligation to absorb a majority of the expected losses of the VIE or the right to receive a majority of the expected residual returns of the VIE. The Company determines whether it is the primary beneficiary at the time it first becomes involved with a VIE and subsequently reconsiders whether it is the primary beneficiary based on certain events. The evaluation of whether a fund is a VIE and the determination of whether the Company should consolidate such VIE requires judgment. These judgments include whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support; evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity; determining whether two or more parties' equity interests should be aggregated; determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity; evaluating the nature of relationships and activities of the parties involved in determining which party within a related-party group is most closely associated with a VIE; and estimating cash flows in evaluating which member within the equity group absorbs a majority of the expected losses and hence, would be deemed the primary beneficiary.

Pursuant to revised consolidation rules that became effective January 1, 2010, an entity is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity's business 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. The revised consolidation rules require an analysis to (a) determine whether an entity in which the Company holds a variable interest is a VIE and (b) whether the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly or indirectly by the Company. The consolidation analysis is performed qualitatively. This analysis, which requires judgment, will be performed at each reporting date.

In February 2010, Accounting Standards Update (ASU) No. 2010-10, “Amendments for Certain Investment Funds,” was issued. This ASU defers the application of the revised consolidation rules for a reporting enterprise's interest in an entity if certain conditions are met, including the entity has the attributes of an investment company and is not a securitization or asset-backed financing entity.

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

An entity that qualifies for the deferral will continue to be assessed for consolidation under the overall guidance on VIEs, before its amendment, and other applicable consolidation guidance.

Beginning January 1, 2010, the Company was required to consolidate 16 CLOs, which are investment vehicles created for the sole purpose of issuing collateralized loan instruments. Upon consolidation, the Company elected the fair value option for eligible financial assets and liabilities to mitigate accounting mismatches between the carrying value of the assets and liabilities. Upon adoption of the provisions of the revised consolidation guidance, the Company recorded a cumulative effect adjustment to equity appropriated for consolidated funds of \$0.7 billion.

As of December 31, 2010, assets and liabilities of consolidated VIEs reflected in the combined and consolidated balance sheets were \$12.0 billion and \$11.0 billion, respectively. Other than the assets of the VIEs which are consolidated, the consolidated VIEs' liabilities do not have recourse to the Company. The assets and liabilities of the consolidated VIEs are comprised primarily of investments and loans payable, respectively.

The loans payable issued by the CLOs are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. In exchange for managing the collateral for the CLOs, the Company earns investment management fees, including in some cases subordinated management fees and contingent incentive fees. In cases where the Company consolidates the CLOs, those management fees have been eliminated as intercompany transactions. At December 31, 2010, the Company held \$50.6 million of investments in these CLOs, which represents its maximum risk of loss. The Company's investments in these CLOs are generally subordinated to other interests in the entities and entitles the Company 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 Company for any losses sustained in the CLO structure.

For all Carlyle-affiliated funds and co-investment entities (collectively "the Funds") that are not determined to be VIEs, the Company consolidates those funds where, as the sole general partner, it has not overcome the presumption of control pursuant to U.S. GAAP. Most Carlyle funds provide a dissolution right upon a simple majority vote of the non-Carlyle affiliated limited partners such that the presumption of control by Carlyle is overcome. Accordingly, these funds are not consolidated in the Company's combined and consolidated financial statements.

Basis of Accounting

The accompanying financial statements are prepared in accordance with U.S. GAAP. Management has determined that the Company'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 combined and consolidated financial statements, the Company has retained the specialized accounting for the Funds, pursuant to U.S. GAAP.

All of the investments held and notes issued by the Consolidated Funds are presented at estimated fair value in the Company's combined and consolidated balance sheets. Interest income and other income of the Consolidated Funds is included in interest and other income of Consolidated Funds and interest expense and other expenses of the Consolidated Funds is included in interest and other expenses of Consolidated Funds in the Company's combined and consolidated statements of operations. The surplus of the CLO assets over the CLO liabilities upon consolidation is reflected in the Company's combined and consolidated balance sheets as equity appropriated for

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)**

Consolidated Funds. Net income attributable to the investors in the CLOs is included in net income (loss) attributable to non-controlling interests in consolidated entities in the combined and consolidated statements of operations and equity appropriated for Consolidated Funds in the combined and consolidated balance sheets.

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 Company's accounting policies. Assumptions and estimates regarding the valuation of investments and their resulting impact on performance fees involve a higher degree of judgment and complexity and these assumptions and estimates may be significant to the combined and consolidated financial statements and the resulting impact on performance fees. Actual results could differ from these estimates and such differences could be material.

Business Combinations

The Company 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.

Revenue Recognition***Fund Management Fees***

The Company provides management services to funds in which it holds a general partner interest or has a management agreement. For corporate private equity, real assets and certain global market strategies funds, management fees are calculated based on (a) limited partners' capital commitments to the funds, (b) limited partners' remaining capital invested in the funds at cost or (c) the net asset value ("NAV") of certain of the funds, less offsets for the non-affiliated limited partners' share of transaction advisory and portfolio fees earned, as defined in the respective partnership agreements. Management fees for corporate private equity, real assets funds and closed-end carry funds in the global market strategies segment generally range from 1% to 2% of commitments during the investment period of the relevant fund. Following the expiration or termination of the investment period of such funds, the management fees generally step-down to between 0.6% and 2.0% of contributions for unrealized investments. The Company will receive management fees for corporate private equity and real assets funds 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 called semi-annually in advance and are recognized as earned over the subsequent six month period. For certain global market strategies funds, management fees are calculated based on assets under management of the funds with generally lower fee rates. Hedge funds generally pay

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)**

management fees quarterly that range from 1.5% to 2.0% of NAV per year. Management fees for the CLOs typically range from 0.4% to 0.5% on the total par amount of assets in the fund and are due quarterly or semi-annually based on the terms and recognized over the respective period. Management fees for the CLOs and credit opportunities funds are governed by indentures and collateral management agreements. The Company 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. Open-ended funds typically do not have stated termination dates. The Company 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 service has been provided and collection is reasonably assured. Fund management fees includes transaction and portfolio advisory fees of \$50.0 million, \$32.9 million and \$44.0 million for 2010, 2009 and 2008, respectively, net of any offsets as defined in the respective partnership agreements.

Performance Fees

Performance fees consist principally of the allocation of profits from certain of its funds to which the Company is entitled (commonly known as carried interest). The Company is generally entitled to a 20% allocation of income as a carried interest after returning the invested capital, the allocation of preferred returns and return of certain fund costs (subject to catch-up provisions) from its corporate private equity and real assets funds. Carried interest is recognized upon appreciation of the funds' investment values above certain return hurdles set forth in each respective partnership agreement. The Company recognizes revenues attributable to performance fees 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 unrealized performance fees reflects the Company's share of the gains and losses of the associated funds' underlying investments measured at their current fair values.

Carried interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return. Realized carried interests may be required to be returned by the Company in future periods if the funds' investment values decline below certain levels. When the fair value of a fund's investments falls below certain return hurdles, previously recognized performance fees are reversed. In all cases, each fund is considered separately in this regard, and for a given fund, performance fees 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. As of December 31, 2010 and 2009, the Company has accrued \$119.6 million and \$305.0 million, respectively, for giveback obligations.

In addition to its performance fees from its corporate private equity and real assets funds, the Company is also entitled to receive performance fees from certain of its global market strategies funds when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, performance fees are recognized when the performance benchmark has been achieved, and are included in performance fees in the accompanying combined and consolidated statements of operations.

Investment Income (Loss)

Investment income (loss) represents the unrealized and realized gains and losses resulting from the Company's equity method investments and other principal investments. Investment income (loss) is realized when the Company redeems all or a portion of its investment or when the

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)**

Company receives cash income, such as dividends or distributions. Unrealized 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. Interest income earned by the Company was \$12.8 million, \$11.5 million, and \$24.7 million for the years ended December 31, 2010, 2009 and 2008, respectively, and is included in interest and other income. Interest income of the Consolidated Funds was \$435.5 million, \$0.1 million and \$12.8 million for the years ended December 31, 2010, 2009 and 2008, respectively, and is included in interest and other income of Consolidated Funds in the accompanying combined and consolidated statements of operations.

Compensation and Benefits — Base Compensation

Compensation includes salaries, bonuses (discretionary awards and guaranteed amounts) and performance payment arrangements. Bonuses are accrued over the service period to which they relate. All payments made to Carlyle partners are accounted for as partnership distributions rather than as employee compensation.

Compensation and Benefits — Performance Fee Related

A portion of the performance fees earned is due to employees and advisors of the Company. These amounts are accounted for as compensation expense in conjunction with the recognition of the related performance fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon any reversal of performance fee revenue, the related compensation expense is also reversed. The Company recorded \$163.8 million of expense related to these arrangements in 2010, recorded \$84.2 million of expense in 2009, and reversed \$199.8 million of expense in 2008. The Company had a liability of \$305.8 million and \$192.9 million in accrued compensation related to the portion of accrued performance fees due to employees and advisors as of December 31, 2010 and 2009, respectively.

Income Taxes

No provision has been made for U.S. federal income taxes in the accompanying combined and consolidated financial statements since the Company is a group of pass-through entities for U.S. income tax purposes and its profits and losses are allocated to the partners who are individually responsible for reporting such amounts. Based on applicable foreign, state and local tax laws, the Company records a provision for income taxes for certain entities. Tax positions taken by the Company are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

The Company uses the liability method of accounting for deferred income taxes pursuant to U.S. GAAP. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the statutory tax rates expected to be applied in the periods in which those temporary differences are settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change. A valuation allowance is recorded on the Company's net deferred tax assets when it is more likely than not that such assets will not be realized.

The Company 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

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)**

these jurisdictions. If, based on this analysis, the Company determines that uncertainties in tax positions exist, a liability is established. The Company recognizes accrued interest and penalties related to uncertain tax positions in provision for income taxes within the combined and consolidated statements of operations.

Non-controlling Interests in Consolidated Entities

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 and by subscriptions and redemptions in hedge funds which occur during the reporting period. Non-controlling interests related to hedge funds are subject to quarterly or monthly redemption by investors in these funds following the expiration of a specified period of time (typically one year), or may be withdrawn subject to a redemption fee in the hedge funds during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third-party interests in such consolidated funds are presented as redeemable non-controlling interests in consolidated entities within the combined and consolidated balance sheets. When redeemable amounts become legally payable to investors, they are classified as a liability and included in other liabilities of Consolidated Funds in the combined and consolidated balance sheets.

Investments

Investments include (i) the Company's ownership interests (typically general partner interests) in the Funds, (ii) the investments held by the Consolidated Funds (all of which are presented at fair value in the Company's combined and consolidated financial statements) and (iii) certain credit-oriented investments. 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. Upon the sale of a security, the realized net gain or loss is computed on a weighted average cost basis, with the exception of the CLOs, which compute the realized net gain or loss on a first in, first out basis.

The fair value of non-equity securities, 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 Company, may not have been reflected in pricing obtained from external sources.

When valuing private securities or assets without readily determinable market prices, the Company 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 Company will realize the values presented herein.

Securities transactions are recorded on a trade date basis.

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)*****Equity-Method Investments***

The Company accounts for all investments in the unconsolidated funds in which it has significant influence using the equity method of accounting. The carrying value of equity-method investments is determined based on amounts invested by the Company, adjusted for the equity in earnings or losses of the Funds allocated based on the respective fund partnership agreement, less distributions received. The Company 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, cash received by the Company from investors for investments not yet purchased at period-end and cash held for distributions, including temporary investments with original maturities of less than three months when purchased. Included in cash and cash equivalents is cash held from carried interest distributions for potential giveback obligations of \$51.8 million and \$59.6 million at December 31, 2010 and 2009, respectively.

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 Company.

Restricted Cash

In addition to the unrestricted cash held for potential giveback obligations discussed above, the Company is required to withhold a certain portion of the carried interest proceeds from one of its corporate private equity funds to provide a reserve for potential giveback obligations. In connection with this agreement, cash and cash equivalents of \$14.9 million and \$14.6 million are included in restricted cash at December 31, 2010 and 2009, respectively.

Restricted Cash and Securities of Consolidated Funds

Certain CLOs receive cash from various counterparties to satisfy collateral requirements on derivative transactions. Cash received to satisfy these collateral requirements of \$34.8 million is included in restricted cash and securities of Consolidated Funds at December 31, 2010.

Certain CLOs hold U.S. Treasury notes, Obligation Assimilable du Tresor Securities ("OATS") Strips, French government securities, guaranteed investment contracts and other highly liquid asset-backed securities as collateral for specific classes of loans payable in the CLOs. As of December 31, 2010, securities of \$100.7 million are included in restricted cash and securities of Consolidated Funds.

Derivative Instruments

Derivative instruments are recognized at fair value in the combined and consolidated balance sheets with changes in fair value recognized in the combined and consolidated statements of operations for all derivatives not designated as hedging instruments. For all derivatives where hedge accounting is applied, effectiveness testing and other procedures to assess the ongoing validity of the hedges are performed at least quarterly. For instruments designated as cash flow hedges, the Company records changes in the estimated fair value of the derivative, to the extent that the hedging relationship is effective, in other comprehensive income (loss). If the hedging relationship

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)**

for a derivative is determined to be ineffective, due to changes in the hedging instrument or the hedged items, the fair value of the portion of the hedging relationship determined to be ineffective will be recognized as a gain or loss in the combined and consolidated statements of operations.

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.

Intangible Assets

The Company's intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives, which range from three 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. The Company has no indefinite-lived intangible assets as of December 31, 2010.

Due to Carlyle Partners

The Company recognizes a distribution from capital and distribution payable to the individual Carlyle partners when services are rendered and carried interest allocations are earned. Also included are certain amounts due to partners related to the acquisition of Claren Road (see Note 3). Any unpaid distributions, which reflect the Company's obligation to those partners, are presented as due to Carlyle partners in the accompanying combined and consolidated balance sheets.

Deferred Revenue

Deferred revenue represents management fees and other revenue received prior to the balance sheet date, which have not yet been earned.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. The Company's other comprehensive income is comprised of unrealized gains and losses on cash flow hedges and foreign currency translation adjustments.

Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the combined and 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 \$25.9 million, \$(8.5) million and \$10.2 million for the years ended December 31, 2010, 2009, and 2008, respectively, are included in general, administrative and other expenses in the combined and consolidated statements of operations.

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

Recent Accounting Pronouncements

Effective January 1, 2010, the Financial Accounting Standards Board (FASB) amended its consolidation guidance, changing the approaches taken by companies in identifying which entities are VIEs and in determining which party is the primary beneficiary. The amended guidance also requires continuous assessment of the reporting entity's involvement with such VIEs and enhances the disclosure requirements for a reporting entity's involvement with VIEs. The amended guidance provides a limited scope deferral for a reporting entity's interest in an entity that meets all of the following conditions: (a) the entity has all the attributes of an investment company as defined under AICPA Audit and Accounting Guide, Investment Companies, or does not have all the attributes of an investment company but is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the AICPA Audit and Accounting Guide, Investment Companies, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity, and (c) the entity is not a securitization entity, asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The reporting entity is required to perform a consolidation analysis for entities that qualify for the deferral in accordance with previously issued guidance on variable interest entities. The Company's involvement with its funds is such that all three of the above conditions are met with the exception of certain CLOs which fail condition (c) above. The incremental impact of the revised consolidation rules resulted in the consolidation of certain CLOs managed by the Company. The CLOs manage approximately \$11.9 billion of total assets as of December 31, 2010. The incremental impact of the revised consolidation guidance resulted in the consolidation of CLOs managed by the Company on January 1, 2010 which increased total assets and total liabilities in the combined and consolidated balance sheets by \$9.1 billion and \$8.4 billion, respectively. The difference in fair value of assets and liabilities on January 1, 2010 of \$0.7 billion was recorded in equity appropriated for consolidated funds as discussed above. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs.

In January 2010, the FASB issued guidance on improving disclosures about fair value measurements. The guidance requires additional disclosure on transfers in and out of Levels I and II fair value measurements in the fair value hierarchy and the reasons for such transfers. In addition, for fair value measurements using significant unobservable inputs (Level III), the reconciliation of beginning and ending balances shall be presented on a gross basis, with separate disclosure of gross purchases, sales, issuances and settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to disaggregate disclosures by each class of assets and liabilities. In addition, an entity is required to provide further disclosures on valuation techniques and inputs used to measure fair value for fair value measurements that fall in either Level II or Level III. The accompanying financial statements reflect these disclosure requirements. As the guidance is limited to enhanced disclosures, adoption did not have a material impact on the Company's combined and consolidated financial statements.

In May 2011, the FASB amended its guidance for fair value measurements and disclosures to converge U.S. GAAP and International Financial Reporting Standards ("IFRS"). The amended guidance, included in ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP," is effective for the Company for its annual reporting period beginning after December 15, 2011. The amended guidance is generally clarifying in nature, but does change certain existing measurement principals in ASC 820 and requires additional disclosure about fair value measurements and unobservable inputs. We have not completed our assessment of the impact of this amended guidance, but do not expect the adoption to have a material impact on the Company's financial statements.

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

3. Acquisitions and Acquired Intangible Assets

Acquisition of Claren Road Asset Management

On December 31, 2010, the Company acquired Claren Road. The acquisition expands the credit product offerings within the Company's global market strategies business. The purchase consideration was comprised of \$157.8 million in cash and promissory notes in the amount of \$97.5 million. Also included in the consideration were contingently issuable equity interests in the Company equivalent to \$51.3 million as of the closing date. The contingently issuable equity interests are subject to annual performance conditions over a period of four years and, once issued, may be redeemed for cash under certain circumstances. The contingently issuable equity interests have been accounted for as contingent consideration pursuant to ASC 805, *Business Combinations*. Assuming that all annual performance conditions are met, the amount of equity interests that could be issued would have a maximum aggregate value of \$61.6 million and a minimum aggregate value of \$41.0 million. Also, the Company may pay additional contingent consideration up to \$255.2 million, which represents management's estimate of the maximum amount of consideration to be paid, over a period of ten years based on the achievement of certain performance criteria, including AUM growth and certain service requirements. In connection with this transaction, the Company incurred approximately \$2.9 million of acquisition costs that were recorded as an expense for the year ended December 31, 2010.

The Company consolidates the financial position and results of operations of Claren Road effective December 31, 2010, and has accounted for this transaction as a business combination in the accompanying combined and consolidated financial statements. The Company also consolidates two Claren Road-managed hedge funds effective December 31, 2010. At December 31, 2010, these hedge funds had assets totaling \$698.5 million, which is included in investments of Consolidated Funds in the accompanying combined and consolidated financial statements.

The acquisition-date fair value of the consideration transferred totaled \$447.6 million, which consisted of the following (Dollars in millions):

Cash	\$ 157.8
Promissory notes	97.5
Contingently issuable equity interest in the Company	51.3
Contingent and other consideration	141.0
Total	<u>\$ 447.6</u>

The fair value of the equity interests in the Company was based on an enterprise valuation of the Company. The fair value of the contingent consideration was based on probability-weighted discounted cash flow models. The fair value measurements are based on significant inputs not observable in the market and thus represent Level III measurements as defined in the accounting guidance for fair value measurement. At December 31, 2010, the fair value of the contingently issuable equity interests of \$51.3 million and the fair value of the contingent consideration payable to the Claren Road sellers who are now partners of the Company of \$122.7 million have been recorded as due to Carlyle partners in the accompanying combined and consolidated financial statements. The fair value of the contingent consideration payable to non-Carlyle partners of \$18.3 million is included in accounts payable, accrued expenses and other liabilities in the accompanying combined and consolidated financial statements.

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date (Dollars in millions):

Receivables and other current assets	\$ 116.8
Net fixed assets and other noncurrent assets	2.3
Finite-lived intangible assets — contractual rights	389.6
Finite-lived intangible assets — trademarks	4.0
Total identifiable assets acquired	512.7
Other liabilities	(65.1)
Net assets acquired	<u>\$ 447.6</u>

The acquisition of Claren Road closed on December 31, 2010 and accordingly the Company's combined and consolidated balance sheets reflect the acquisition as of December 31, 2010, but the results of Claren Road's operations are not included in the combined and consolidated statements of operations. Supplemental information on an unaudited pro forma basis, as if the Claren Road acquisition had been consummated as of January 1, 2010 and January 1, 2009, respectively, is as follows:

	Year Ended December 31,	
	2010	2009
	(Dollars in millions)	
Total revenues	<u>\$ 2,914.8</u>	<u>\$ 1,489.1</u>
Net income attributable to Carlyle Group	<u>\$ 1,514.9</u>	<u>\$ 742.2</u>

The unaudited pro forma supplemental information is based on estimates and assumptions, which management believes are reasonable. It is not necessarily indicative of the Company's combined and consolidated financial condition or results of operations in future periods or the results that actually would have been realized had the Company and Claren Road been a combined entity during the periods presented.

Acquisition of CLO Management Contracts

In August 2010, the Company purchased CLO management contracts from Stanfield for consideration of \$50.6 million. In December 2010, the Company purchased CLO management contracts from Mizuho for consideration of \$12.2 million. The acquired contractual rights are finite-lived intangible assets. Pursuant to the accounting guidance for consolidation, these CLOs are required to be consolidated and the results of the acquired CLOs have been included in the combined and consolidated statements of operations since their acquisition in August 2010 and December 2010, respectively. Both transactions were accounted for as asset acquisitions.

Intangible Assets

In conjunction with the acquisition of Claren Road on December 31, 2010, the Company recognized \$393.6 million of intangible assets consisting of \$389.6 million and \$4.0 million related to acquired contractual rights associated with the management contracts and trademarks, respectively. The estimated useful lives of the acquired contractual rights and trademarks are ten years.

The estimated useful lives of the CLO management contracts range from three to six years. At December 31, 2010, the gross amount of intangible assets recognized as a result of these transactions was \$58.5 million, net of \$3.7 million of accumulated amortization.

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Notes to the Combined and Consolidated Financial Statements — (Continued)

Intangible asset amortization expense was \$3.7 million for the year ended December 31, 2010 and is included in general, administrative, and other expenses in the combined and consolidated statements of operations.

The following table summarizes the estimated amortization expense for 2011 through 2015 and thereafter (Dollars in millions):

2011	\$ 50.5
2012	50.5
2013	50.5
2014	50.1
2015	47.6
Thereafter	199.2
	<u>\$ 448.4</u>

4. Fair Value Measurement

The fair value measurement accounting guidance establishes a hierarchal 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 type of financial instruments included in Level I include unrestricted securities, including equities and derivatives, listed in active markets. The Company does not adjust the quoted price for these instruments, even in situations where the Company 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 type of financial instruments in this category includes 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. Financial instruments that are included 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 the 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

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and 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.

In the absence of observable market prices, the Company 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 involves 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, real estate properties, certain debt positions or CLOs. The valuation technique for each of these investments is described below:

Corporate Private Equity Investments — The fair values of corporate 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 and other measures which, in many cases, are unaudited at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., multiplying a key performance metric of the investee company such as EBITDA by a relevant valuation multiple 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. Certain fund investments in our real assets and global market strategies segments are comparable to corporate private equity and are valued in accordance with these policies.

Real Estate Investments — The fair values of real estate investments are determined by considering projected operating cash flows, sales of comparable assets, if any, and replacement costs, among other measures. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rates ("cap rates") analysis. Valuations may be derived by reference to observable valuation measures for comparable assets (e.g., multiplying a key performance metric of the investee asset, such as net operating income, by a relevant cap rate observed in the range of comparable transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to pricing models or other similar methods. Additionally, where applicable, projected distributable cash flow through debt maturity will also be considered in support of the investment's carrying value.

Credit-Oriented Investments — The fair values of credit-oriented investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. 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 Company may utilize other valuation techniques, including the discounted cash flow method.

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Notes to the Combined and Consolidated Financial Statements — (Continued)

CLO Investments and CLO Loans Payable — The Company has elected the fair value option to measure the loans payable of the CLOs at fair value subsequent to the date of initial adoption of the new consolidation rules, as the Company has determined that measurement of the loans payable and preferred shares issued by the CLOs at fair value better correlates with the value of the assets held by the CLOs, which are held to provide the cash flows for the note obligations. The investments of the CLOs are also carried at fair value.

The fair value of the CLO assets was based on quotations from reputable dealers or relevant pricing services. The fair value of the CLO loans payable was determined based on both discounted cash flow analyses and third-party quotes. Those analyses considered the position size, liquidity, current financial condition of the CLOs, the third-party financing environment, and other relevant market data.

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2010:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
	(Dollars in millions)			
Assets				
Investments of Consolidated Funds:				
Equity securities	\$ 9.5	\$ 166.0	\$ 36.8	\$ 212.3
Bonds	—	—	460.3	460.3
Loans	—	—	10,433.5	10,433.5
Partnership and LLC interests	—	5.7	14.8	20.5
Hedge funds	—	698.5	—	698.5
Other	—	5.6	33.9	39.5
	<u>9.5</u>	<u>875.8</u>	<u>10,979.3</u>	<u>11,864.6</u>
Trading securities and other	—	—	21.8	21.8
Restricted securities of Consolidated Funds	<u>100.7</u>	—	—	<u>100.7</u>
Total	<u>\$ 110.2</u>	<u>\$ 875.8</u>	<u>\$ 11,001.1</u>	<u>\$ 11,987.1</u>
Liabilities				
Loans payable of the CLOs	\$ —	\$ —	\$ 10,418.5	\$ 10,418.5
Interest rate swap	—	8.5	—	8.5
Derivative instruments of the CLOs	—	—	1.9	1.9
Subordinated loan payable to affiliate	—	—	494.0	494.0
Earnouts(1)	—	—	43.7	43.7
Contingent equity(1)	—	—	51.3	51.3
Total	<u>\$ —</u>	<u>\$ 8.5</u>	<u>\$ 11,009.4</u>	<u>\$ 11,017.9</u>

(1) Related to acquisition of Claren Road (see Note 3)

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2009:

	Level I	Level II	Level III	Total
	(Dollars in millions)			
Assets				
Investments of Consolidated Funds:				
Equity securities	\$ —	\$ —	\$ 98.9	\$ 98.9
Partnership and LLC interests	—	—	50.5	50.5
Other	—	—	14.5	14.5
	—	—	163.9	163.9
Trading securities and other	—	—	43.9	43.9
Total	\$ —	\$ —	\$ 207.8	\$ 207.8
Liabilities				
Interest rate swap	\$ —	\$ 7.8	\$ —	\$ 7.8
Total	\$ —	\$ 7.8	\$ —	\$ 7.8

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

	Financial Assets							
	Year Ended December 31, 2010					Year Ended December 31, 2009		
	Investments of Consolidated Funds					Trading Securities and Other	Investments of Consolidated Funds	Trading Securities and Other
	Equity Securities	Bonds	Loans	Partnership and LLC Interests	Other			
Balance, beginning of period	\$ 98.9	\$ —	\$ —	\$ 50.5	\$ 14.5	\$ 43.9	\$ 187.0	\$ 46.2
Adjustment relating to initial consolidation of the CLOs(1)	25.5	592.0	12,282.4	—	113.4	(24.2)	—	—
Transfers out(2)	(208.1)	—	—	(10.6)	(10.5)	—	—	—
Purchases	4.6	165.7	3,080.0	6.9	—	—	9.6	—
Sales	(34.1)	(319.1)	(4,886.7)	(10.5)	(22.3)	—	(2.5)	—
Realized and unrealized gains (losses), net	150.0	21.7	(42.2)	(21.5)	(61.2)	2.1	(30.2)	(2.3)
Balance, end of period	\$ 36.8	\$ 460.3	\$ 10,433.5	\$ 14.8	\$ 33.9	\$ 21.8	\$ 163.9	\$ 43.9
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	\$ 13.5	\$ 35.7	\$ 230.9	\$ (19.1)	\$ (14.3)	\$ (0.7)	\$ (12.1)	\$ (2.3)

(1) Beginning January 1, 2010, the Company consolidated the CLOs (excluding certain CLOs that were consolidated beginning in August 2010 and December 2010 upon their acquisition). The Company's investment in these CLOs of \$24.2 million has been eliminated in the combined and consolidated balance sheets on January 1, 2010.

(2) Transfers out of Level III financial assets were due to changes in the observability of market inputs used in the valuation of such assets. Transfers are measured as of the beginning of the quarter in which the transfer occurs.

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

	Financial Liabilities Year Ended December 31, 2010				
	Loans Payable of the CLOs	Derivative Instruments of the CLOs	Subordinated Loan Payable to Affiliate	Earnouts	Contingent Equity
Balance, beginning of period	\$ —	\$ —	\$ —	\$ —	\$ —
Adjustment relating to initial consolidation of the CLOs	12,410.5	—	—	—	—
Borrowings	2.8	—	—	—	—
Paydowns	(2,275.2)	(0.1)	—	—	—
Issuances	—	—	494.0	43.7	51.3
Realized and unrealized losses, net	280.4	2.0	—	—	—
Balance, end of period	\$ 10,418.5	\$ 1.9	\$ 494.0	\$ 43.7	\$ 51.3
Changes in unrealized losses (gains) included in earnings related to financial liabilities still held at the reporting date	\$ 579.6	\$ (2.5)	\$ —	\$ —	\$ —

Total realized and unrealized gains and losses included in earnings for Level III investments for trading securities are included in investment income, and such gains and losses for investments of Consolidated Funds and loans payable of the CLOs are included in net investment losses of Consolidated Funds in the combined and consolidated statements of operations.

5. Investments

Investments and Accrued Performance Fees

Investments consist of the following:

	As of December 31,	
	2010	2009
	(Dollars in millions)	
Accrued performance fees	\$ 2,216.6	\$ 999.5
Equity method investments, excluding accrued performance fees	355.9	235.8
Trading securities and other, at fair value	21.8	43.9
Total investments	\$ 2,594.3	\$ 1,279.2

Performance Fees

The components of accrued performance fees are as follows:

	As of December 31,	
	2010	2009
	(Dollars in millions)	
Corporate Private Equity	\$ 1,823.8	\$ 880.6
Real Assets	208.3	117.2
Global Market Strategies	184.5	1.7
Total	\$ 2,216.6	\$ 999.5

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

Accrued performance fees are shown gross of the Company's accrued giveback obligations, which are separately presented in the combined and consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of December 31,	
	2010	2009
	(Dollars in millions)	
Corporate Private Equity	\$ (70.2)	\$ (263.4)
Real Assets	(48.2)	(37.6)
Global Market Strategies	(1.2)	(4.0)
Total	<u>\$ (119.6)</u>	<u>\$ (305.0)</u>

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

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Corporate Private Equity	\$ 1,259.0	\$ 499.3	\$ (732.3)
Real Assets	78.4	(5.7)	(154.7)
Global Market Strategies	144.6	3.1	2.3
Total	<u>\$ 1,482.0</u>	<u>\$ 496.7</u>	<u>\$ (884.7)</u>

As a result of consolidation of certain Carlyle-affiliated funds as described in Note 2, \$2.8 million, \$(6.7) million and \$36.1 million of performance fee income in 2010, 2009 and 2008, respectively, were not classified as revenue and are instead reflected as a component of net investment gains (losses) of Consolidated Funds in the accompanying combined and consolidated statements of operations.

Approximately 31% and 79% of accrued performance fees at December 31, 2010 and 2009, respectively, are related to an investment in China Pacific Insurance (Group) Co. Ltd., a publicly-traded company, by CAP I, a corporate private equity fund, and related external co-investment vehicles. Performance fees from this investment for the years ended December 31, 2010, 2009 and 2008 were gains of \$9.7 million, gains of \$525.5 million and losses of \$391.4 million, or approximately 1%, 106% and 44%, respectively, of total performance fees for the years ended December 31, 2010, 2009 and 2008, respectively.

Approximately 29% of accrued performance fees at December 31, 2010 are related to CP IV, one of the Company's corporate private equity funds. Performance fees from this fund for the year ended December 31, 2010 were gains of \$668.7 million, or approximately 45%, of total performance fees for the year ended December 31, 2010. Total revenue recognized from CP IV was \$725.6 million, or 26% of total revenue, for the year ended December 31, 2010.

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Notes to the Combined and Consolidated Financial Statements — (Continued)

Equity-Method Investments

The Company holds investments in its unconsolidated funds, typically as general partner interests, which are accounted for under the equity method. Investments are related to the following segments:

	As of December 31,	
	2010	2009
Corporate Private Equity	\$ 228.9	\$ 130.0
Real Assets	117.5	103.9
Global Market Strategies	9.5	1.9
Total	\$ 355.9	\$ 235.8

The Company's equity method investments include its fund investments in Corporate Private Equity, Real Assets, and Global Market Strategies, which are not consolidated but in which Carlyle exerts significant influence.

The summarized financial information of the Company's equity method investments is as follows (Dollars in millions):

Statement of income information	Corporate Private Equity			Real Assets			Global Market Strategies		
	For the Years Ended December 31,			For the Years Ended December 31,			For the Years Ended December 31,		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Investment Income	\$ 733.2	\$ 181.5	\$ 116.4	\$ 354.7	\$ 341.5	\$ 151.4	\$ 266.3	\$ 172.9	\$ 170.5
Expenses	(582.8)	(573.1)	(548.9)	(435.2)	(420.9)	(474.4)	(42.3)	(42.1)	(109.5)
Net investment income (loss)	150.4	(391.6)	(432.5)	(80.5)	(79.4)	(323.0)	224.0	130.8	61.0
Net realized and unrealized gain (loss)	9,911.3	4,185.3	(7,182.3)	2,364.2	2,196.3	492.5	529.1	477.8	(803.3)
Net income (loss)	\$ 10,061.7	\$ 3,793.7	\$ (7,614.8)	\$ 2,283.7	\$ 2,116.9	\$ 169.5	\$ 753.1	\$ 608.6	\$ (742.3)
	Aggregate Totals								
	For the Years Ended December 31,								
	2010	2009	2008						
Investment Income	\$ 1,354.2	\$ 695.9	\$ 438.3						
Expenses	(1,060.3)	(1,036.1)	(1,132.8)						
Net investment income (loss)	293.9	(340.2)	(694.5)						
Net realized and unrealized gain (loss)	12,804.6	6,859.4	(7,493.1)						
Net income (loss)	\$ 13,098.5	\$ 6,519.2	\$ (8,187.6)						

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Notes to the Combined and Consolidated Financial Statements — (Continued)

	Corporate Private Equity		Real Assets		Global Market Strategies		Aggregate Totals	
	As of December 31,		As of December 31,		As of December 31,		As of December 31,	
	2010	2009	2010	2009	2010	2009	2010	2009
Balance sheet information								
Investments	\$35,697.6	\$26,822.6	\$19,665.7	\$15,831.7	\$2,357.7	\$1,867.0	\$57,721.0	\$44,521.3
Total assets	41,232.6	27,479.1	20,535.5	17,100.2	2,554.4	2,159.0	64,322.5	46,738.3
Debt	115.1	168.9	867.9	1,013.3	—	—	983.0	1,182.2
Other liabilities	444.3	419.5	504.3	708.5	43.9	91.6	992.5	1,219.6
Total liabilities	559.4	588.4	1,372.2	1,721.8	43.9	91.6	1,975.5	2,401.8
Partners' capital	40,673.2	26,890.7	19,163.3	15,378.4	2,510.5	2,067.4	62,347.0	44,336.5

Investment Income (Loss)

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

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Income (loss) from equity investments	\$ 66.3	\$ 5.3	\$ (51.7)
Income (loss) from trading securities	2.6	(4.4)	(53.2)
Other investment income	3.7	4.1	—
Total	\$ 72.6	\$ 5.0	\$ (104.9)

Carlyle's income (loss) from its equity-method investments is included in investment income (loss) in the combined and consolidated statements of operations and consists of:

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Corporate Private Equity	\$ 49.0	\$ 10.4	\$ (20.6)
Real Assets	8.0	(7.4)	(29.6)
Global Market Strategies	9.3	2.3	(1.5)
Total	\$ 66.3	\$ 5.3	\$ (51.7)

As a result of consolidation of certain Carlyle-affiliated funds as described in Note 2, \$19.0 million, \$(1.6) million and \$13.3 million of investment income (loss) from equity-method investments in 2010, 2009 and 2008, respectively, were not classified as revenue and are instead reflected as a component of net investment gains (losses) of Consolidated Funds in the accompanying combined and consolidated statements of operations.

Trading Securities and Other Investments

Trading securities as of December 31, 2010 and 2009 consisted of \$21.8 million and \$43.9 million, respectively, of investments in corporate mezzanine securities and bonds.

Investments of Consolidated Funds

The following table presents a summary of the investments held by the Consolidated Funds. Investments held by the Consolidated Funds do not represent the investments of all Carlyle

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Notes to the Combined and Consolidated Financial Statements — (Continued)

sponsored funds. The table below presents investments as a percentage of investments of Consolidated Funds (dollars in millions):

Geographic Region/Instrument Type/Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Funds	
	December 31,		December 31,	
	2010	2009	2010	2009
United States				
Equity securities:				
Aerospace and defense	\$ 166.0	\$ 87.0	1.40%	53.08%
Industrial	—	7.1	—	4.33%
Financial services	—	0.3	—	0.18%
Healthcare	0.1	0.1	—	0.04%
Technology and business services	—	0.1	—	0.09%
Total equity securities (cost of \$120.3 and \$105.5 at December 31, 2010 and 2009, respectively)	166.1	94.6	1.40%	57.72%
Partnership and LLC interests:				
Real estate	20.5	50.5	0.17%	30.81%
Total Partnership and LLC interests (cost of \$23.1 and \$34.7 at December 31, 2010 and 2009, respectively)	20.5	50.5	0.17%	30.81%
Other:				
Real estate	5.6	14.5	0.05%	8.85%
Total other (cost of \$3.8 and \$9.0 at December 31, 2010 and 2009, respectively)	5.6	14.5	0.05%	8.85%
Total investment in hedge funds	698.5	—	5.89%	—
Assets of the CLOs				
Bonds	242.1	—	2.04%	—
Equity	37.3	—	0.31%	—
Loans	7,636.0	—	64.36%	—
Other	0.2	—	—	—
Total assets of the CLOs (cost of \$8,031.2 at December 31, 2010)	7,915.6	—	66.71%	—
Total United States	\$ 8,806.3	\$ 159.6	74.22%	97.38%
Canada				
Assets of the CLOs				
Bonds	\$ 8.0	\$ —	0.07%	—
Loans	51.3	—	0.43%	—
Total assets of the CLOs (cost of \$59.3 at December 31, 2010)	59.3	—	0.50%	—
Total Canada	\$ 59.3	\$ —	0.50%	—

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Notes to the Combined and Consolidated Financial Statements — (Continued)

Geographic Region/Instrument Type/Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Funds	
	December 31,		December 31,	
	2010	2009	2010	2009
Europe				
Equity securities:				
Industrial	\$ —	\$ 3.6	—	2.20%
Telecommunications and media	—	0.7	—	0.42%
Total equity securities (cost of \$2.5 at December 31, 2009)	—	4.3	—	2.62%
Assets of the CLOs				
Bonds	210.1	—	1.77%	—
Equity	9.0	—	0.08%	—
Loans	2,746.2	—	23.15%	—
Other	33.7	—	0.28%	—
Total assets of the CLOs (cost of \$3,347.9 at December 31, 2010)	2,999.0	—	25.28%	—
Total Europe	\$ 2,999.0	\$ 4.3	25.28%	2.62%
Total investments in Consolidated Funds (cost of \$11,585.6 and \$151.7 at December 31, 2010 and 2009, respectively)	\$ 11,864.6	\$ 163.9	100.00%	100.00%

There were no individual investments with a fair value greater than five percent of 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:

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Interest income from investments	\$ 435.5	\$ —	\$ 12.8
Other income	17.1	0.7	5.9
Total	\$ 452.6	\$ 0.7	\$ 18.7

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 resulting from changes in fair value of the Consolidated

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Notes to the Combined and Consolidated Financial Statements — (Continued)

Funds' investments. The components of net investment gains (losses) of Consolidated Funds are as follows:

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Gains (losses) from investments of Consolidated Funds	\$ 502.0	\$ (33.8)	\$ 162.5
Losses from liabilities of CLOs	(752.4)	—	—
Gains on other assets of CLOs	5.0	—	—
Total	\$ (245.4)	\$ (33.8)	\$ 162.5

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

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Realized gains (losses)	\$ 74.1	\$ (6.4)	\$ 181.4
Net change in unrealized gains (losses)	427.9	(27.4)	(18.9)
Total	\$ 502.0	\$ (33.8)	\$ 162.5

6. Non-controlling Interests in Consolidated Entities

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

	As of December 31,	
	2010	2009
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	\$ 218.9	\$ 179.7
Non-Carlyle interests in majority-owned subsidiaries	137.0	93.1
Non-controlling interest in carried interest and cash held for carried interest distributions	9.0	3.3
Non-controlling interests in consolidated entities	\$ 364.9	\$ 276.1

The components of the Company's non-controlling interests in income (loss) of consolidated entities are as follows:

	Year Ended December 31,		
	2010	2009	2008
	(\$ in millions)		
Non-Carlyle interests in Consolidated Funds	\$ 163.8	\$ (25.5)	\$ 117.7
Non-Carlyle interests in majority-owned subsidiaries	20.0	(4.3)	(24.7)
Non-controlling interest in carried interest and cash held for carried interest distributions	6.6	(0.7)	1.5
Net income (loss) attributable to other non-controlling interests in consolidated entities	190.4	(30.5)	94.5
Net loss attributable to equity appropriated for CLOs	(256.6)	—	—
Non-controlling interests in income (loss) of consolidated entities	\$ (66.2)	\$ (30.5)	\$ 94.5

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Notes to the Combined and Consolidated Financial Statements — (Continued)

There have been no significant changes in the Company's ownership interests in its consolidated entities for the periods presented.

The components of the Company's non-controlling interests in income (loss) of consolidated entities are as follows:

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Non-Carlyle interests in Consolidated Funds	\$ (92.8)	\$ (25.5)	\$ 117.7
Non-Carlyle interests in majority-owned subsidiaries	20.0	(4.3)	(24.7)
Non-controlling interest in carried interest and cash held for carried interest distributions	6.6	(0.7)	1.5
Non-controlling interests in income (loss) of consolidated entities	<u>\$ (66.2)</u>	<u>\$ (30.5)</u>	<u>\$ 94.5</u>

7. Comprehensive Income (Loss)

The components of comprehensive income (loss) for the years ended December 31, 2010, 2009 and 2008 were as follows:

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Net income (loss)	\$ 1,459.4	\$ 663.6	\$ (513.7)
Change in fair value of cash flow hedge instrument	(0.8)	3.1	(10.9)
Currency translation adjustments	(38.2)	14.5	(60.1)
Other comprehensive income (loss)	(39.0)	17.6	(71.0)
Comprehensive income (loss)	1,420.4	681.2	(584.7)
Less: Comprehensive loss attributable to equity appropriated for Consolidated Funds	274.8	—	—
Less: Comprehensive (income) loss attributable to non-controlling interests in consolidated entities	(193.1)	25.1	(85.3)
Comprehensive income (loss) attributable to Carlyle Group	<u>\$ 1,502.1</u>	<u>\$ 706.3</u>	<u>\$ (670.0)</u>

The components of accumulated other comprehensive loss as of December 31, 2010 and 2009 were as follows:

	As of December 31,	
	2010	2009
	(Dollars in millions)	
Unrealized losses on cash flow hedge instrument	\$ (8.6)	\$ (7.8)
Currency translation adjustments	(25.9)	(3.2)
Total	<u>\$ (34.5)</u>	<u>\$ (11.0)</u>

The balance in accumulated other comprehensive loss related to the cash flow hedge will be reclassified into earnings as interest expense is recognized. The amount of losses reclassified into earnings was \$6.5 million, \$7.0 million and \$1.3 million for the years ended December 31, 2010, 2009 and 2008, respectively. As of December 31, 2010, approximately \$5.4 million of the accumulated

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Notes to the Combined and Consolidated Financial Statements — (Continued)

other comprehensive loss related to this cash flow hedge is expected to be recognized as a decrease to income from continuing operations over the next twelve months.

8. Fixed Assets, Net

The components of the Company's fixed assets are as follows:

	As of December 31,	
	2010	2009
	(Dollars in millions)	
Furniture, fixtures and equipment	\$ 34.4	\$ 33.3
Computer hardware and software	68.7	48.5
Leasehold improvements	44.2	41.6
Total fixed assets	147.3	123.4
Less: accumulated depreciation	(107.7)	(86.4)
Net fixed assets	<u>\$ 39.6</u>	<u>\$ 37.0</u>

Depreciation and amortization expense of \$20.9 million, \$28.6 million and \$27.1 million is included in general, administrative and other expenses in the combined and consolidated statements of operations for the years ended December 31, 2010, 2009 and 2008, respectively.

In connection with the closing of several offices (see Note 10), the Company recognized an impairment charge of \$2.1 million of the remaining value of fixed assets. This charge is included in general, administrative and other expenses in the combined and consolidated statement of operations for the year ended December 31, 2008.

9. Loans Payable

Term Loan

In 2007, the Company entered into an \$875.0 million Senior Secured Credit Facility with financial institutions under which it could borrow up to \$725.0 million in a term loan and \$150.0 million in a revolving credit facility. Subsequent to the bankruptcy of one of the financial institutions that was a party to the Senior Secured Credit Facility, the borrowing availability under the revolving credit facility was effectively reduced to \$115.7 million. Both the term loan and revolving credit facility were scheduled to mature on August 20, 2013.

In November 2010, the Company modified the Senior Secured Credit Facility and repaid the \$370.3 million outstanding principal amount, which was accounted for as an extinguishment. The amended facility includes \$500.0 million in a term loan and \$150.0 million in a revolving credit facility. Availability of this revolving credit facility is restricted by the guarantee provisions of the credit facility for eligible employees investing in Carlyle sponsored funds (see Note 10). Both the term loan and revolving credit facility mature on November 29, 2015. Principal amounts outstanding under the term loan and revolving credit facility accrue interest at a maximum rate of LIBOR plus 2.25% per annum (2.51% at December 31, 2010) with interest payable monthly.

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Notes to the Combined and Consolidated Financial Statements — (Continued)

Outstanding principal amounts are payable quarterly beginning in September 2013 as follows (Dollars in millions):

2013	\$ 75.0
2014	175.0
2015	250.0
	<u>\$ 500.0</u>

The Senior Secured Credit Facility is secured by management fees and carried interest allocable to the partners of the Company from certain funds and requires the Company to comply with certain financial and other covenants, which include maintaining management fee earning assets (as defined in the November 2010 agreement) of at least \$47.5 billion, a senior debt leverage ratio of less than or equal to 2.5 to 1.0, a total debt leverage ratio of less than 5.5 to 1.0, and a minimum interest coverage ratio of not less than 4.0 to 1.0, in each case, tested on a quarterly basis. The Senior Secured Credit Facility also contains nonfinancial covenants that restrict some of the Company's corporate activities, including its ability incur additional debt, pay certain dividends, create liens, make certain acquisitions or investments and engage in specified transactions with affiliates. Non compliance with any of the financial or nonfinancial covenants without cure or waiver would constitute an event of default under the Senior Secured Credit Facility. An event of default resulting from a breach of a financial or nonfinancial covenant 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 Secured 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. The Company was in compliance with the financial and non-financial covenants of the Senior Secured Credit Facility as of December 31, 2010.

Total interest expense under the Senior Secured Credit Facility was \$17.3 million, \$26.4 million and \$37.1 million for the years ended December 31, 2010, 2009 and 2008, respectively, which includes \$1.6 million, \$2.8 million and \$3.2 million in amortization of deferred financing costs, respectively. The fair value of the outstanding term loan in the Senior Secured Credit Facility is estimated at \$500.9 million and \$386.8 million at December 31, 2010 and 2009, respectively. The estimated fair value is based on the present value of payments of principal and interest for the duration of the obligation.

The Company is subject to interest rate risk associated with its variable rate debt financing. To manage this risk, the Company entered into an interest rate swap in March 2008 to fix the interest rate on \$239.3 million of the \$725.0 million in term loan borrowings at 5.319% through August 20, 2013. This instrument was designated as a cash flow hedge and remains in place after the amendment of the Senior Secured Credit Facility. The interest rate swap continues to be designated as a cash flow hedge. The effective portion of losses related to the change in the fair value of the swap of \$7.3 million, \$3.8 million and \$12.2 million for the years ended December 31, 2010, 2009 and 2008, respectively, are included in accumulated other comprehensive loss in the combined and consolidated balance sheets. The ineffective portion of losses recognized in earnings were not significant for any period presented.

Subordinated Loan Payable to Affiliate

In December 2010, the Company received net cash proceeds of \$494.0 million from Mubadala in exchange for \$500.0 million in subordinated notes, a 2% equity interest in the Company and additional rights as described below. In the event that a qualified initial public offering ("Qualified

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)**

IPO”) does not occur within two years of this transaction, the Company is required to issue an additional equity interest in the Company of 0.25% to Mubadala. If a Qualified IPO does not occur within five years of this transaction, the Company is required to issue an additional equity interest in the Company of 0.25% to Mubadala.

The notes mature on December 31, 2020 and are exchangeable for additional equity interests in the Company at Mubadala’s option in the event of a Qualified IPO within five years of this transaction at a 7.5% discount to the IPO price. If a Qualified IPO has not occurred within this period of time, Mubadala has the option to require the Company to redeem the notes for the then outstanding principal amount of the notes being redeemed, together with any applicable accrued and unpaid interest through the redemption date. From and after December 31, 2017, any note may be voluntarily redeemed at the election of the Company for the then outstanding principal amount of the notes being redeemed, together with any applicable accrued and unpaid interest through the redemption date.

Interest on the notes is payable semi-annually, commencing June 30, 2011 at a rate of 7.25% per annum to the extent paid in cash or 7.5% per annum to the extent paid by issuing payment-in-kind notes (“PIK Notes”). Interest payable on the first interest payment date is payable in cash. For any subsequent interest period, the Company may elect to pay up to 50% of the interest payment due by issuing PIK Notes on the same terms and conditions as the originally issued notes. Further, the Company may pay up to 50% of the interest payment due on any PIK Notes by issuing additional PIK Notes.

The Company has elected the fair value option to measure the subordinated notes at fair value. At December 31, 2010, the fair value of the subordinated notes was \$494.0 million. The primary reasons for electing the fair value option are to (i) reflect economic events in earnings on a timely basis and (ii) address simplification and cost-benefit considerations. Future changes in fair value of this instrument will be recognized in earnings and included in interest and other income in the combined and consolidated statements of operations.

The fair value of the subordinated notes was initially determined based upon modeling their expected cash flows including factoring the value of the embedded put and call features and the probability of conversion upon a Qualified IPO. The cash flows were then discounted at a market rate which was derived by comparison to comparable benchmark securities.

The Company accounted for the equity interests issued to Mubadala as an upfront cost related to the issuance of the subordinated notes. Because the Company elected the fair value option to account for the subordinated notes, the Company recognized the fair value of the equity interests in earnings during the year ended December 31, 2010 and presented the \$214.0 million expense as equity issued for affiliate debt financing in the combined and consolidated statements of operations. The charge assumed a Company valuation of approximately \$10 billion and gives consideration to the contingent equity grant of up to an additional 0.5% as described above.

Other Loans

As part of the Claren Road acquisition, the Company entered into a loan agreement for \$47.5 million. The loan matures on December 31, 2015 and interest is payable semi-annually,

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Notes to the Combined and Consolidated Financial Statements — (Continued)

commencing June 30, 2011 at an adjustable annual rate, currently 6.0%. Outstanding principal amounts are payable annually as follows (Dollars in millions):

2011	\$ 7.5
2012	7.5
2013	7.5
2014	7.5
2015	17.5
	<u>\$ 47.5</u>

As part of the Claren Road acquisition, Claren Road entered into a loan agreement with a financial institution for \$50.0 million. The loan matures on January 3, 2017 and interest is payable quarterly, commencing March 31, 2011 at an annual rate of 8.0%. Outstanding principal amounts are payable quarterly beginning April 29, 2011 and vary based on annual gross revenue as defined in the loan agreement. Beginning April 3, 2013 additional quarterly principal payments will commence equal to the lesser of (a) \$2.0 million and (b) the then unpaid principal amount of the loan.

In July 2008, one of the Company's U.K. subsidiaries borrowed €8.7 million from a financial institution to invest in a Carlyle global market strategies fund. The loan and accrued interest were repaid periodically from the receipt of management fees from the same fund. The loan bore interest at the six-month EURIBOR plus 1.25% and was fully paid off in September 2010. At December 31, 2009, the subsidiary had \$8.8 million in outstanding borrowing.

Debt Covenants

The Company 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 Company is also subject to various non-financial covenants under its loan agreements. The Company was in compliance with all financial and non-financial covenants under its various loan agreements as of December 31, 2010.

Loans Payable of Consolidated Funds

Loans payable of Consolidated Funds 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 combined and consolidated balance sheets.

As of December 31, 2010, the following borrowings were outstanding, which includes preferred shares classified as liabilities (Dollars in millions):

	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior secured notes	\$ 11,037.1	\$ 9,772.2	1.20%	9.36
Subordinated notes, Income notes and Preferred shares	440.7	636.4	n/a(a)	9.18
Combination notes	11.7	9.9	n/a(b)	12.06
Total	<u>\$ 11,489.5</u>	<u>\$ 10,418.5</u>		

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Notes to the Combined and Consolidated Financial Statements — (Continued)

- (a) The subordinated notes, income notes and preferred shares do not have contractual interest rates, but instead receive distributions from the excess cash flows of the CLOs.
 (b) The combination notes do not have contractual interest rates and have recourse only to U.S. Treasury securities and OATS specifically held to collateralize such combination notes.

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 December 31, 2010, the fair value of the CLO assets was \$11.9 billion.

Included in loans payable of the CLOs are loan revolvers (the APEX Revolvers), which the CLOs entered into with financial institutions on their respective closing dates. The APEX Revolvers provide credit enhancement to the securities issued by the CLOs by allowing the CLOs to draw down on the revolvers in order to offset a certain level of principal losses upon any default of the investment assets held by that CLO. The APEX Revolvers allow for a maximum borrowing of \$84.8 million and bear weighted average interest at LIBOR plus 0.41% per annum. Amounts borrowed under the APEX Revolvers are repaid based on cash flows available subject to priority of payments under each CLO's governing documents. Due to their short-term nature, the Company has elected not to apply the fair value option to the APEX revolvers; rather, they are carried at amortized cost at each reporting date which the Company believes approximates fair value. The principal amounts borrowed under the APEX Revolvers as of December 31, 2010 were \$15.0 million.

Certain CLOs entered into liquidity facility agreements with various liquidity facility providers on or about the various closing dates in order to fund payments of interest where there are insufficient funds available. The proceeds from such draw-downs are used for payments of interest at each interest payment date and the acquisition or exercise of an option or warrant as part of any collateral enhancement obligation. The liquidity facilities in aggregate allow for a maximum borrowing of \$29.2 million and bear weighted average interest at EURIBOR plus 0.44% per annum. Amounts borrowed under the liquidity facilities are repaid based on cash flows available subject to priority of payments under each CLO's governing documents. There were no borrowings outstanding under the liquidity facility as of December 31, 2010.

10. Commitments and Contingencies

Capital Commitments

The Company and its unconsolidated affiliates have unfunded commitments to entities within the following segments as of December 31, 2010:

	Unfunded Commitments (Dollars in millions)
Corporate Private Equity	\$ 838.3
Real Assets	250.0
Global Market Strategies	29.8
	<u>\$ 1,118.1</u>

Guaranteed Loans

On August 4, 2001, the Company entered into an agreement with a financial institution pursuant to which the Company 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

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)**

incremental borrowings up to an aggregate of \$16.2 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 2% (2.77% at December 31, 2010), reset quarterly. As of December 31, 2010 and 2009, approximately \$19.5 million and \$17.6 million, respectively, was outstanding under the credit facility and payable by the employees. The amount funded by the Company under this guarantee as of December 31, 2010 was not material. The Company believes the likelihood of any material funding under this guarantee to be remote. The fair value of this guarantee is not significant to the combined and consolidated financial statements.

As part of the severance arrangements for certain former Carlyle employees, the Company paid off the amounts owed by employees to the financial institution in exchange for promissory notes due to the Company at the prime rate (3.25% at December 31, 2010). At December 31, 2010 and 2009, the Company had receivables of \$1.1 million and \$2.5 million, respectively, due from former employees, which are included in due from affiliates and other receivables, net in the combined and consolidated balance sheets.

Other Guarantees

In 2009, the Company decided to shut down one of its real assets funds and guaranteed to reimburse investors of the fund for capital contributions made for investments and fees to the extent investment proceeds did not cover such amounts. At December 31, 2009, the Company had accrued liabilities of \$4.8 million related to this obligation, which represented management's estimate of the probable payment to the investors based on the fair value of the remaining investments. In December 2010, the Company entered into an agreement to purchase investors' interests in the fund and the related obligation of \$5.2 million is included in the accompanying combined and consolidated financial statements at December 31, 2010.

In November 2010, in connection with an acquisition transaction of one of its corporate private equity funds, the Company entered into an equity commitment agreement in which it guaranteed the fund's portion of the equity commitment as defined by the purchase agreement. The Company's guarantee under this agreement was \$94.6 million and was effective until the completion of the acquisition, which closed in February 2011. The fair value of this guarantee is not significant to the combined and consolidated financial statements.

The Company has guaranteed payment of giveback obligations, if any, related to one of its corporate private equity funds to the extent the amount of funds reserved for potential giveback obligations is not sufficient to fulfill such obligations. At December 31, 2010 and 2009, \$14.9 million and \$14.6 million, respectively, was held in an escrow account and the Company believes the likelihood of any material fundings under this guarantee to be remote.

In August 2010, the Company entered into agreements with a financial institution in which it is the guarantor on the financial institution's letter of credit issued for the benefit of a fund for \$13.0 million. The letter of credit expires in May 2011. The Company believes the likelihood of any material funding under this guarantee to be remote. The fair value of this guarantee is not significant to the combined and consolidated financial statements.

Contingent Obligations (Giveback)

An accrual for potential repayment of previously received performance fees of \$119.6 million at December 31, 2010, is shown as accrued giveback obligations in the combined and consolidated balance sheets, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at December 31, 2010. However, the ultimate giveback obligation, if any, does not become realized until the end of a fund's life (see Note 2). The Company

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Notes to the Combined and Consolidated Financial Statements — (Continued)

has recorded \$38.8 million and \$154.9 million, of unbilled receivables from former and current employees and Carlyle's individual partners as of December 31, 2010 and 2009, respectively, related to giveback obligations, which are included in due from affiliates and other receivables, net in the accompanying combined and consolidated balance sheets. Current and former partners and employees are personally responsible for their giveback obligations. The receivables are collateralized by investments made by individual partners and employees in Carlyle-sponsored funds. In addition, \$193.6 million and \$202.6 million has been withheld from distributions of carried interest to partners and employees for potential giveback obligations as of December 31, 2010 and 2009, respectively. Such amounts are held by an entity not included in the accompanying combined and consolidated balance sheets.

If, at December 31, 2010, all of the investments held by our 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 \$640.6 million, on an after-tax basis where applicable.

Leases

The Company leases office space in various countries around the world and maintains its headquarters in Washington, D.C., where it leases its primary office space under a non-cancelable lease agreement expiring on July 31, 2026. In the first quarter of 2011, the Company entered into a lease agreement for office space in Arlington, VA, expiring on June 30, 2022. Office leases in other locations expire in various years from 2011 through 2020. These leases are accounted for as operating leases. Rent expense was approximately \$32.6 million, \$43.4 million and \$47.2 million for the years ended December 31, 2010, 2009 and 2008, respectively, and is included in general, administrative and other expenses in the combined and consolidated statements of operations. Included in rent expense are lease termination costs of \$1.7 million, \$16.5 million and \$13.9 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Including the impact of the Arlington lease, the future minimum commitments for the leases are as follows (Dollars in millions):

2011	\$ 33.0
2012	34.8
2013	32.1
2014	31.8
2015	28.9
Thereafter	137.4
	<u>\$ 298.0</u>

Total minimum rentals to be received in the future under non-cancelable subleases as of December 31, 2010 were \$11.0 million.

The Company records contractual escalating minimum lease payments on a straight-line basis over the term of the lease. Deferred rent payable under the leases was \$7.1 million and \$6.0 million as of December 31, 2010 and 2009, respectively, and is included in accounts payable, accrued expenses and other liabilities in the accompanying combined and consolidated balance sheets.

Legal Matters

In the ordinary course of business, the Company is a party to litigation, investigations, disputes and other potential claims. Certain of these matters are described below. The Company is not

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)**

currently able to estimate for any such matters the reasonably possible amount of loss or range of loss. The Company does not believe that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect the Company or these financial statements.

In May 2009, the Company reached resolution with the Office of the Attorney General of the State of New York (the NYAG) regarding the NYAG's inquiry into the use of placement agents by various investment managers, including Carlyle, to solicit New York public pension funds for private equity and hedge fund investment commitments. The Company agreed to pay \$20.0 million to New York State.

Along with many other companies and individuals in the financial sector, the Company and Carlyle Mezzanine Partners are named as defendants in *Foy v. Austin Capital*, pending in New Mexico state court, which purports to be a *qui tam* suit on behalf of the State of New Mexico. 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. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including the Company and Carlyle Mezzanine Partners on the ground that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has brought two civil actions against certain of those defendants, not including the Carlyle defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions. The Company is currently unable to anticipate when the litigation will conclude or what impact the litigation may have on the Company and its interest holders.

In July 2009, a former shareholder of Carlyle Capital Corporation Limited (CCC), claiming to have lost \$20.0 million, filed a claim against CCC, the Company and certain officers and affiliates of the Company alleging violations of Massachusetts "blue sky" law provisions relating to material misrepresentations and omissions allegedly made during and after the marketing of CCC. In March 2010, the United States District Court for the District of Massachusetts dismissed the plaintiffs' complaint on the grounds that it should have been filed in Delaware instead of Massachusetts, and the plaintiffs subsequently filed an appeal to the United States Court of Appeals for the First Circuit. On February 25, 2011, the First Circuit upheld the District Court's dismissal of plaintiff's claims. The Company expects that plaintiffs will file a renewed claim in Delaware state court. Another former CCC investor also instituted similar legal proceedings in Kuwait against affiliates of the Company seeking to recover losses incurred in connection with an investment in CCC, and those claims have been dismissed on procedural grounds for lack of prosecution, subject to the ability of the plaintiffs to renew the claims in the courts of Kuwait. The Company intends to vigorously contest all claims alleged by all such plaintiffs relating to the marketing of CCC and is currently unable to anticipate what impact they may have on the Company.

The Guernsey liquidators who took control of CCC in March 2008 have filed four suits against the Company and the former directors of CCC in Delaware, New York, the District of Columbia and Guernsey, seeking \$1.0 billion in damages. They allege that the Company (in its capacity as the external manager of CCC) and the CCC board of directors were grossly negligent in their management of the CCC investment program or willfully mismanaged the investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. The core of the allegations is that the directors and Carlyle put the interests of Carlyle ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing Carlyle's reputation and its "brand" over the best interests of CCC. The Company believes the claims are without merit and will vigorously contest all allegations. The Company recognized a loss of \$152.3 million in 2008 in connection with the winding up of CCC.

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

In June 2011 and August 2011, two putative shareholder class actions were filed in the United States District court for the District of Columbia against Carlyle, certain of its affiliates and former directors of CCC alleging that the offering materials and various public disclosures were materially misleading or omitted material information. The Company believes the claims are without merit and intends to contest the claims vigorously.

In September 2006 and March 2009, the Company received requests for certain documents and other information from the Antitrust Division of the U.S. Department of Justice (“DOJ”) in connection with the DOJ’s investigation of global alternative asset firms to determine whether they have engaged in conduct prohibited by U.S. antitrust laws. The Company is fully cooperating with the DOJ’s investigation and is currently unable to anticipate what impact it may have on the Company.

On February 14, 2008, a private class-action lawsuit challenging “club” bids and other alleged anti-competitive business practices was filed in the U.S. District Court for the District of Massachusetts. The complaint alleges, among other things, that certain global alternative firms, including the Company, violated Section 1 of the Sherman Act by forming multi-sponsor consortiums for the purpose of bidding collectively in company buyout actions in certain going private transactions, which the plaintiffs allege constitutes a “conspiracy in restraint of trade.” The Company believes the lawsuit is without merit and is contesting it vigorously and is currently unable to anticipate what impact it may have on the Company.

Indemnifications

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

Risks and Uncertainties

The 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 Company’s investments and profitability. Such events are beyond the Company’s control, and the likelihood that they may occur and the effect on the Company cannot be predicted. Furthermore, most 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 are subject to significant limitations and uncertainties, including among others currency fluctuations and natural disasters.

The funds make investments outside of the United States. Non-U.S. investments are subject to the same risks associated with our 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.

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Notes to the Combined and Consolidated Financial Statements — (Continued)

Additionally, the Company encounters credit risk. Credit risk is the risk of default by a counterparty in the Company'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 Company considers cash, cash equivalents, securities, receivables, equity-method investments, accounts payable, accrued expenses, other liabilities and loans payable to be its financial instruments. The carrying amounts reported in the combined and consolidated balance sheets for these financial instruments, except for the term loan in the Senior Secured Credit Facility as discussed in Note 9, equal or closely approximate their fair values.

Termination Costs

Employee and office lease termination costs are included in accrued compensation and benefits and accrued expenses in the combined and consolidated balance sheets as well as general, administrative and other expenses in the combined and consolidated statements of operations. As of December 31, 2010 and 2009, the accrual for termination costs primarily represents lease obligations associated with the closed offices, which represents management's estimate of the total amount expected to be incurred. The changes in the accrual for termination costs for the years ended December 31, 2010, 2009 and 2008 are as follows:

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Balance, beginning of period	\$ 29.6	\$ 40.9	\$ —
Compensation expense	6.8	12.5	35.6
Contract termination costs	1.7	16.5	13.9
Costs paid or settled	(15.0)	(40.3)	(8.6)
Balance, end of period	\$ 23.1	\$ 29.6	\$ 40.9

11. Related Party Transactions

Due from Affiliates and Other Receivables, Net

The Company had the following due from affiliates and other receivables at December 31, 2010 and 2009:

	As of December 31,	
	2010	2009
	(Dollars in millions)	
Unbilled receivable for giveback obligations from current and former employees	\$ 12.7	\$ 38.3
Unbilled receivable for giveback obligations from Carlyle's individual partners	26.1	116.6
Notes receivable and accrued interest from affiliates	106.7	132.8
Other receivables from unconsolidated funds and affiliates, net	180.3	145.3
Total	\$ 325.8	\$ 433.0

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 expenses include costs related to the pursuit of actual or proposed

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Notes to the Combined and Consolidated Financial Statements — (Continued)

investments, professional fees and other expenses associated with the acquisition, holding and disposition of the investments. The affiliates are obligated, at the discretion of the Company to reimburse the expenses. Based on management's determination, the Company accrues and charges interest on amounts due from affiliate accounts at interest rates ranging from 0% to 8%. The accrued and charged interest to the affiliates was not significant during the years ended December 31, 2010, 2009 and 2008, respectively.

The Company has provided loans to certain unconsolidated funds to meet short-term obligations to purchase investments. These notes accrue interest at rates specified in each agreement, ranging from one-month LIBOR plus 2.15% (2.41% at December 31, 2010) to 18%.

These receivables are assessed periodically for collectibility and amounts determined to be uncollectible are charged directly to general, administrative and other expenses in the combined and 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 Company had the following due to affiliates balances at December 31, 2010 and 2009:

	As of December 31,	
	2010	2009
	(Dollars in millions)	
Due to affiliates of Consolidated Funds	\$ 1.2	\$ 2.1
Due to non-consolidated joint venture partner	13.1	20.7
Other	9.3	10.4
Total	\$ 23.6	\$ 33.2

The Company has recorded obligations for amounts due to certain of its affiliates. These outstanding obligations are payable on demand. The Company periodically offsets expenses it has paid on behalf of its affiliates against these obligations. Based on management's determination, the Company accrues and pays interest on the amounts due to affiliates at interest rates ranging from 0% to the prime rate, as defined, plus 2% (5.25% at December 31, 2010). The interest incurred to the affiliates was not significant during the years ended December 31, 2010, 2009, and 2008.

Sale of Investments

In September 2010, the Company sold an investment in a real estate venture (accounted for as an equity method investment) to one of its partners for \$16.2 million. The difference between the purchase price and the carrying value of the investment was treated as an equity contribution.

In 2008, the Company sold certain equity-method investments and trading securities to Carlyle's individual partners. The total proceeds from Carlyle's individual partners were \$194.2 million. Of this amount, \$153.3 million was used to purchase certain of the Company's investments, which approximated the fair value of these assets at the time of the sale. The remaining \$40.9 million of the proceeds were treated as an equity contribution and individual partners are entitled to receive future proceeds from the sale of certain trading securities (\$31.2 million in fair value at December 31, 2010) in exchange for the contribution, which are eliminated and are not included in the combined and consolidated balance sheet as a result of the consolidation of the Consolidated Funds.

Carlyle Group**Notes to the Combined and Consolidated Financial Statements — (Continued)*****Carlyle Capital Corporation Limited***

CCC was a closed-end investment fund managed by the Company, which invested in various fixed income asset classes, including high quality, AAA-rated, U.S. agency, mortgage-backed securities. In July 2007, CCC completed an initial public offering on the Euronext exchange. In March 2008, there was a rapid, unprecedented deterioration in the market for U.S. agency mortgage-backed securities. Based on this change, several of CCC's lenders marked down the value of CCC's assets and increased their collateral requirements. CCC did not have sufficient liquidity to meet these increased collateral requirements and consequently filed for a compulsory winding up under the laws of Guernsey, Channel Islands. As a result of these events, the Company recorded a loss of \$152.3 million in 2008 inclusive of an investment loss on CCC restricted stock of \$5.3 million, which is included in investment income (loss) in the combined and consolidated statement of operations (see Note 10).

Other Related Party Transactions

In the normal course of business, the Company has made use of aircraft owned by entities controlled by senior managing directors. The senior managing directors paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by the Company for the business use of these aircraft by senior managing directors and other employees is made at market rates, which totaled \$5.9 million, \$5.8 million and \$5.3 million for the years ended December 31, 2010, 2009 and 2008, respectively. These fees are included in general, administrative, and other expenses in the combined and consolidated statements of operations.

Carlyle partners 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 Carlyle partners and employees to pay management or performance fees.

Carried interest income from the funds can be distributed to Carlyle partners and employees on a current basis, but is subject to repayment by the subsidiary of Carlyle Group that acts as general partner of the fund in the event that certain specified return thresholds are not ultimately achieved. The Carlyle partners 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.

In 2009, the Company agreed to purchase certain assets from one of its real assets funds. At December 31, 2009, the Company had accrued liabilities of \$4.9 million representing the difference between the agreed-upon purchase price and the fair value of the assets, in accounts payable, accrued expenses and other liabilities in the combined and consolidated balance sheets. The transaction was completed in May 2010 and the Company had no liabilities related to this transaction at December 31, 2010.

Substantially all revenue is earned from affiliates of Carlyle.

12. Derivative Instruments in the CLOs

In the ordinary course of business, the CLOs enter into various types of derivative instruments. Derivative instruments serve as components of the CLOs' investment strategies and are utilized primarily to structure and manage the risks related to currency, credit and interest exposure. The derivative instruments that the CLOs hold or issue do not qualify for hedge accounting under the

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

accounting standards for derivatives and hedging. The CLOs' derivative instruments include currency swap contracts, currency options, credit risk swap contracts, and interest rate cap contracts, and are carried at fair value in the Company's combined and consolidated balance sheets.

Certain CLOs purchase put and call options to manage risk from changes in the value of foreign currencies. Certain CLOs entered into currency swap transactions, which represent agreements that obligate two parties to exchange a series of cash flows in different currencies at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise determined notional amount. The currency swap transactions are stated at fair value and the difference between cash to be paid and received on swaps is recognized as net investment gains (losses) of Consolidated Funds in the combined and consolidated statements of operations.

The fair value of the derivative instruments held by the CLOs are included in investments of Consolidated Funds in the accompanying combined and consolidated balance sheets.

The following table identifies the gross fair value amounts of derivative instruments, which may be offset and presented net in the combined and consolidated balance sheets to the extent that there is a legal right of offset, categorized by the volume of the total notional amounts or number of contracts and by primary underlying risk as of December 31, 2010 (dollars in millions):

	Notional Amount	December 31, 2010	
		Fair Value — Assets	Fair Value — Liabilities
Currency-related			
Cross-currency swap contract(s)	\$ 354.4	\$ 25.9	\$ (5.6)
Currency option(s)	102.0	11.4	—
Credit-related			
Credit risk swap contract(s)	9.3	0.1	—
Interest-related			
Interest rate cap contract(s)	28.0	0.2	—
		<u>\$ 37.6</u>	<u>\$ (5.6)</u>

The following tables present a summary of net realized and unrealized appreciation (depreciation) on derivative instruments which is included in net investment gains (losses) of Consolidated Funds in the combined and consolidated statements of operations (dollars in millions):

	Year Ended December 31, 2010		
	Realized Appreciation (Depreciation)	Change in Unrealized Appreciation (Depreciation)	Total
Currency-related			
Cross-currency swap contract(s)	\$ 22.3	\$ (75.5)	\$ (53.2)
Currency option(s)	(0.1)	4.4	4.3
Credit-related			
Credit risk swap contract(s)	—	(1.2)	(1.2)
Interest-related			
Interest rate cap contract(s)	—	0.1	0.1
	<u>\$ 22.2</u>	<u>\$ (72.2)</u>	<u>\$ (50.0)</u>

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Notes to the Combined and Consolidated Financial Statements — (Continued)

Certain derivative instruments contain provisions which require the CLOs or the counterparty to post collateral if certain conditions are met. Cash received to satisfy these collateral requirements is included in restricted cash and securities of Consolidated Funds (see Note 2) and in other liabilities of Consolidated Funds in the combined and consolidated balance sheets. The Company has elected not to offset derivative positions against the fair value of amounts (or amounts that approximate fair value) recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

13. Income Taxes

The provision for income taxes consists of the following:

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Current			
Foreign income tax	\$ 15.4	\$ 17.2	\$ 15.3
State and local income tax (benefit)	6.0	3.0	(3.1)
Subtotal	21.4	20.2	12.2
Deferred			
Foreign income tax (benefit)	(1.1)	(5.5)	0.3
State and local income tax	—	0.1	—
Subtotal	(1.1)	(5.4)	0.3
Total provision for income taxes	\$ 20.3	\$ 14.8	\$ 12.5

Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse.

A summary of the tax effects of the temporary differences is as follows:

	As of December 31,	
	2010	2009
	(Dollars in millions)	
Deferred tax assets		
Net operating loss	\$ 0.4	\$ 3.4
Depreciation and amortization	1.2	0.8
Accrued bonuses	6.7	6.4
Other	2.5	2.2
Total deferred tax assets	10.8	12.8
Deferred tax liabilities		
Other	0.2	0.2
Total deferred tax liabilities	0.2	0.2
Net deferred tax assets	\$ 10.6	\$ 12.6

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Notes to the Combined and Consolidated Financial Statements — (Continued)

The Company's deferred tax assets and liabilities are classified in the accompanying combined and consolidated balance sheets, within deposits and other, and accounts payable, accrued expenses and other liabilities, respectively.

The following table reconciles the provision for income taxes to the U.S. Federal statutory tax rate:

	Year Ended December 31,		
	2010	2009	2008
Statutory U.S. federal income tax rate	35.00%	35.00%	35.00%
Income passed through to Partners	(33.89)%	(33.00)%	(38.59)%
Foreign income taxes	(0.15)%	(0.27)%	0.48%
State and local income taxes	0.41%	0.46%	0.62%
Effective income tax rate	1.37%	2.19%	(2.49)%

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 Company has recorded a liability for uncertain tax positions of \$17.2 million and \$12.2 million as of December 31, 2010 and 2009, respectively, which is reflected in accounts payable, accrued expenses and other liabilities in the accompanying combined and consolidated balance sheets, all of which would reduce the Company's effective rate if recognized. The Company 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.

The Company's policy is to recognize accrued interest and penalties related to unrecognized tax benefits in provision for income taxes. During 2010, 2009 and 2008 the Company recognized approximately \$1.5 million, \$0.5 million and \$0.6 million, respectively, of interest and penalties within the combined and consolidated statements of operations. As of December 31, 2010 and 2009, the amount of accrued interest and penalties is approximately \$3.9 million and \$2.3 million, respectively.

In the normal course of business, the Company is subject to examination by federal and certain state, local and foreign tax jurisdictions. As of December 31, 2010, the Company's U.S. federal income tax returns for the years 2007 through 2009 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 2006 to 2009. Foreign tax returns are generally subject to audit from 2004 to 2009. Certain of the Company's foreign subsidiaries are currently under audit by foreign tax authorities. The Company does not believe that the outcome of these audits will have a material impact on the combined and consolidated financial statements.

14. Segment Reporting

Through December 31, 2010, Carlyle conducts its operations through three reportable segments:

Corporate Private Equity — The Corporate Private Equity segment is comprised of the Company's operations that advise a diverse group of funds that invest in buyout 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 Company's operations that advises U.S. and international funds focused on real estate, infrastructure, energy and renewable energy transactions.

Global Market Strategies — The Global Market Strategies segment advises a group of funds that pursue investment opportunities across various types of credit, equities and alternative instruments, and (as regards certain macroeconomic strategies) currencies, commodities, sovereign debt, and interest rate products and their derivatives.

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Notes to the Combined and Consolidated Financial Statements — (Continued)

The Company's reportable business segments are differentiated by their various investment focuses and strategies. Overhead costs were allocated based on direct base compensation expense for the funds comprising each segment.

Economic Net Income ("ENI") and its components are key performance measures used by management to make operating decisions and assess the performance of the Company's reportable segments. ENI differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it reflects a charge for compensation, bonuses and performance fees attributable to Carlyle partners but does not include net income (loss) attributable to non-Carlyle interests in Consolidated Funds or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include amortization associated with our acquired intangible assets, transaction costs associated with acquisitions, gains and losses associated with the mark to market on contingent consideration issued in conjunction with our acquisitions, gains and losses from the retirement of our debt, charges associated with lease terminations and employee severance and settlements of legal claims.

Fee related earnings ("FRE") is a component of ENI 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 ENI and also adjusts ENI to exclude performance fees, investment income from investments in our funds, and performance fee related compensation.

Distributable earnings is a component of ENI and is used to assess performance and amounts potentially available for distribution. Distributable earnings 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 ENI and also adjusts ENI for unrealized performance fees, unrealized investment income and the corresponding unrealized performance fee compensation expense.

ENI and its components are used by management primarily in making resource deployment and compensation decisions across the Company's three reportable segments. Management makes operating decisions and assesses the performance of each of the Company's business segments based on financial and operating metrics and data that is presented without the consolidation of any of the Consolidated Funds. Consequently, ENI and all segment data excludes the assets, liabilities and operating results related to the Consolidated Funds.

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Notes to the Combined and Consolidated Financial Statements — (Continued)

The following tables present the financial data for the Company's three reportable segments as of and for the years ended December 31, 2010, 2009 and 2008:

	December 31, 2010 and the Year Then Ended			
	Corporate Private Equity	Real Assets	Global Market Strategies	Total
(Dollars in millions)				
Segment Revenues				
Fund level fee revenues				
Fund management fees	\$ 537.6	\$ 144.0	\$ 81.9	\$ 763.5
Portfolio advisory fees, net	14.9	2.6	2.3	19.8
Transaction fees, net	21.5	8.6	0.1	30.2
Total fund level fee revenues	574.0	155.2	84.3	813.5
Performance fees				
Realized	267.3	(2.9)	9.8	274.2
Unrealized	996.3	72.7	135.1	1,204.1
Total performance fees	1,263.6	69.8	144.9	1,478.3
Investment income				
Realized	4.2	1.4	4.8	10.4
Unrealized	40.6	3.7	16.9	61.2
Total investment income	44.8	5.1	21.7	71.6
Interest and other income	14.8	4.9	2.7	22.4
Total revenues	1,897.2	235.0	253.6	2,385.8
Segment Expenses				
Direct compensation and benefits				
Direct base compensation	237.6	72.4	40.1	350.1
Performance fee related				
Realized	136.0	0.5	4.2	140.7
Unrealized	524.8	(1.6)	70.6	593.8
Total direct compensation and benefits	898.4	71.3	114.9	1,084.6
General, administrative, and other indirect expenses	168.1	69.2	32.1	269.4
Interest	11.4	3.8	2.6	17.8
Total expenses	1,077.9	144.3	149.6	1,371.8
Economic Net Income	\$ 819.3	\$ 90.7	\$ 104.0	\$ 1,014.0
Fee Related Earnings	\$ 171.7	\$ 14.7	\$ 12.2	\$ 198.6
Net Performance Fees	\$ 602.8	\$ 70.9	\$ 70.1	\$ 743.8
Investment Income	\$ 44.8	\$ 5.1	\$ 21.7	\$ 71.6
Distributable Earnings	\$ 307.2	\$ 12.7	\$ 22.6	\$ 342.5
Segment assets as of December 31, 2010	\$ 2,483.6	\$ 738.3	\$ 943.8	\$ 4,165.7

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Notes to the Combined and Consolidated Financial Statements — (Continued)

	December 31, 2009 and the Year Then Ended			
	Corporate Private Equity	Real Assets	Global Market Strategies	Total
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	\$ 536.0	\$ 150.4	\$ 68.8	\$ 755.2
Portfolio advisory fees, net	15.9	1.6	0.7	18.2
Transaction fees, net	12.0	1.8	0.9	14.7
Total fund level fee revenues	563.9	153.8	70.4	788.1
Performance fees				
Realized	3.5	5.9	1.6	11.0
Unrealized	491.8	(13.6)	1.5	479.7
Total performance fees	495.3	(7.7)	3.1	490.7
Investment income				
Realized	(2.7)	0.8	0.2	(1.7)
Unrealized	9.5	0.1	(0.2)	9.4
Total investment income (loss)	6.8	0.9	—	7.7
Interest and other income	10.8	14.3	2.2	27.3
Total revenues	1,076.8	161.3	75.7	1,313.8
Segment Expenses				
Direct compensation and benefits				
Direct base compensation	227.4	74.2	38.8	340.4
Performance fee related				
Realized	0.6	2.8	0.2	3.6
Unrealized	260.6	(23.5)	1.0	238.1
Total direct compensation and benefits	488.6	53.5	40.0	582.1
General, administrative, and other indirect expenses	168.0	84.2	32.6	284.8
Interest	19.8	6.7	4.1	30.6
Total expenses	676.4	144.4	76.7	897.5
Economic Net Income (Loss)	\$ 400.4	\$ 16.9	\$ (1.0)	\$ 416.3
Fee Related Earnings	\$ 159.5	\$ 3.0	\$ (2.9)	\$ 159.6
Net Performance Fees	\$ 234.1	\$ 13.0	\$ 1.9	\$ 249.0
Investment Income	\$ 6.8	\$ 0.9	\$ —	\$ 7.7
Distributable Earnings	\$ 159.7	\$ 6.9	\$ (1.3)	\$ 165.3
Segment assets as of December 31, 2009	\$ 1,516.3	\$ 666.3	\$ 130.1	\$ 2,312.7

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

	Year Ended December 31, 2008			Total
	Corporate Private Equity	Real Assets	Global Market Strategies	
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	\$ 522.8	\$ 157.0	\$ 87.6	\$ 767.4
Portfolio advisory fees, net	14.0	3.5	0.9	18.4
Transaction fees, net	19.9	5.7	—	25.6
Total fund level fee revenues	556.7	166.2	88.5	811.4
Performance fees				
Realized	54.3	28.8	15.7	98.8
Unrealized	(742.6)	(192.7)	(13.5)	(948.8)
Total performance fees	(688.3)	(163.9)	2.2	(850.0)
Investment income (loss)				
Realized	18.6	5.8	(6.7)	17.7
Unrealized	(13.8)	(15.2)	(55.7)	(84.7)
Total investment income (loss)	4.8	(9.4)	(62.4)	(67.0)
Interest and other income	19.3	16.7	2.2	38.2
Total revenues	(107.5)	9.6	30.5	(67.4)
Segment Expenses				
Direct compensation and benefits				
Direct base compensation	195.0	68.7	34.0	297.7
Performance fee related				
Realized	33.3	16.3	3.9	53.5
Unrealized	(417.9)	(97.5)	(6.6)	(522.0)
Total direct compensation and benefits	(189.6)	(12.5)	31.3	(170.8)
General, administrative, and other indirect expenses	188.1	90.3	38.5	316.9
Interest	32.9	9.9	3.3	46.1
Total expenses	31.4	87.7	73.1	192.2
Economic Net Loss	\$ (138.9)	\$ (78.1)	\$ (42.6)	\$ (259.6)
Fee Related Earnings	\$ 160.0	\$ 14.0	\$ 14.9	\$ 188.9
Net Performance Fees	\$ (303.7)	\$ (82.7)	\$ 4.9	\$ (381.5)
Investment Income (Loss)	\$ 4.8	\$ (9.4)	\$ (62.4)	\$ (67.0)
Distributable Earnings	\$ 199.6	\$ 32.3	\$ 20.0	\$ 251.9

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Notes to the Combined and Consolidated Financial Statements — (Continued)

The following table reconciles the Total Segments to Carlyle's Income (Loss) Before Provision for Taxes as of and for the years ended December 31, 2010, 2009 and 2008:

	December 31, 2010 and the Year Then Ended			
	Total Reportable Segments	Consolidated Funds	Reconciling Items	Carlyle Consolidated
	(Dollars in millions)			
Revenues	\$ 2,385.8	\$ 452.6	\$ (39.5)(a)	\$ 2,798.9
Expenses	\$ 1,371.8	\$ 278.0	\$ (576.0)(b)	\$ 1,073.8
Other income (loss)	\$ —	\$ (251.5)	\$ 6.1 (c)	\$ (245.4)
Economic net income	\$ 1,014.0	\$ (76.9)	\$ 542.6 (d)	\$ 1,479.7
Total assets	\$ 4,165.7	\$ 12,982.0	\$ (85.1)(e)	\$ 17,062.6

	December 31, 2009 and the Year Then Ended			
	Total Reportable Segments	Consolidated Funds	Reconciling Items	Carlyle Consolidated
	(Dollars in millions)			
Revenues	\$ 1,313.8	\$ 0.7	\$ 3.3 (a)	\$ 1,317.8
Expenses	\$ 897.5	\$ 0.7	\$ (292.6)(b)	\$ 605.6
Other loss	\$ —	\$ (33.8)	\$ — (c)	\$ (33.8)
Economic net income	\$ 416.3	\$ (33.8)	\$ 295.9 (d)	\$ 678.4
Total assets	\$ 2,312.7	\$ 230.9	\$ (34.2)(e)	\$ 2,509.4

	Year Ended December 31, 2008			
	Total Reportable Segments	Consolidated Funds	Reconciling Items	Carlyle Consolidated
	(Dollars in millions)			
Revenues	\$ (67.4)	\$ 18.7	\$ (72.6)(a)	\$ (121.3)
Expenses	\$ 192.2	\$ 16.7	\$ 333.5 (b)	\$ 542.4
Other income	\$ —	\$ 162.5	\$ — (c)	\$ 162.5
Economic net income	\$ (259.6)	\$ 164.5	\$ (406.1)(d)	\$ (501.2)

(a) The Revenues adjustment principally represents fund management and performance fees earned from the Consolidated Funds which were eliminated in consolidation to arrive at the Company's total revenues, and adjustments for amounts attributable to non-controlling interests in consolidated entities which were included in Revenues in the Company's segment reporting.

(b) The Expenses adjustment represents the elimination of intercompany expenses of the Consolidated Funds payable to the Company, adjustments for partner compensation and

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

charges and credits associated with Carlyle corporate actions and non-recurring items as detailed below (Dollars in millions):

	Year Ended December 31,		
	2010	2009	2008
Partner compensation	\$ (768.2)	\$ (339.7)	\$ 134.3
Acquisition related charges and amortization of intangibles	11.0	—	—
Equity issued for affiliate debt financing	214.0	—	—
Loss on CCC liquidation	—	—	152.3
Loss on NYAG settlement	—	20.0	—
Losses/(gains) associated with early extinguishment of debt	2.5	(10.7)	—
Severance and lease terminations	8.5	29.0	49.5
Other	0.3	8.8	—
Elimination of expenses of the Consolidated Funds	(44.1)	—	(2.6)
	<u>\$ (576.0)</u>	<u>\$ (292.6)</u>	<u>\$ 333.5</u>

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

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

	Year Ended December 31,		
	2010	2009	2008
Income (loss) before provision for income taxes	\$ 1,479.7	\$ 678.4	\$ (501.2)
Adjustments:			
Partner compensation(1)	(768.2)	(339.7)	134.3
Acquisition related charges and amortization of intangibles	11.0	—	—
Equity issued for affiliate debt financing	214.0	—	—
Loss on CCC liquidation	—	—	152.3
Loss on NYAG settlement	—	20.0	—
Losses/(gains) associated with early extinguishment of debt	2.5	(10.7)	—
Non-controlling interests in consolidated entities	66.2	30.5	(94.5)
Severance and lease terminations	8.5	29.0	49.5
Other	0.3	8.8	—
Economic Net Income (Loss)	\$ 1,014.0	\$ 416.3	\$ (259.6)
Net performance fees	743.8	249.0	(381.5)
Investment income (loss)	71.6	7.7	(67.0)
Fee Related Earnings	\$ 198.6	\$ 159.6	\$ 188.9
Realized performance fees, net of related compensation	133.5	7.4	45.3
Investment income (loss) — realized	10.4	(1.7)	17.7
Distributable Earnings	\$ 342.5	\$ 165.3	\$ 251.9

(1) Adjustments for partner compensation reflect amounts due to Carlyle partners for compensation and carried interest allocated to them, which amounts were classified as partnership distributions in the combined and consolidated financial statements.

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

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

Information by Geographic Location

Carlyle primarily transacts business in the United States and substantially all of its revenues are generated domestically. The Company has established investment vehicles whose primary focus is making investments in specified geographical locations. The table below presents consolidated revenues and assets based on the geographical focus of the associated investment vehicle.

	Total Revenues		Total Assets	
	Share	%	Share	%
(Dollars in millions)				
Year ended December 31, 2010				
Americas(1)	\$ 1,724.2	62%	\$ 11,551.4	68%
EMEA(2)	586.1	21%	4,264.5	25%
Asia-Pacific(3)	488.6	17%	1,246.7	7%
Total	\$ 2,798.9	100%	\$ 17,062.6	100%

	Total Revenues		Total Assets	
	Share	%	Share	%
(Dollars in millions)				
Year ended December 31, 2009				
Americas(1)	\$ 377.7	29%	\$ 1,026.9	41%
EMEA(2)	208.3	16%	357.4	14%
Asia-Pacific(3)	731.8	55%	1,125.1	45%
Total	\$ 1,317.8	100%	\$ 2,509.4	100%

	Total Revenues		Total Assets	
	Share	%	Share	%
(Dollars in millions)				
Year ended December 31, 2008				
Americas(1)	\$ 21.4	18%	\$ 1,141.7	55%
EMEA(2)	126.8	104%	340.4	16%
Asia-Pacific(3)	(269.5)	(222)%	613.7	29%
Total	\$ (121.3)	(100)%	\$ 2,095.8	100%

(1) Relates to investment vehicles whose primary focus is the United States, Mexico or South America.

(2) Relates to investment vehicles whose primary focus is Europe, the Middle East, and Africa.

(3) Relates to investment vehicles whose primary focus is Asia, including China, Japan, India and Australia.

15. Subsequent Events

In May 2011, the Company and its affiliates invested €41.0 million and €52.2 million, respectively, into one of its European real estate funds. The proceeds were used to refinance the fund's existing loans.

On July 1, 2011, the Company completed the acquisition of a 60% equity interest in AlpNet Partners N.V. ("AlpNet") for total purchase consideration of approximately €138.4 million

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Notes to the Combined and Consolidated Financial Statements — (Continued)

(\$199.3 million), including the amount contributed by the 40% non-controlling interest holders. AlInvest is one of the world's largest investors in private equity which advises a global private equity fund of funds program and related co-investment and secondary activities. The Company will consolidate the financial position and results of operations of AlInvest effective July 1, 2011 and will account for this transaction as a business combination.

On July 1, 2011, the Company acquired 55% of Emerging Sovereign Group LLC, its subsidiaries, and Emerging Sovereign Partners LLC (collectively, "ESG"), an emerging markets equities and macroeconomic strategies investment manager. The purchase price consisted of \$45.0 million in cash, an ownership interest in Carlyle and performance-based contingent payments of up to \$110.5 million, which is the maximum amount of additional consideration that could be paid, of which \$73.5 million would be payable within five years of closing and \$37.0 million would be payable by year six. The Company will consolidate the financial position and results of operations of ESG effective July 1, 2011 and will account for this transaction as a business combination.

The acquisition-date fair value of the consideration transferred for the AlInvest and ESG acquisitions, and the estimated fair values of the assets acquired, liabilities assumed, and non-controlling interests at the acquisition date for the acquisitions, are as follows:

	<u>AlInvest</u>	<u>ESG</u>
	(Dollars in millions)	
<u>Acquisition-date fair value of consideration transferred</u>		
Cash	\$ 183.8	\$ 45.0
Equity interests and other contingent consideration	15.5	67.4
Total	<u>\$ 199.3</u>	<u>\$ 112.4</u>
<u>Estimated fair value of assets acquired, liabilities assumed, and non-controlling interests</u>		
Cash and receivables	\$ 169.0	\$ 11.3
Investments and accrued performance fees	216.6	25.0
Net fixed assets and other assets	9.6	0.1
Finite-lived intangible assets — contractual rights	70.6	88.0
Finite-lived intangible assets — trademarks	1.4	1.0
Goodwill	9.8	—
Assets of Consolidated Funds	8,326.0	398.1
Accounts payable, accrued compensation and other accrued liabilities	(233.3)	(11.7)
Deferred tax liabilities	(60.6)	(3.0)
Liabilities of Consolidated Funds	(62.8)	(36.3)
Non-controlling interests in consolidated entities	(8,247.0)	(360.1)
Total	<u>\$ 199.3</u>	<u>\$ 112.4</u>

The following supplemental information presents, on an unaudited pro forma basis, the impact to the Company's combined and consolidated financial results for the periods presented as if the ESG and AlInvest acquisitions had been consummated as of January 1, 2010. The pro forma combined and consolidated financial results for the year ended December 31, 2010 also include the pro forma impact of the Company's acquisition of Claren Road on December 31, 2010 as if that acquisition had been consummated as of January 1, 2010 (see Note 3).

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
		(Dollars in millions)
Total revenues	\$ 2,272.3	\$ 3,284.1
Net income attributable to Carlyle Group	\$ 1,302.0	\$ 1,551.6

On July 1, 2011, the Company borrowed €81.0 million (\$116.6 million) under the revolving credit facility. On August 25, 2011, the Company borrowed \$125.0 million under its revolving credit facility and used those proceeds to repay the €81.0 million borrowing and its accumulated interest. The \$125.0 million balance outstanding will incur interest at LIBOR plus 2.25%.

On August 3, 2011, the Company purchased a management contract relating to a CLO managed by The Foothill Group, Inc. for approximately \$8.6 million. Gross assets of these CLOs are estimated to be \$500.0 million at June 30, 2011.

The Company has evaluated subsequent events through September 6, 2011, which is the date the financial statements were issued.

16. Supplemental Financial Information

The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Company's financial position and results of operations as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008. The supplemental statement of cash flows is presented without effects of the Consolidated Funds.

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Notes to the Combined and Consolidated Financial Statements — (Continued)

	As of December 31, 2010			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	\$ 616.9	\$ —	\$ —	\$ 616.9
Cash and cash equivalents held at Consolidated Funds	—	729.5	—	729.5
Restricted cash	16.5	—	—	16.5
Restricted cash and securities of Consolidated Funds	—	135.5	—	135.5
Investments and accrued performance fees	2,669.9	—	(75.6)	2,594.3
Investments of Consolidated Funds	—	11,864.6	—	11,864.6
Due from affiliates and other receivables, net	329.7	—	(3.9)	325.8
Due from affiliates and other receivables of Consolidated Funds, net	—	245.2	(5.6)	239.6
Fixed assets, net	39.6	—	—	39.6
Deposits and other	44.7	7.2	—	51.9
Intangible assets, net	448.4	—	—	448.4
Total assets	\$ 4,165.7	\$ 12,982.0	\$ (85.1)	\$ 17,062.6
Liabilities and equity				
Loans payable	\$ 597.5	\$ —	\$ —	\$ 597.5
Subordinated loan payable to affiliate	494.0	—	—	494.0
Loans payable of Consolidated Funds	—	10,475.9	(42.4)	10,433.5
Accounts payable, accrued expenses and other liabilities	211.6	—	—	211.6
Accrued compensation and benefits	520.9	—	—	520.9
Due to Carlyle partners	953.1	—	(4.5)	948.6
Due to affiliates	27.7	1.5	(5.6)	23.6
Deferred revenue	200.1	2.1	—	202.2
Other liabilities of Consolidated Funds	—	622.4	(3.9)	618.5
Accrued giveback obligations	119.6	—	—	119.6
Total liabilities	3,124.5	11,101.9	(56.4)	14,170.0
Redeemable non-controlling interests in consolidated entities	—	694.0	—	694.0
Members' equity	929.7	—	—	929.7
Accumulated other comprehensive loss	(34.5)	—	—	(34.5)
Total members' equity	895.2	—	—	895.2
Equity appropriated for Consolidated Funds	—	946.5	(8.0)	938.5
Non-controlling interests in consolidated entities	146.0	239.6	(20.7)	364.9
Total equity	1,041.2	1,186.1	(28.7)	2,198.6
Total liabilities and equity	\$ 4,165.7	\$ 12,982.0	\$ (85.1)	\$ 17,062.6

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

	As of December 31, 2009			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	\$ 488.1	\$ —	\$ —	\$ 488.1
Cash and cash equivalents held at Consolidated Funds	—	52.4	—	52.4
Restricted cash	14.6	—	—	14.6
Investments and accrued performance fees	1,304.8	—	(25.6)	1,279.2
Investments of Consolidated Funds	—	163.9	—	163.9
Due from affiliates and other receivables, net	434.5	—	(1.5)	433.0
Due from affiliates and other receivables of Consolidated Funds, net	—	12.0	(7.1)	4.9
Fixed assets, net	37.0	—	—	37.0
Deposits and other	33.7	2.6	—	36.3
Total assets	\$ 2,312.7	\$ 230.9	\$ (34.2)	\$ 2,509.4
Liabilities and equity				
Loans payable	\$ 412.2	\$ —	\$ —	\$ 412.2
Accounts payable, accrued expenses and other liabilities	122.6	0.1	—	122.7
Accrued compensation and benefits	350.4	—	—	350.4
Due to Carlyle partners	360.9	—	—	360.9
Due to affiliates	38.8	3.0	(8.6)	33.2
Deferred revenue	188.9	1.7	—	190.6
Other liabilities of Consolidated Funds	—	20.8	—	20.8
Accrued giveback obligations	305.0	—	—	305.0
Total liabilities	1,778.8	25.6	(8.6)	1,795.8
Members' equity	448.5	—	—	448.5
Accumulated other comprehensive loss	(11.0)	—	—	(11.0)
Total members' equity	437.5	—	—	437.5
Non-controlling interests in consolidated entities	96.4	205.3	(25.6)	276.1
Total equity	533.9	205.3	(25.6)	713.6
Total liabilities and equity	\$ 2,312.7	\$ 230.9	\$ (34.2)	\$ 2,509.4

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Notes to the Combined and Consolidated Financial Statements — (Continued)

	Year Ended December 31, 2010			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	\$ 813.6	\$ —	\$ (43.3)	\$ 770.3
Performance fees				
Realized	275.1	—	(8.7)	266.4
Unrealized	1,209.7	—	5.9	1,215.6
Total performance fees	1,484.8	—	(2.8)	1,482.0
Investment income (loss)				
Realized	13.6	—	(1.7)	11.9
Unrealized	78.0	—	(17.3)	60.7
Total investment income (loss)	91.6	—	(19.0)	72.6
Interest and other income	22.4	—	(1.0)	21.4
Interest and other income of Consolidated Funds	—	452.6	—	452.6
Total revenues	2,412.4	452.6	(66.1)	2,798.9
Expenses				
Compensation and benefits				
Base compensation	265.2	—	—	265.2
Performance fee related				
Realized	46.6	—	—	46.6
Unrealized	117.2	—	—	117.2
Total compensation and benefits	429.0	—	—	429.0
General, administrative and other expenses	176.6	—	0.6	177.2
Interest	17.8	—	—	17.8
Interest and other expenses of Consolidated Funds	—	278.0	(44.7)	233.3
Loss from early extinguishment of debt, net of related expenses	2.5	—	—	2.5
Equity issued for affiliate debt financing	214.0	—	—	214.0
Total expenses	839.9	278.0	(44.1)	1,073.8
Other income (loss)				
Net investment gains (losses) of Consolidated Funds	—	(251.5)	6.1	(245.4)
Income (loss) before provision for income taxes	1,572.5	(76.9)	(15.9)	1,479.7
Provision for income taxes	20.3	—	—	20.3
Net income (loss)	1,552.2	(76.9)	(15.9)	1,459.4
Net income (loss) attributable to non-controlling interests in consolidated entities	26.6	—	(92.8)	(66.2)
Net income (loss) attributable to Carlyle Group	\$ 1,525.6	\$ (76.9)	\$ 76.9	\$ 1,525.6

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

	Year Ended December 31, 2009			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	\$ 788.1	\$ —	\$ —	\$ 788.1
Performance fees				
Realized	11.1	—	—	11.1
Unrealized	478.9	—	6.7	485.6
Total performance fees	490.0	—	6.7	496.7
Investment income (loss)				
Realized	(6.7)	—	1.5	(5.2)
Unrealized	10.1	—	0.1	10.2
Total investment income (loss)	3.4	—	1.6	5.0
Interest and other income	27.3	—	—	27.3
Interest and other income of Consolidated Funds	—	0.7	—	0.7
Total revenues	1,308.8	0.7	8.3	1,317.8
Expenses				
Compensation and benefits				
Base compensation	264.2	—	—	264.2
Performance fee related				
Realized	1.1	—	—	1.1
Unrealized	83.1	—	—	83.1
Total compensation and benefits	348.4	—	—	348.4
General, administrative and other expenses	236.6	—	—	236.6
Interest	30.6	—	—	30.6
Interest and other expenses of Consolidated Funds	—	0.7	—	0.7
Gain from early extinguishment of debt, net of related expenses	(10.7)	—	—	(10.7)
Total expenses	604.9	0.7	—	605.6
Other income (loss)				
Net investment losses of Consolidated Funds	—	(33.8)	—	(33.8)
Income (loss) before provision for income taxes	703.9	(33.8)	8.3	678.4
Provision for income taxes	14.8	—	—	14.8
Net income (loss)	689.1	(33.8)	8.3	663.6
Net loss attributable to non-controlling interests in consolidated entities	(5.0)	—	(25.5)	(30.5)
Net income (loss) attributable to Carlyle Group	\$ 694.1	\$ (33.8)	\$ 33.8	\$ 694.1

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

	Year Ended December 31, 2008			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	\$ 811.4	\$ —	\$ —	\$ 811.4
Performance fees				
Realized	104.9	—	(45.6)	59.3
Unrealized	(953.5)	—	9.5	(944.0)
Total performance fees	(848.6)	—	(36.1)	(884.7)
Investment income (loss)				
Realized	19.1	—	(13.4)	5.7
Unrealized	(110.7)	—	0.1	(110.6)
Total investment income (loss)	(91.6)	—	(13.3)	(104.9)
Interest and other income	38.2	—	—	38.2
Interest and other income of Consolidated Funds	—	18.7	—	18.7
Total revenues	(90.6)	18.7	(49.4)	(121.3)
Expenses				
Compensation and benefits				
Base compensation	294.4	2.8	—	297.2
Performance fee related				
Realized	23.3	—	—	23.3
Unrealized	(223.1)	—	—	(223.1)
Total compensation and benefits	94.6	2.8	—	97.4
General, administrative and other expenses	240.6	5.4	(0.9)	245.1
Interest	46.1	—	—	46.1
Interest and other expenses of Consolidated Funds	—	8.5	(1.7)	6.8
Loss on CCC liquidation	147.0	—	—	147.0
Total expenses	528.3	16.7	(2.6)	542.4
Other income				
Net investment gains of Consolidated Funds	—	162.5	—	162.5
Income (loss) before provision for income taxes	(618.9)	164.5	(46.8)	(501.2)
Provision for income taxes	12.5	—	—	12.5
Net income (loss)	(631.4)	164.5	(46.8)	(513.7)
Net income (loss) attributable to non-controlling interests in consolidated entities	(23.2)	—	117.7	94.5
Net income (loss) attributable to Carlyle Group	\$ (608.2)	\$ 164.5	\$ (164.5)	\$ (608.2)

Carlyle Group

Notes to the Combined and Consolidated Financial Statements — (Continued)

	Year Ended December 31,		
	2010	2009	2008
	(Dollars in millions)		
Cash flows from operating activities			
Net income (loss)	\$ 1,552.2	\$ 689.1	\$ (631.4)
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	24.5	28.6	26.8
Amortization of deferred financing fees	1.6	2.8	3.2
Non-cash equity issued for affiliate debt financing	214.0	—	—
Non-cash performance fees	(1,338.5)	(478.9)	950.4
Loss (gain) on early extinguishment of debt	2.5	(10.7)	—
Loss from CCC liquidation	—	—	152.3
Other non-cash amounts included in net income	(25.9)	17.6	(47.5)
Investment (income) loss	(87.9)	0.8	86.4
Purchases of investments	(114.8)	(24.3)	(173.2)
Proceeds from the sale of investments	46.9	27.0	183.6
Proceeds from sale of trading securities and other	7.9	—	(30.1)
Change in due from affiliates and other receivables	14.5	(11.7)	5.3
Change in deposits and other	(14.2)	(3.2)	(3.1)
Change in accounts payable, accrued expenses and other liabilities	41.9	12.4	(44.8)
Change in accrued compensation and benefits	121.8	91.7	(344.0)
Change in due to affiliates	(5.9)	17.8	(122.7)
Change in deferred revenue	(7.3)	43.8	(46.6)
Net cash provided by (used in) operating activities	433.3	402.8	(35.4)
Cash flows from investing activities			
Change in held-to-maturity investments, net	—	—	21.4
Change in restricted cash and securities	(0.3)	—	(0.8)
Purchases of fixed assets, net	(21.2)	(27.5)	(36.1)
Purchases of intangible assets (management contracts)	(58.5)	—	—
Acquisitions, net of cash acquired	(105.6)	—	—
Net cash used in investing activities	(185.6)	(27.5)	(15.5)
Cash flows from financing activities			
Proceeds from loans payable	994.0	6.7	83.1
Payments on loans payable	(411.9)	(303.6)	(9.1)
Contributions from members	46.1	43.5	79.0
Distributions to members	(787.8)	(215.6)	(253.9)
Distributions due to reorganization	—	—	(171.5)
Contributions from non-controlling interest holders	48.1	13.9	42.1
Distributions to non-controlling interest holders	(25.2)	(10.3)	(13.0)
Change in due to/from affiliates financing activities	19.0	(105.3)	(133.4)
Net cash used in financing activities	(117.7)	(570.7)	(376.7)
Effect of foreign exchange rate changes	(1.2)	2.7	(6.6)
Increase (decrease) in cash and cash equivalents	128.8	(192.7)	(434.2)
Cash and cash equivalents, beginning of period	488.1	680.8	1,115.0
Cash and cash equivalents, end of period	\$ 616.9	\$ 488.1	\$ 680.8

Carlyle Group
Condensed Combined and Consolidated Balance Sheets

	June 30, 2011 (Unaudited)	December 31, 2010
	(Dollars in millions)	
Assets		
Cash and cash equivalents	\$ 485.3	\$ 616.9
Cash and cash equivalents held at Consolidated Funds	659.7	729.5
Restricted cash	31.9	16.5
Restricted cash and securities of Consolidated Funds	98.3	135.5
Investments and accrued performance fees	3,183.2	2,594.3
Investments of Consolidated Funds	12,191.6	11,864.6
Due from affiliates and other receivables, net	280.8	325.8
Due from affiliates and other receivables of Consolidated Funds, net	231.9	239.6
Fixed assets, net	45.4	39.6
Deposits and other	58.9	51.9
Intangible assets, net	423.2	448.4
Total assets	\$ 17,690.2	\$ 17,062.6
Liabilities and equity		
Loans payable	\$ 580.5	\$ 597.5
Subordinated loan payable to affiliate	511.7	494.0
Loans payable of Consolidated Funds	10,427.1	10,433.5
Accounts payable, accrued expenses and other liabilities	174.8	211.6
Accrued compensation and benefits	479.6	520.9
Due to Carlyle partners	1,244.0	948.6
Due to affiliates	26.6	23.6
Deferred revenue	143.3	202.2
Other liabilities of Consolidated Funds	796.7	618.5
Accrued giveback obligations	84.3	119.6
Total liabilities	14,468.6	14,170.0
Commitments and contingencies		
Redeemable non-controlling interests in consolidated entities	1,011.2	694.0
Members' equity	1,241.9	929.7
Accumulated other comprehensive loss	(40.9)	(34.5)
Total members' equity	1,201.0	895.2
Equity appropriated for Consolidated Funds	645.4	938.5
Non-controlling interests in consolidated entities	364.0	364.9
Total equity	2,210.4	2,198.6
Total liabilities and equity	\$ 17,690.2	\$ 17,062.6

See accompanying notes.

Carlyle Group
Condensed Combined and Consolidated Statements of Operations

	Six Months Ended	
	June 30,	
	2011	2010
	(Unaudited)	
	(Dollars in millions)	
Revenues		
Fund management fees	\$ 447.2	\$ 386.7
Performance fees		
Realized	494.9	81.0
Unrealized	725.5	32.9
Total performance fees	1,220.4	113.9
Investment income (loss)		
Realized	42.8	(3.1)
Unrealized	19.2	25.1
Total investment income (loss)	62.0	22.0
Interest and other income	13.1	8.9
Interest and other income of Consolidated Funds	330.4	231.0
Total revenues	2,073.1	762.5
Expenses		
Compensation and benefits		
Base compensation	175.3	145.1
Performance fee related		
Realized	84.8	—
Unrealized	57.8	8.7
Total compensation and benefits	317.9	153.8
General, administrative and other expenses	144.3	77.1
Interest	32.8	9.0
Interest and other expenses of Consolidated Funds	190.9	115.4
Other non-operating expenses	20.6	—
Total expenses	706.5	355.3
Other income (loss)		
Net investment gains (losses) of Consolidated Funds	(277.0)	314.6
Income before provision for income taxes	1,089.6	721.8
Provision for income taxes	12.8	7.4
Net income	1,076.8	714.4
Net income (loss) attributable to non-controlling interests in consolidated entities	(191.1)	410.1
Net income attributable to Carlyle Group	<u>\$ 1,267.9</u>	<u>\$ 304.3</u>

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

Carlyle Group

Condensed Combined and Consolidated Statement of Changes in Equity and Redeemable Non-controlling Interests in Consolidated Entities

	Members' Equity	Accumulated Other Comprehensive Income (Loss)	Equity Appropriated for Consolidated Funds	Non- controlling Interests in Consolidated Entities (Unaudited) (Dollars in millions)	Total Equity	Redeemable Non- controlling Interests in Consolidated Entities	Comprehensive Income
Equity at December 31, 2010	\$ 929.7	\$ (34.5)	\$ 938.5	\$ 364.9	\$ 2,198.6	\$ 694.0	
Contributions	6.0	—	—	16.4	22.4	425.7	
Distributions	(961.7)	—	—	(89.0)	(1,050.7)	(174.1)	
Net income (loss)	1,267.9	—	(326.5)	69.8	1,011.2	65.6	\$ 1,076.8
Currency translation adjustments	—	(8.2)	33.4	1.9	27.1	—	27.1
Change in fair value of cash flow hedge instrument	—	1.8	—	—	1.8	—	1.8
Equity at June 30, 2011	<u>\$ 1,241.9</u>	<u>\$ (40.9)</u>	<u>\$ 645.4</u>	<u>\$ 364.0</u>	<u>\$ 2,210.4</u>	<u>\$ 1,011.2</u>	<u>\$ 1,105.7</u>

See accompanying notes.

Carlyle Group
Condensed Combined and Consolidated Statements of Cash Flows

	Six Months Ended June 30,	
	2011	2010
	(Unaudited) (Dollars in millions)	
Cash flows from operating activities		
Net income	\$ 1,076.8	\$ 714.4
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	37.2	11.0
Amortization of deferred financing fees	0.5	0.9
Non-cash performance fees	(737.7)	(109.1)
Other non-cash amounts	(4.2)	(65.4)
Consolidated Funds related:		
Realized/unrealized gain on investments of Consolidated Funds	(417.5)	(267.0)
Realized/unrealized (gain) loss from loans payable of Consolidated Funds	696.1	(39.2)
Purchases of investments by Consolidated Funds	(3,761.6)	(1,313.9)
Proceeds from sale and settlements of investments by Consolidated Funds	4,246.5	2,716.6
Non-cash interest income, net	(54.0)	(62.3)
Change in cash and cash equivalents held at Consolidated Funds	64.6	(53.8)
Change in other receivables held at Consolidated Funds	12.5	(938.6)
Change in other liabilities held at Consolidated Funds	182.0	1.3
Investment income	(54.0)	(19.4)
Purchases of investments	(84.5)	(14.6)
Proceeds from the sale of investments	263.6	18.2
Change in due from affiliates and other receivables	(11.9)	13.6
Change in deposits and other	(7.9)	(10.8)
Change in accounts payable, accrued expenses and other liabilities	(39.0)	(31.6)
Change in accrued compensation and benefits	(41.2)	(51.8)
Change in due to affiliates	1.1	5.4
Change in deferred revenue	(56.9)	(91.1)
Net cash provided by operating activities	1,310.5	412.8
Cash flows from investing activities		
Change in restricted cash	(15.4)	—
Purchases of fixed assets, net	(17.8)	(12.7)
Net cash used in investing activities	(33.2)	(12.7)
Cash flows from financing activities		
Payments on loans payable	(17.0)	(23.4)
Net payment on loans payable of Consolidated Funds	(983.4)	(250.6)
Contributions from members	6.0	5.9
Distributions to members	(657.0)	(91.1)
Contributions from non-controlling interest holders	354.5	7.9
Distributions to non-controlling interest holders	(189.8)	(124.8)
Change in due to/from affiliates financing activities	48.7	32.9
Net cash used in financing activities	(1,438.0)	(443.2)
Effect of foreign exchange rate changes	29.1	(7.9)
Decrease in cash and cash equivalents	(131.6)	(51.0)
Cash and cash equivalents, beginning of period	616.9	488.1
Cash and cash equivalents, end of period	<u>\$ 485.3</u>	<u>\$ 437.1</u>
Supplemental non-cash disclosures		
Net assets related to consolidation of the CLOs	\$ —	\$ 726.1
Non-cash distributions to members	<u>\$ 304.7</u>	<u>\$ 81.0</u>
Non-cash contributions from non-controlling interest holders	<u>\$ 87.6</u>	<u>\$ 5.2</u>
Non-cash distributions to non-controlling interest holders	<u>\$ 73.3</u>	<u>\$ —</u>

See accompanying notes.

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements****1. Organization and Basis of Presentation**

The Carlyle Group (“Carlyle”) is one of the world’s largest global alternative asset management 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 accompanying financial statements combine the accounts of four affiliated entities: TC Group, L.L.C., TC Group Cayman L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P., as well as their majority-owned subsidiaries (collectively “the Company” or “Carlyle Group”), which are under common ownership and control by Carlyle’s individual partners, CalPERS, and Mubadala Development Company (“Mubadala”). In addition, certain Carlyle-affiliated funds, related co-investment entities, and certain collateralized loan obligations (“CLOs”) managed by the Company (collectively the “Consolidated Funds”) have been consolidated in the accompanying financial statements for certain of the periods presented pursuant to U.S. generally accepted accounting principles (“U.S. GAAP”) as described in Note 2. This consolidation generally has a gross-up effect on assets, liabilities and cash flows, and has no effect on the net income attributable to Carlyle Group or members’ equity. The majority economic ownership interests of the investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities, equity appropriated for consolidated entities, and redeemable non-controlling interests in consolidated entities in the accompanying condensed combined and consolidated financial statements. As further described in Note 2, the CLOs are consolidated as of January 1, 2010 or the acquisition date for CLOs subsequently acquired (see Note 3 and Note 15) and, accordingly, the accompanying condensed combined and consolidated financial statements do not consolidate the same entities in each year and are, in that regard, not comparable.

The Company provides investment management services to, and has transactions with, various private equity funds, real estate funds, CLOs, hedge funds and other investment products sponsored by the Company for the investment of client assets in the normal course of business. The Company serves as the general partner, investment manager or collateral manager, making day-to-day investment decisions concerning the assets of these products. The Company operates its business through three reportable segments: Corporate Private Equity, Real Assets and Global Market Strategies (see Note 14).

Net income is determined in accordance with U.S. GAAP for partnerships and is not comparable to net income of a corporation. All distributions and compensation for services rendered by Carlyle’s individual partners have been reflected as distributions from equity rather than compensation expense in the accompanying condensed combined and consolidated financial statements.

The accompanying condensed combined and consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. 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 combined and consolidated financial statements and notes for the year ended December 31, 2010. 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 combined and 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.

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

2. Summary of Significant Accounting Policies*Principles of Consolidation*

In addition to the four affiliated entities described in Note 1, the accompanying condensed combined and consolidated financial statements consolidate: 1) Carlyle-affiliated funds and co-investment entities, for which the Company is the sole general partner and the presumption of control by the general partner has not been overcome and 2) variable interest entities (VIEs), including certain CLOs, for which the Company is deemed to be the primary beneficiary; consolidation of these entities is a requirement under U.S. GAAP. All significant inter-entity transactions and balances have been eliminated.

For entities that are determined to be VIE's, the Company consolidates those entities where it is deemed to be the primary beneficiary. Pursuant to revised consolidation rules that became effective January 1, 2010, an entity is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity's business 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. The revised consolidation rules require an analysis to (a) determine whether an entity in which the Company holds a variable interest is a VIE and (b) whether the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly or indirectly by the Company. The consolidation analysis is generally performed qualitatively. This analysis, which requires judgment, is performed at each reporting date.

In February 2010, Accounting Standards Update (ASU) No. 2010-10, "Amendments for Certain Investment Funds," was issued. This ASU defers the application of the revised consolidation rules for a reporting enterprise's interest in an entity if certain conditions are met, including the entity has the attributes of an investment company and is not a securitization or asset-backed financing entity. An entity that qualifies for the deferral will continue to be assessed for consolidation under the overall guidance on VIEs, before its amendment, and other applicable consolidation guidance.

Beginning January 1, 2010, the Company was required to consolidate 16 CLOs, which are investment vehicles created for the sole purpose of issuing collateralized loan instruments. Upon consolidation, the Company elected the fair value option for eligible liabilities to mitigate accounting mismatches between the carrying value of the assets and liabilities. Upon adoption of the provisions of the revised consolidation guidance, the Company recorded a cumulative effect adjustment to equity appropriated for consolidated funds of \$0.7 billion.

As of June 30, 2011, assets and liabilities of consolidated VIEs reflected in the condensed combined and consolidated balance sheets were \$11.9 billion and \$11.2 billion, respectively. Other than the assets of the VIEs which are consolidated, the consolidated VIEs' liabilities do not have recourse to the Company. The assets and liabilities of the consolidated VIEs are comprised primarily of investments and loans payable, respectively.

The loans payable issued by the CLOs are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. In exchange for managing the collateral for the CLOs, the Company earns investment management fees, including in some cases subordinated management fees and contingent incentive fees. In cases where the Company consolidates the CLOs, those management fees have been eliminated as intercompany transactions. At June 30, 2011, the Company held \$72.4 million of investments in these CLOs, which represents its maximum risk of

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

loss. The Company's investments in these CLOs are generally subordinated to other interests in the entities and entitle the Company 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 Company for any losses sustained in the CLO structure.

For all Carlyle-affiliated funds and co-investment entities (collectively "the Funds") that are not determined to be VIEs, the Company consolidates those funds where, as the sole general partner, it has not overcome the presumption of control pursuant to U.S. GAAP. Most Carlyle funds provide a dissolution right upon a simple majority vote of the non-Carlyle affiliated limited partners such that the presumption of control by Carlyle is overcome. Accordingly, these funds are not consolidated in the Company's condensed combined and consolidated financial statements.

Investments in Unconsolidated Variable Interest Entities

The Company holds variable interests in certain VIEs which are not consolidated because the Company is not the primary beneficiary. The Company'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 Company relating to unconsolidated entities. The assets recognized in the Company's condensed combined and consolidated balance sheets related to the Company's interests in these non-consolidated VIEs and the Company's maximum exposure to loss relating to non-consolidated VIEs were as follows:

	As of	
	June 30, 2011	December 31, 2010
	(Dollars in millions)	
Investments	\$ 1.1	\$ 1.1
Receivables	49.4	73.8
Maximum Exposure to Loss	<u>\$ 50.5</u>	<u>\$ 74.9</u>

Basis of Accounting

The accompanying financial statements are prepared in accordance with U.S. GAAP. Management has determined that the Company'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 condensed combined and consolidated financial statements, the Company has retained the specialized accounting for the Funds, pursuant to U.S. GAAP.

All of the investments held and notes issued by the Consolidated Funds are presented at estimated fair value in the Company's condensed combined and consolidated balance sheets. Interest income and other income of the Consolidated Funds is included in interest and other income of Consolidated Funds and interest expense and other expenses of the Consolidated Funds is included in interest and other expenses of Consolidated Funds in the Company's condensed combined and consolidated statements of operations. The surplus of the CLO assets over the CLO liabilities upon consolidation is reflected in the Company's condensed combined and consolidated balance sheets as equity appropriated for Consolidated Funds. Net income attributable to the investors in the CLOs is included in net income (loss) attributable to non-controlling interests in consolidated entities in the condensed combined and consolidated statements of operations and

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)**

equity appropriated for Consolidated Funds in the condensed combined and consolidated balance sheets.

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 Company's accounting policies. Assumptions and estimates regarding the valuation of investments and their resulting impact on performance fees involve a higher degree of judgment and complexity and these assumptions and estimates may be significant to the condensed combined and consolidated financial statements and the resulting impact on performance fees. Actual results could differ from these estimates and such differences could be material.

Business Combinations

The Company 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.

Revenue Recognition***Fund Management Fees***

The Company provides management services to funds in which it holds a general partner interest or has a management agreement. For corporate private equity, real assets and certain global market strategies funds, management fees are calculated based on (a) limited partners' capital commitments to the funds, (b) limited partners' remaining capital invested in the funds at cost or (c) the net asset value ("NAV") of certain of the funds, less offsets for the non-affiliated limited partners' share of transaction advisory and portfolio fees earned, as defined in the respective partnership agreements. Management fees for corporate private equity, real assets funds and closed-end carry funds in the global market strategies segment generally range from 1% to 2% of commitments during the investment period of the relevant fund. Following the expiration or termination of the investment period of such funds, the management fees generally step-down to between 0.6% and 2.0% of contributions for unrealized investments. The Company will receive management fees for corporate private equity and real assets funds 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 called semi-annually in advance and are recognized as earned over the subsequent six month period. For certain global market strategies funds, management fees are calculated based on assets under management of the funds with generally lower fee rates. Hedge funds generally pay management fees quarterly that range from 1.5% to 2.0% of NAV per year. Management fees for the CLOs typically range from 0.4% to 0.5% on the total par amount of assets in the fund and are due

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)**

quarterly or semi-annually based on the terms and recognized over the respective period. Management fees for the CLOs and credit opportunities funds are governed by indentures and collateral management agreements. The Company 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. Open-ended funds typically do not have stated termination dates. The Company 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 service has been provided and collection is reasonably assured. Fund management fees includes transaction and portfolio advisory fees of \$47.2 million and \$20.8 million for the six months ended June 30, 2011 and 2010, respectively, net of any offsets as defined in the respective partnership agreements.

Performance Fees

Performance fees consist principally of the allocation of profits from certain of its funds to which the Company is entitled (commonly known as carried interest). The Company is generally entitled to a 20% allocation of income as a carried interest after returning the invested capital, the allocation of preferred returns and return of certain fund costs (subject to catch-up provisions) from its corporate private equity and real assets funds. Carried interest is recognized upon appreciation of the funds' investment values above certain return hurdles set forth in each respective partnership agreement. The Company recognizes revenues attributable to performance fees 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 unrealized performance fees reflects the Company's share of the gains and losses of the associated funds' underlying investments measured at their current fair values.

Carried interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return. Realized carried interests may be required to be returned by the Company in future periods if the funds' investment values decline below certain levels. When the fair value of a fund's investments falls below certain return hurdles, previously recognized performance fees are reversed. In all cases, each fund is considered separately in this regard, and for a given fund, performance fees 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. As of June 30, 2011 and December 31, 2010, the Company has accrued \$84.3 million and \$119.6 million, respectively, for giveback obligations.

In addition to its performance fees from its corporate private equity and real assets funds, the Company is also entitled to receive performance fees from certain of its global market strategies funds when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, performance fees are recognized when the performance benchmark has been achieved, and are included in performance fees in the accompanying condensed combined and consolidated statements of operations.

Investment Income (Loss)

Investment income (loss) represents the unrealized and realized gains and losses resulting from the Company's equity method investments and other principal investments. Investment income (loss) is realized when the Company redeems all or a portion of its investment or when the Company receives cash income, such as dividends or distributions. Unrealized 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.

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)***Interest Income*

Interest income is recognized when earned. Interest income earned by the Company was \$7.0 million and \$6.9 million for the six months ended June 30, 2011 and 2010, respectively, and is included in interest and other income in the accompanying condensed combined and consolidated statements of operations. Interest income of the Consolidated Funds was \$272.7 million and \$218.9 million for the six months ended June 30, 2011 and 2010, respectively, and is included in interest and other income of Consolidated Funds in the accompanying condensed combined and consolidated statements of operations.

Compensation and Benefits — Base Compensation

Compensation includes salaries, bonuses (discretionary awards and guaranteed amounts) and performance payment arrangements. Bonuses are accrued over the service period to which they relate. All payments made to Carlyle partners are accounted for as partnership distributions rather than as employee compensation.

Compensation and Benefits — Performance Fee Related

A portion of the performance fees earned is due to employees and advisors of the Company. These amounts are accounted for as compensation expense in conjunction with the recognition of the related performance fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon any reversal of performance fee revenue, the related compensation expense is also reversed. The Company recorded \$142.6 million and \$8.7 million of expense related to these arrangements for the six months ended June 30, 2011 and 2010, respectively. The Company had a liability of \$331.3 million and \$305.8 million in accrued compensation related to the portion of accrued performance fees due to employees and advisors as of June 30, 2011 and December 31, 2010, respectively.

Income Taxes

No provision has been made for U.S. federal income taxes in the accompanying condensed combined and consolidated financial statements since the Company is a group of pass-through entities for U.S. income tax purposes and its profits and losses are allocated to the partners who are individually responsible for reporting such amounts. Based on applicable foreign, state and local tax laws, the Company records a provision for income taxes for certain entities. Tax positions taken by the Company are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

The Company uses the liability method of accounting for deferred income taxes pursuant to U.S. GAAP. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the statutory tax rates expected to be applied in the periods in which those temporary differences are settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change. A valuation allowance is recorded on the Company's net deferred tax assets when it is more likely than not that such assets will not be realized.

The Company 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 Company determines that uncertainties in tax positions exist, a liability is established. The Company recognizes accrued interest and penalties

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)**

related to uncertain tax positions in provision for income taxes within the condensed combined and consolidated statements of operations.

Non-controlling Interests in Consolidated Entities

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 and by subscriptions and redemptions in hedge funds which occur during the reporting period. Non-controlling interests related to hedge funds are subject to quarterly or monthly redemption by investors in these funds following the expiration of a specified period of time (typically one year), or may be withdrawn subject to a redemption fee in the hedge funds during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third-party interests in such consolidated funds are presented as redeemable non-controlling interests in consolidated entities within the condensed combined and consolidated balance sheets. When redeemable amounts become legally payable to investors, they are classified as a liability and included in other liabilities of Consolidated Funds in the condensed combined and consolidated balance sheets.

Investments

Investments include (i) the Company's ownership interests (typically general partner interests) in the Funds, (ii) the investments held by the Consolidated Funds (all of which are presented at fair value in the Company's condensed combined and consolidated financial statements) and (iii) certain credit-oriented investments. 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. Upon the sale of a security, the realized net gain or loss is computed on a weighted average cost basis, with the exception of the CLOs, which compute the realized net gain or loss on a first in, first out basis.

The fair value of non-equity securities, 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 Company, may not have been reflected in pricing obtained from external sources.

When valuing private securities or assets without readily determinable market prices, the Company 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 Company will realize the values presented herein.

Securities transactions are recorded on a trade date basis.

Equity-Method Investments

The Company accounts for all investments in the unconsolidated funds in which it has significant influence using the equity method of accounting. The carrying value of equity-method investments is determined based on amounts invested by the Company, adjusted for the equity in

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)**

earnings or losses of the Funds allocated based on the respective fund partnership agreement, less distributions received. The Company 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, cash received by the Company from investors for investments not yet purchased at period-end and cash held for distributions, including temporary investments with original maturities of less than six months when purchased. Included in cash and cash equivalents is cash held from carried interest distributions for potential giveback obligations of \$62.2 million and \$51.8 million at June 30, 2011 and December 31, 2010, respectively.

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 Company.

Restricted Cash

In addition to the unrestricted cash held for potential giveback obligations discussed above, the Company is required to withhold a certain portion of the carried interest proceeds from one of its corporate private equity funds to provide a reserve for potential giveback obligations. In connection with this agreement, cash and cash equivalents of \$13.6 million and \$14.9 million are included in restricted cash at June 30, 2011 and December 31, 2010, respectively. The remaining balance in restricted cash at June 30, 2011 primarily represents cash held by the Company's foreign subsidiaries due to certain government regulatory capital requirements.

Restricted Cash and Securities of Consolidated Funds

Certain CLOs receive cash from various counterparties to satisfy collateral requirements on derivative transactions. Cash received to satisfy these collateral requirements of \$39.9 million and \$34.8 million is included in restricted cash and securities of Consolidated Funds at June 30, 2011 and December 31, 2010, respectively.

Certain CLOs hold U.S. Treasury notes, Obligation Assimilable du Tresor Securities ("OATS") Strips, French government securities, guaranteed investment contracts and other highly liquid asset-backed securities as collateral for specific classes of loans payable in the CLOs. As of June 30, 2011 and December 31, 2010, securities of \$58.4 million and \$100.7 million are included in restricted cash and securities of Consolidated Funds.

Derivative Instruments

Derivative instruments are recognized at fair value in the condensed combined and consolidated balance sheets with changes in fair value recognized in the condensed combined and consolidated statements of operations for all derivatives not designated as hedging instruments. For all derivatives where hedge accounting is applied, effectiveness testing and other procedures to assess the ongoing validity of the hedges are performed at least quarterly. For instruments designated as cash flow hedges, the Company records changes in the estimated fair value of the derivative, to the extent that the hedging relationship is effective, in other comprehensive income (loss). If the hedging relationship for a derivative is determined to be ineffective, due to changes in

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)**

the hedging instrument or the hedged items, the fair value of the portion of the hedging relationship determined to be ineffective will be recognized as a gain or loss in the condensed combined and consolidated statements of operations.

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.

Intangible Assets

The Company's intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives, which range from three 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. The Company has no indefinite-lived intangible assets as of June 30, 2011.

Due to Carlyle Partners

The Company recognizes a distribution from capital and distribution payable to the individual Carlyle partners when services are rendered and carried interest allocations are earned. Also included are certain amounts due to partners related to the acquisition of Claren Road Asset Management, LLC, its subsidiaries, and Claren Road Capital, LLC (collectively, "Claren Road"). Any unpaid distributions, which reflect the Company's obligation to those partners, are presented as due to Carlyle partners in the accompanying condensed combined and consolidated balance sheets.

Deferred Revenue

Deferred revenue represents management fees and other revenue received prior to the balance sheet date, which have not yet been earned.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. The Company's other comprehensive income is comprised of unrealized gains and losses on cash flow hedges and foreign currency translation adjustments.

Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the condensed combined and 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 \$(0.9) million and \$0.1 million for the six months ended June 30, 2011 and 2010, respectively, are included in general, administrative and other expenses in the condensed combined and consolidated statements of operations.

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)*****Recent Accounting Pronouncements***

In May 2011, the FASB amended its guidance for fair value measurements and disclosures to converge U.S. GAAP and International Financial Reporting Standards (“IFRS”). The amended guidance, included in ASU 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP,” is effective for the Company for its annual reporting period beginning after December 15, 2011. The amended guidance is generally clarifying in nature, but does change certain existing measurement principals in ASC 820 and requires additional disclosure about fair value measurements and unobservable inputs. We have not completed our assessment of the impact of this amended guidance, but do not expect the adoption to have a material impact on the Company’s financial statements.

3. Acquisitions and Acquired Intangible Assets***Acquisition of Claren Road Asset Management***

On December 31, 2010, the Company acquired Claren Road, a credit hedge fund manager. The Company consolidates the financial position and results of operations of Claren Road effective December 31, 2010, and has accounted for this transaction as a business combination in the accompanying condensed combined and consolidated financial statements. The Company also consolidated two Claren Road-managed hedge funds effective December 31, 2010. At June 30, 2011 and December 31, 2010, these hedge funds had assets totaling \$1,020.5 million and \$698.5 million respectively, which are included in investments of Consolidated Funds in the accompanying condensed combined and consolidated financial statements. For a complete description of this acquisition, please refer to Note 3 of the Company’s combined and consolidated financial statements for the year ended December 31, 2010.

The fair value of the contingently issuable equity interests payable to the Claren Road sellers who are now partners of the Company is based on an enterprise valuation of the Company. The fair value of other contingent consideration is based on probability-weighted discounted cash flow models. These fair value measurements are based on significant inputs not observable in the market and thus represent Level III measurements as defined in the accounting guidance for fair value measurement. The fair value of the contingently issuable equity interest of \$51.2 million and the fair value of the contingent consideration payable to the Claren Road sellers who are now partners of the Company of \$30.9 million have been recorded as due to Carlyle partners in the accompanying condensed combined and consolidated balance sheets. Changes in the fair value of these amounts of \$5.4 million for the six months ended June 30, 2011 are recorded in members’ equity in the condensed combined and consolidated balance sheets. The fair value of contingent consideration payable to non-Carlyle partners of \$21.2 million is included in accounts payable, accrued expenses and other liabilities in the accompanying condensed combined and consolidated balance sheets. Changes in the fair value of the contingent consideration payable to non-Carlyle partners of \$2.9 million for the six months ended June 30, 2011 are recorded in other non-operating expenses in the condensed combined and consolidated statements of operations. Refer to Note 4 for additional disclosures related to the fair value of these instruments as of June 30, 2011 and December 31, 2010.

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

Intangible Assets

The following table summarizes the carrying amount of intangible assets as of June 30, 2011 and December 31, 2010:

	As of	
	June 30, 2011	December 31, 2010
(Dollars in millions)		
Acquired contractual rights	\$ 448.0	\$ 448.0
Acquired trademarks	4.0	4.0
Accumulated amortization	(28.8)	(3.6)
Intangible assets, net	<u>\$ 423.2</u>	<u>\$ 448.4</u>

Intangible asset amortization expense was \$25.2 million for the six months ended June 30, 2011 and is included in general, administrative, and other expenses in the condensed combined and consolidated statements of operations. There was no amortization expense for the six months ended June 30, 2010.

The following table summarizes the estimated amortization expense for 2011 through 2015 and thereafter (Dollars in millions):

2011	\$ 50.5
2012	50.5
2013	50.5
2014	50.1
2015	47.6
Thereafter	199.2
	<u>\$ 448.4</u>

4. 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 1 — inputs to the valuation methodology are quoted prices available in active markets for identical instruments as of the reporting date. The type of financial instruments included in Level 1 include unrestricted securities, including equities and derivatives, listed in active markets. The Company does not adjust the quoted price for these instruments, even in situations where the Company holds a large position and a sale could reasonably impact the quoted price.

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

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 type of financial instruments in this category includes 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. Financial instruments that are included 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 the 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 Company'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.

In the absence of observable market prices, the Company 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 involves 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, real estate properties, certain debt positions or CLOs. The valuation technique for each of these investments is described below:

Corporate Private Equity Investments — The fair values of corporate 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 and other measures which, in many cases, are unaudited at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., multiplying a key performance metric of the investee company such as EBITDA by a relevant valuation multiple 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. Certain fund investments in our real assets and global market strategies segments are comparable to corporate private equity and are valued in accordance with these policies.

Real Estate Investments — The fair values of real estate investments are determined by considering projected operating cash flows, sales of comparable assets, if any, and replacement costs, among other measures. The methods used to estimate the fair value of real estate

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

investments include the discounted cash flow method and/or capitalization rates (“cap rates”) analysis. Valuations may be derived by reference to observable valuation measures for comparable assets (e.g., multiplying a key performance metric of the investee asset, such as net operating income, by a relevant cap rate observed in the range of comparable transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to pricing models or other similar methods. Additionally, where applicable, projected distributable cash flow through debt maturity will also be considered in support of the investment’s carrying value.

Credit-Oriented Investments — The fair values of credit-oriented investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. 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 Company may utilize other valuation techniques, including the discounted cash flow method.

CLO Investments and CLO Loans Payable — The Company has elected the fair value option to measure the loans payable of the CLOs at fair value subsequent to the date of initial adoption of the new consolidation rules, as the Company has determined that measurement of the loans payable and preferred shares issued by the CLOs at fair value better correlates with the value of the assets held by the CLOs, which are held to provide the cash flows for the note obligations. The investments of the CLOs are also carried at fair value.

The fair value of the CLO assets was based on quotations from reputable dealers or relevant pricing services. The fair value of the CLO loans payable was determined based on both discounted cash flow analyses and third-party quotes. Those analyses considered the position size, liquidity, current financial condition of the CLOs, the third-party financing environment, and other relevant market data.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of June 30, 2011:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
	(Dollars in millions)			
Assets				
Investments of Consolidated Funds:				
Equity securities	\$ 143.2	\$ 5.1	\$ 34.7	\$ 183.0
Bonds	—	—	568.1	568.1
Loans	—	—	10,357.8	10,357.8
Partnership and LLC interests	—	7.0	13.1	20.1
Hedge funds	—	1,020.5	—	1,020.5
Other	—	7.0	35.1	42.1
	<u>143.2</u>	<u>1,039.6</u>	<u>11,008.8</u>	<u>12,191.6</u>
Trading securities and other	—	—	24.9	24.9
Restricted securities of Consolidated Funds	58.4	—	—	58.4
Total	<u>\$ 201.6</u>	<u>\$ 1,039.6</u>	<u>\$ 11,033.7</u>	<u>\$ 12,274.9</u>
Liabilities				
Loans payable of the CLOs	\$ —	\$ —	\$ 10,425.3	\$ 10,425.3
Interest rate swap	—	7.3	—	7.3
Derivative instruments of the CLOs	—	—	3.2	3.2
Subordinated loan payable to affiliate	—	—	511.7	511.7
Earnouts(1)	—	—	52.1	52.1
Contingent equity(1)	—	—	51.2	51.2
Total	<u>\$ —</u>	<u>\$ 7.3</u>	<u>\$ 11,043.5</u>	<u>\$ 11,050.8</u>

(1) Related to acquisition of Claren Road (see Note 3)

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2010:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
	(Dollars in millions)			
Assets				
Investments of Consolidated Funds:				
Equity securities	\$ 9.5	\$ 166.0	\$ 36.8	\$ 212.3
Bonds	—	—	460.3	460.3
Loans	—	—	10,433.5	10,433.5
Partnership and LLC interests	—	5.7	14.8	20.5
Hedge funds	—	698.5	—	698.5
Other	—	5.6	33.9	39.5
	<u>9.5</u>	<u>875.8</u>	<u>10,979.3</u>	<u>11,864.6</u>
Trading securities and other	—	—	21.8	21.8
Restricted securities of Consolidated Funds	<u>100.7</u>	—	—	<u>100.7</u>
Total	<u>\$ 110.2</u>	<u>\$ 875.8</u>	<u>\$ 11,001.1</u>	<u>\$ 11,987.1</u>
Liabilities				
Loans payable of the CLOs	\$ —	\$ —	\$ 10,418.5	\$ 10,418.5
Interest rate swap	—	8.5	—	8.5
Derivative instruments of the CLOs	—	—	1.9	1.9
Subordinated loan payable to affiliate	—	—	494.0	494.0
Earnouts(1)	—	—	43.7	43.7
Contingent equity(1)	—	—	51.3	51.3
Total	<u>\$ —</u>	<u>\$ 8.5</u>	<u>\$ 11,009.4</u>	<u>\$ 11,017.9</u>

(1) Related to acquisition of Claren Road (see Note 3)

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

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

	Financial Assets					
	Six Months Ended June 30, 2011					
	Investments of Consolidated Funds					Trading Securities and Other
	Equity Securities	Bonds	Loans	Partnership and LLC Interests	Other	
Balance, beginning of period	\$ 36.8	\$ 460.3	\$ 10,433.5	\$ 14.8	\$ 33.9	\$ 21.8
Transfers out(1)	(4.4)	—	—	—	—	—
Purchases	4.8	278.1	3,149.0	—	—	2.5
Sales	(21.2)	(221.7)	(1,016.7)	(0.2)	(12.9)	(0.2)
Settlements	—	(2.8)	(2,761.6)	—	—	—
Realized and unrealized gains (losses), net	18.7	54.2	553.6	(1.5)	14.1	0.8
Balance, end of period	\$ 34.7	\$ 568.1	\$ 10,357.8	\$ 13.1	\$ 35.1	\$ 24.9
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	\$ 15.4	\$ 29.5	\$ 203.5	\$ (1.4)	\$ 11.3	\$ 0.8

	Financial Assets					
	Six Months Ended June 30, 2010					
	Investments of Consolidated Funds					Trading Securities and Other
	Equity Securities	Bonds	Loans	Partnership and LLC Interests	Other	
Balance, beginning of period	\$ 98.9	\$ —	\$ —	\$ 50.5	\$ 14.5	\$ 43.9
Adjustment relating to initial consolidation of the CLOs(2)	3.6	456.5	7,886.3	—	113.3	(19.0)
Transfers out(1)	(208.1)	—	—	(10.6)	(10.5)	—
Purchases	3.6	90.7	1,197.7	6.9	—	—
Sales	(22.7)	(166.9)	(2,332.3)	(7.7)	(21.4)	—
Realized and unrealized gains (losses), net	142.0	(32.4)	(529.8)	(20.3)	(61.8)	0.8
Balance, end of period	\$ 17.3	\$ 347.9	\$ 6,221.9	\$ 18.8	\$ 34.1	\$ 25.7
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	\$ 6.0	\$ (21.1)	\$ 173.5	\$ (16.1)	\$ (45.2)	\$ 0.8

1) Transfers out of Level III financial assets were due to changes in the observability of market inputs used in the valuation of such assets. Transfers are measured as of the beginning of the quarter in which the transfer occurs.

2) Beginning January 1, 2010, the Company consolidated the CLOs (excluding certain CLOs that were consolidated beginning in August 2010 and December 2010 upon their acquisition). The Company's investment in these CLOs of \$19.0 million has been eliminated in the condensed combined and consolidated balance sheets on January 1, 2010.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

	Financial Liabilities Six Months Ended June 30, 2011				
	Loans Payable of the CLOs	Derivative Instruments of the CLOs	Subordinated Loan Payable to Affiliate	Earnouts	Contingent Equity
Balance, beginning of period	\$ 10,418.5	\$ 1.9	\$ 494.0	\$ 43.7	\$ 51.3
Borrowings	9.2	—	—	—	—
Paydowns	(978.4)	(0.1)	—	—	—
Realized and unrealized (gains) losses, net	976.0	1.4	17.7	8.4	(0.1)
Balance, end of period	\$ 10,425.3	\$ 3.2	\$ 511.7	\$ 52.1	\$ 51.2
Changes in unrealized losses included in earnings related to financial liabilities still held at the reporting date	\$ 621.5	\$ 1.2	\$ 17.7	\$ 2.9	\$ —

	Financial Liabilities Six Months Ended June 30, 2010				
	Loans Payable of the CLOs	Derivative Instruments of the CLOs	Subordinated Loan Payable to Affiliate	Earnouts	Contingent Equity
Balance, beginning of period	\$ —	\$ —	\$ —	\$ —	\$ —
Adjustment relating to initial consolidation of the CLOs	8,035.2	—	—	—	—
Borrowings	1.2	—	—	—	—
Paydowns	(246.5)	(0.1)	—	—	—
Realized and unrealized (gains) losses, net	(829.0)	1.6	—	—	—
Balance, end of period	\$ 6,960.9	\$ 1.5	\$ —	\$ —	\$ —
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	\$ (46.0)	\$ 2.3	\$ —	\$ —	\$ —

Total realized and unrealized gains and losses included in earnings for Level III investments for trading securities are included in investment income, and such gains and losses for investments of Consolidated Funds and loans payable and derivative instruments of the CLOs are included in net investment losses of Consolidated Funds in the condensed combined and consolidated statements of operations.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

5. Investments

Investments and Accrued Performance Fees

Investments consist of the following:

	As of	
	June 30, 2011	December 31, 2010
	(Dollars in millions)	
Accrued performance fees	\$ 2,729.9	\$ 2,216.6
Equity method investments, excluding accrued performance fees	428.4	355.9
Trading securities and other, at fair value	24.9	21.8
Total investments	<u>\$ 3,183.2</u>	<u>\$ 2,594.3</u>

Performance Fees

The components of accrued performance fees are as follows:

	As of	
	June 30, 2011	December 31, 2010
	(Dollars in millions)	
Corporate Private Equity	\$ 2,264.6	\$ 1,823.8
Real Assets	298.1	208.3
Global Market Strategies	167.2	184.5
Total	<u>\$ 2,729.9</u>	<u>\$ 2,216.6</u>

Accrued performance fees are shown gross of the Company's accrued giveback obligations, which are separately presented in the condensed combined and consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of	
	June 30, 2011	December 31, 2010
	(Dollars in millions)	
Corporate Private Equity	\$ (33.9)	\$ (70.2)
Real Assets	(49.2)	(48.2)
Global Market Strategies	(1.2)	(1.2)
Total	<u>\$ (84.3)</u>	<u>\$ (119.6)</u>

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

	Six Months Ended	
	2011 June 30,	2010
	(Dollars in millions)	
Corporate Private Equity	\$ 963.8	\$ 119.5
Real Assets	132.1	(28.2)
Global Market Strategies	124.5	22.6
Total	<u>\$ 1,220.4</u>	<u>\$ 113.9</u>

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

Approximately 15% and 31% of accrued performance fees at June 30, 2011 and December 31, 2010, respectively, are related to an investment in China Pacific Insurance (Group) Co. Ltd., a publicly-traded foreign company by C.A.P. I, a corporate private equity fund and related external co-investments. Performance fees from this investment for the six months ended June 30, 2011 and 2010 were gains of \$14.7 million and losses of \$90.8 million of total performance fees for the six months ended June 30, 2011 and 2010, respectively.

Approximately 55% and 29% of accrued performance fees at June 30, 2011 and December 31, 2010, respectively, are related to CP IV and CP V, two of the Company's corporate private equity funds. Performance fees from these funds were \$352.8 million and \$511.3 million, or approximately 29% and 42% of total performance fees, respectively, for the six months ended June 30, 2011. Performance fees from these funds were not significant for the six months ended June 30, 2010. Total revenues recognized from CP IV and CP V were \$386.6 million and \$604.7 million, or approximately 19% and 29% of total revenue, respectively, for the six months ended June 30, 2011.

Equity-Method Investments

The Company holds investments in its unconsolidated funds, typically as general partner interests, which are accounted for under the equity method. Investments are related to the following segments:

	As of	
	June 30, 2011	December 31, 2010
(Dollars in millions)		
Corporate Private Equity	\$ 241.0	\$ 228.9
Real Assets	181.6	117.5
Global Market Strategies	5.8	9.5
Total	<u>\$ 428.4</u>	<u>\$ 355.9</u>

The Company's equity method investments include its fund investments in Corporate Private Equity, Real Assets, and Global Market Strategies, which are not consolidated but in which Carlyle exerts significant influence. The summarized financial information of the Company's equity method investments is as follows (dollars in millions):

	Corporate Private Equity		Real Assets		Global Market Strategies		Aggregate Totals	
	For the Six Months Ended June 30,		For the Six Months Ended June 30,		For the Six Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010	2011	2010	2011	2010
Statement of income information								
Investment Income	\$ 198.1	\$ 97.1	\$ 311.4	\$ 287.6	\$ 64.4	\$ 93.1	\$ 573.9	\$ 477.8
Expenses	267.2	308.6	192.6	227.8	21.4	22.9	481.2	559.3
Net investment income (loss)	(69.1)	(211.5)	118.8	59.8	43.0	70.2	92.7	(81.5)
Net realized and unrealized gain	5,095.5	3,977.4	1,538.8	72.6	312.6	120.6	6,946.9	4,170.6
Net income	<u>\$ 5,026.4</u>	<u>\$ 3,765.9</u>	<u>\$ 1,657.6</u>	<u>\$ 132.4</u>	<u>\$ 355.6</u>	<u>\$ 190.8</u>	<u>\$ 7,039.6</u>	<u>\$ 4,089.1</u>

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

	Corporate Private Equity		Real Assets		Global Market Strategies		Aggregate Totals	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Balance sheet information								
Investments	\$ 36,921.0	\$ 35,697.6	\$ 20,648.3	\$ 19,665.7	\$ 2,006.2	\$ 2,357.7	\$ 59,575.5	\$ 57,721.0
Total assets	38,159.1	41,232.6	21,462.4	20,535.5	2,341.6	2,554.4	61,963.1	64,322.5
Debt	81.1	115.1	1,269.7	867.9	—	—	1,350.8	983.0
Other liabilities	275.8	444.3	573.7	504.3	246.3	43.9	1,095.8	992.5
Total liabilities	356.9	559.4	1,843.4	1,372.2	246.3	43.9	2,446.6	1,975.5
Partners' capital	37,802.2	40,673.2	19,619.0	19,163.3	2,095.3	2,510.5	59,516.5	62,347.0

Investment Income

The components of investment income are as follows:

	Six Months Ended June 30,	
	2011	2010
	(Dollars in millions)	
Income from equity investments	\$ 60.6	\$ 18.2
Income from trading securities	0.9	1.2
Other investment income	0.5	2.6
Total	\$ 62.0	\$ 22.0

Carlyle's income from its equity-method investments is included in investment income in the condensed combined and consolidated statements of operations and consists of:

	Six Months Ended June 30,	
	2011	2010
	(Dollars in millions)	
Corporate Private Equity	\$ 52.4	\$ 15.4
Real Assets	7.3	(2.7)
Global Market Strategies	0.9	5.5
Total	\$ 60.6	\$ 18.2

Trading Securities and Other Investments

Trading securities as of June 30, 2011 and December 31, 2010 primarily consisted of \$24.9 million and \$21.8 million, respectively, of investments in corporate mezzanine securities, bonds and warrants.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

Investments of Consolidated Funds

The following table presents a summary of the investments held by the Consolidated Funds. Investments held by the Consolidated Funds do not represent the investments of all Carlyle sponsored funds. The table below presents investments as a percentage of investments of Consolidated Funds (dollars in millions):

Geographic Region/Instrument Type/Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Funds	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
United States				
Equity securities:				
Aerospace and defense	\$ 138.1	\$ 166.0	1.13%	1.40%
Healthcare	0.1	0.1	0.00%	0.00%
Total equity securities (cost of \$79.7 and \$120.3 at June 30, 2011 and December 31, 2010, respectively)	138.2	166.1	1.13%	1.40%
Partnership and LLC interests:				
Real estate	20.1	20.5	0.16%	0.17%
Total Partnership and LLC interests (cost of \$22.9 and \$23.1 at June 30, 2011 and December 31, 2010, respectively)	20.1	20.5	0.16%	0.17%
Other:				
Real estate	7.0	5.6	0.06%	0.05%
Total other (cost of \$3.8 at June 30, 2011 and December 31, 2010, respectively)	7.0	5.6	0.06%	0.05%
Total investment in hedge funds	1,020.5	698.5	8.37%	5.89%
Assets of the CLOs				
Bonds	265.1	242.1	2.17%	2.04%
Equity	32.1	37.3	0.26%	0.31%
Loans	7,185.6	7,636.0	58.96%	64.36%
Other	0.1	0.2	0.00%	0.00%
Total assets of the CLOs (cost of \$7,523.3 and \$8,031.2 at June 30, 2011 and December 31, 2010, respectively)	7,482.9	7,915.6	61.39%	66.71%
Total United States	\$ 8,668.7	\$ 8,806.3	71.11%	74.22%
Canada				
Assets of the CLOs				
Bonds	\$ 13.6	\$ 8.0	0.11%	0.07%
Loans	72.7	51.3	0.60%	0.43%
Total assets of the CLOs (cost of \$85.0 and \$59.3 at June 30, 2011 and December 31, 2010, respectively)	86.3	59.3	0.71%	0.50%
Total Canada	\$ 86.3	\$ 59.3	0.71%	0.50%

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

Geographic Region/Instrument Type/Industry Description or Investment Strategy	Fair Value		Percentage of Investments of Consolidated Funds	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Europe				
Assets of the CLOs				
Bonds	\$ 289.4	\$ 210.1	2.37%	1.77%
Equity	12.7	9.0	0.10%	0.08%
Loans	3,099.5	2,746.2	25.42%	23.15%
Other	35.0	33.7	0.29%	0.28%
Total assets of the CLOs (cost of \$3,642.1 and \$3,347.9 at June 30, 2011 and December 31, 2010, respectively)	3,436.6	2,999.0	28.18%	25.28%
Total Europe	\$ 3,436.6	\$ 2,999.0	28.18%	25.28%
Total investments in Consolidated Funds (cost of \$11,356.8 and \$11,585.6 at June 30, 2011 and December 31, 2010, respectively)	\$ 12,191.6	\$ 11,864.6	100.00%	100.00%

There were no individual investments with a fair value greater than five percent of 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:

	Six Months Ended June 30,	
	2011	2010
	(Dollars in millions)	
Interest income from investments	\$ 272.7	\$ 218.9
Other income	57.7	12.1
Total	\$ 330.4	\$ 231.0

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

	Six Months Ended June 30,	
	2011	2010
	(Dollars in millions)	
Gains from investments of Consolidated Funds	\$ 417.5	\$ 271.6
Gains (losses) from liabilities of CLOs	(696.1)	39.2
Gains on other assets of CLOs	1.6	3.8
Total	\$ (277.0)	\$ 314.6

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

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

	Six Months Ended June 30,	
	2011	2010
	(Dollars in millions)	
Realized gains	\$ 143.1	\$ 0.5
Net change in unrealized gains	274.4	271.1
Total	\$ 417.5	\$ 271.6

6. Non-controlling Interests in Consolidated Entities

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

	As of	
	June 30, 2011	December 31, 2010
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	\$ 200.6	\$ 218.9
Non-Carlyle interests in majority-owned subsidiaries	153.6	137.0
Non-controlling interest in carried interest and cash held for carried interest distributions	9.8	9.0
Non-controlling interests in consolidated entities	\$ 364.0	\$ 364.9

The components of the Company's non-controlling interests in income (loss) of consolidated entities are as follows:

	Six Months Ended June 30,	
	2011	2010
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	\$ 47.6	\$ 140.3
Non-Carlyle interests in majority-owned subsidiaries	19.9	4.4
Non-controlling interest in carried interest and cash held for carried interest distributions	2.3	6.1
Net income attributable to other non-controlling interests in consolidated entities	69.8	150.8
Net income (loss) attributable to equity appropriated for CLOs	(326.5)	259.3
Net income attributable to redeemable non-controlling interests in consolidated entities	65.6	—
Non-controlling interests in income (loss) of consolidated entities	\$ (191.1)	\$ 410.1

There have been no significant changes in the Company's ownership interests in its consolidated entities for the periods presented.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

7. Comprehensive Income

The components of comprehensive income for the six months ended June 30, 2011 and 2010 were as follows:

	Six Months Ended June 30,	
	2011	2010
(Dollars in millions)		
Net income	\$ 1,076.8	\$ 714.4
Change in fair value of cash flow hedge instrument	1.8	(1.8)
Currency translation adjustments	27.1	(92.1)
Other comprehensive income (loss)	28.9	(93.9)
Comprehensive income	1,105.7	620.5
Add: Comprehensive (income) loss attributable to equity appropriated for Consolidated Funds	293.1	(181.2)
Add: Comprehensive income attributable to non-controlling interests in consolidated entities	(71.7)	(143.8)
Add: Comprehensive income attributable to redeemable non-controlling interests in consolidated entities	(65.6)	—
Comprehensive income attributable to Carlyle Group	<u>\$ 1,261.5</u>	<u>\$ 295.5</u>

The components of accumulated other comprehensive income as of June 30, 2011 and December 31, 2010 were as follows:

	As of	
	June 30, 2011	December 31, 2010
(Dollars in millions)		
Unrealized losses on cash flow hedge instrument	\$ (6.8)	\$ (8.6)
Currency translation adjustments	(34.1)	(25.9)
Total	<u>\$ (40.9)</u>	<u>\$ (34.5)</u>

The balance in accumulated other comprehensive loss related to the cash flow hedge will be reclassified into earnings as interest expense is recognized. The amount of losses reclassified into earnings were \$0.5 million and \$3.4 million for the six months ended June 30, 2011 and 2010, respectively. As of June 30, 2011, approximately \$4.7 million of the accumulated other comprehensive loss related to this cash flow hedge is expected to be recognized as a decrease to income from continuing operations over the next twelve months.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

8. Fixed Assets, Net

The components of the Company's fixed assets are as follows:

	As of	
	June 30, 2011	December 31, 2010
	(Dollars in millions)	
Furniture, fixtures and equipment	\$ 37.2	\$ 34.4
Computer hardware and software	81.3	68.7
Leasehold improvements	46.6	44.2
Total fixed assets	165.1	147.3
Less: accumulated depreciation	(119.7)	(107.7)
Net fixed assets	<u>\$ 45.4</u>	<u>\$ 39.6</u>

Depreciation and amortization expense of \$12.0 million and \$11.0 million is included in general, administrative and other expenses in the condensed combined and consolidated statements of operations for the six months ended June 30, 2011 and 2010, respectively.

9. Loans Payable

Term Loan

In 2007, the Company entered into an \$875.0 million Senior Secured Credit Facility with financial institutions under which it could borrow up to \$725.0 million in a term loan and \$150.0 million in a revolving credit facility. Subsequent to the bankruptcy of one of the financial institutions that was a party to the Senior Secured Credit Facility, the borrowing availability under the revolving credit facility was effectively reduced to \$115.7 million. Both the term loan and revolving credit facility were scheduled to mature on August 20, 2013.

In November 2010, the Company modified the Senior Secured Credit Facility, which was accounted for as an extinguishment. The amended facility includes \$500.0 million in a term loan and \$150.0 million in a revolving credit facility. Availability of this revolving credit facility is restricted by the guarantee provisions of the credit facility for eligible employees investing in Carlyle sponsored funds. Both the term loan and revolving credit facility mature on November 29, 2015. Principal amounts outstanding under the term loan and revolving credit facility accrue interest at a maximum rate of LIBOR plus 2.25% per annum (2.44% at June 30, 2011) with interest payable monthly.

Outstanding principal amounts are payable quarterly beginning in September 2013 as follows (Dollars in millions):

2013	\$ 75.0
2014	175.0
2015	250.0
	<u>\$ 500.0</u>

The Senior Secured Credit Facility is secured by management fees and carried interest allocable to the partners of the Company from certain funds and requires the Company to comply with certain financial and other covenants, which include maintaining management fee earning assets (as defined in the November 2010 agreement) of at least \$47.5 billion, a senior debt leverage ratio of less than or equal to 2.5 to 1.0, a total debt leverage ratio of less than 5.5 to 1.0, and a minimum interest coverage ratio of not less than 4.0 to 1.0, in each case, tested on a quarterly basis. The Senior Secured

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

Credit Facility also contains nonfinancial covenants that restrict some of the Company's corporate activities, including its ability incur additional debt, pay certain dividends, create liens, make certain acquisitions or investments and engage in specified transactions with affiliates. Non compliance with any of the financial or nonfinancial covenants without cure or waiver would constitute an event of default under the Senior Secured Credit Facility. An event of default resulting from a breach of a financial or nonfinancial covenant 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 Secured 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. The Company was in compliance with the financial and non-financial covenants of the Senior Secured Credit Facility as of June 30, 2011.

On September 30, 2011, the Senior Secured Credit Facility was amended and extended to increase the revolving credit facility to \$750.0 million. The amended term loan and revolving credit facility will mature September 30, 2016. Principal amounts outstanding under the amended term loan and revolving credit facility will accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.75%, or (b) at LIBOR plus an applicable margin not to exceed 1.75%. Outstanding principal amounts due under the term loan are payable quarterly beginning in September 2014 as follows: \$75.0 million in 2014, \$175.0 million in 2015 and \$250.0 million in 2016. The financial covenant to maintain management fee earning assets of \$47.5 billion was increased to \$50.1 billion. All other financial and non-financial covenants remained substantially the same.

Total interest expense under the Senior Secured Credit Facility was \$10.3 million and \$8.7 million for the six months ended June 30, 2011 and 2010, respectively, which includes \$0.5 million and \$0.9 million in amortization of deferred financing costs, respectively. The fair value of the outstanding term loan in the Senior Secured Credit Facility approximates par value at June 30, 2011 and December 31, 2010, respectively.

The Company is subject to interest rate risk associated with its variable rate debt financing. To manage this risk, the Company entered into an interest rate swap in March 2008 to fix the interest rate on \$239.3 million of the \$725.0 million in term loan borrowings at 5.319% through August 20, 2013. This instrument was designated as a cash flow hedge and remains in place after the amendment of the Senior Secured Credit Facility. The interest rate swap continues to be designated as a cash flow hedge. The effective portion of losses related to the change in the fair value of the swap of \$1.1 million and \$5.2 million for the six months ended June 30, 2011 and 2010, respectively, are included in accumulated other comprehensive loss in the condensed combined and consolidated balance sheets. The ineffective portion of losses recognized in earnings was not significant for any period presented.

Subordinated Loan Payable to Affiliate

In December 2010, the Company received net cash proceeds of \$494.0 million from Mubadala in exchange for \$500.0 million in subordinated notes, a 2% equity interest in the Company and additional rights as described below. In the event that a qualified initial public offering ("Qualified IPO") does not occur within two years of this transaction, the Company is required to issue an additional equity interest in the Company of 0.25% to Mubadala. If a Qualified IPO does not occur within five years of this transaction, the Company is required to issue an additional equity interest in the Company of 0.25% to Mubadala.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

The notes mature on December 31, 2020 and are exchangeable for additional equity interests in the Company at Mubadala's option in the event of a Qualified IPO within five years of this transaction at a 7.5% discount to the IPO price. If a Qualified IPO has not occurred within this period of time, Mubadala has the option to require the Company to redeem the notes for the then outstanding principal amount of the notes being redeemed, together with any applicable accrued and unpaid interest through the redemption date. From and after December 31, 2017, any note may be voluntarily redeemed at the election of the Company for the then outstanding principal amount of the notes being redeemed, together with any applicable accrued and unpaid interest through the redemption date.

Interest on the notes is payable semi-annually, commencing June 30, 2011 at a rate of 7.25% per annum to the extent paid in cash or 7.5% per annum to the extent paid by issuing payment-in-kind notes ("PIK Notes"). Interest payable on the first interest payment date is payable in cash. For any subsequent interest period, the Company may elect to pay up to 50% of the interest payment due by issuing PIK Notes on the same terms and conditions as the originally issued notes. Further, the Company may pay up to 50% of the interest payment due on any PIK Notes by issuing additional PIK Notes. Total interest expense was \$19.0 million for the six months ended June 30, 2011.

The Company has elected the fair value option to measure the subordinated notes at fair value. At June 30, 2011 and December 31, 2010, the fair value of the subordinated notes was \$511.7 million and \$494.0 million, respectively. The primary reasons for electing the fair value option are to (i) reflect economic events in earnings on a timely basis and (ii) address simplification and cost-benefit considerations. Changes in the fair value of this instrument of \$17.7 million for the six months ended June 30, 2011 are recognized in earnings and included in other non-operating expenses in the condensed combined and consolidated statements of operations.

The fair value of the subordinated notes was initially determined based upon modeling their expected cash flows including factoring the value of the embedded put and call features and the probability of conversion upon a Qualified IPO. The cash flows were then discounted at a market rate which was derived by comparison to comparable benchmark securities. The June 30, 2011 valuation at 102.3% of par reflects the change in credit spreads and probability of a Qualified IPO. Refer also to Note 15 for a discussion of the October 2011 partial redemption of the subordinated notes at 104% of par.

Other Loans

As part of the Claren Road acquisition, the Company entered into a loan agreement for \$47.5 million. The loan matures on December 31, 2015 and interest is payable semi-annually, commencing June 30, 2011 at an adjustable annual rate, currently 6.0%. Total interest expense was \$1.4 million for the six months ended June 30, 2011. Outstanding principal amounts are payable annually as follows (Dollars in millions):

2011	\$ 7.5
2012	7.5
2013	7.5
2014	7.5
2015	17.5
	<u>\$ 47.5</u>

As part of the Claren Road acquisition, Claren Road entered into a loan agreement with a financial institution for \$50.0 million. The loan matures on January 3, 2017 and interest is payable

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

quarterly, commencing June 30, 2011 at an annual rate of 8.0%. Total interest expense was \$2.0 million for the six months ended June 30, 2011. Outstanding principal amounts are payable quarterly beginning April 29, 2011 and vary based on annual gross revenue as defined in the loan agreement. Beginning April 3, 2013 additional quarterly principal payments will commence equal to the lesser of (a) \$2.0 million and (b) the then unpaid principal amount of the loan. As of June 30, 2011, \$17.0 million in principal had been repaid.

Debt Covenants

The Company 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 Company is also subject to various non-financial covenants under its loan agreements. The Company was in compliance with all financial and non-financial covenants under its various loan agreements as of June 30, 2011.

Loans Payable of Consolidated Funds

Loans payable of Consolidated Funds 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 condensed combined and consolidated balance sheets.

As of June 30, 2011 and December 31, 2010 the following borrowings were outstanding, which includes preferred shares classified as liabilities (dollars in millions):

	As of June 30, 2011			
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior secured notes	\$ 10,410.4	\$ 9,685.0	1.26%	9.23
Subordinated notes, income notes and preferred shares	675.2	730.8	n/a(a)	9.02
Combination notes	11.5	9.5	n/a(b)	11.72
Total	\$ 11,097.1	\$ 10,425.3		
	As of December 31, 2010			
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior secured notes	\$ 11,037.1	\$ 9,772.2	1.20%	9.36
Subordinated notes, Income notes and Preferred shares	440.7	636.4	n/a(a)	9.18
Combination notes	11.7	9.9	n/a(b)	12.06
Total	\$ 11,489.5	\$ 10,418.5		

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

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

(b) The combination notes do not have contractual interest rates and have recourse only to U.S. Treasury securities and OATS specifically held to collateralize such combination notes.

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, 2011 and December 31, 2010, the fair value of the CLO assets was \$11.9 billion, respectively.

Included in loans payable of the CLOs are loan revolvers (the APEX Revolvers), which the CLOs entered into with financial institutions on their respective closing dates. The APEX Revolvers provide credit enhancement to the securities issued by the CLOs by allowing the CLOs to draw down on the revolvers in order to offset a certain level of principal losses upon any default of the investment assets held by that CLO. The APEX Revolvers allow for a maximum borrowing of \$38.3 million and \$84.8 million as of June 30, 2011 and December 31, 2010, respectively, and bear weighted average interest at LIBOR plus 0.37% and 0.41% per annum as of June 30, 2011 and December 31, 2010, respectively. Amounts borrowed under the APEX Revolvers are repaid based on cash flows available subject to priority of payments under each CLO's governing documents. Due to their short-term nature, the Company has elected not to apply the fair value option to the APEX revolvers; rather, they are carried at amortized cost at each reporting date which the Company believes approximates fair value. The principal amounts borrowed under the APEX Revolvers as of June 30, 2011 and December 31, 2010 were \$1.8 million and \$15.0 million, respectively.

Certain CLOs entered into liquidity facility agreements with various liquidity facility providers on or about the various closing dates in order to fund payments of interest where there are insufficient funds available. The proceeds from such draw-downs are used for payments of interest at each interest payment date and the acquisition or exercise of an option or warrant as part of any collateral enhancement obligation. The liquidity facilities in aggregate allow for a maximum borrowing of \$31.7 million and bear weighted average interest at EURIBOR plus 0.44% per annum. Amounts borrowed under the liquidity facilities are repaid based on cash flows available subject to priority of payments under each CLO's governing documents. There were no borrowings outstanding under the liquidity facility as of June 30, 2011 and December 31, 2010.

10. Commitments and Contingencies

Capital Commitments

The Company and its unconsolidated affiliates have unfunded commitments to entities within the following segments as of June 30, 2011:

	<u>Unfunded Commitments</u> (Dollars in millions)
Corporate Private Equity	\$ 1,050.5
Real Assets	267.4
Global Market Strategies	77.8
	<u>\$ 1,395.7</u>

Guaranteed Loans

On August 4, 2001, the Company entered into an agreement with a financial institution pursuant to which the Company 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

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)**

incremental borrowings up to an aggregate of \$16.6 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 2% (3.03% at June 30, 2011), reset quarterly. As of June 30, 2011 and December 31, 2010, approximately \$16.6 million and \$19.5 million, respectively, was outstanding under the credit facility and payable by the employees. The amount funded by the Company under this guarantee as of June 30, 2011 was not material. The Company believes the likelihood of any material funding under this guarantee to be remote. The fair value of this guarantee is not significant to the condensed combined and consolidated financial statements.

As part of the severance arrangements for certain former Carlyle employees, the Company paid off the amounts owed by employees to the financial institution in exchange for promissory notes due to the Company at the prime rate (3.25% at June 30, 2011). At June 30, 2011 and December 31, 2010, the Company had receivables of \$0.1 million and \$1.1 million, respectively, due from former employees, which are included in due from affiliates and other receivables, net in the condensed combined and consolidated balance sheets.

Other Guarantees

In 2009, the Company decided to shut down one of its real assets funds and guaranteed to reimburse investors of the fund for capital contributions made for investments and fees to the extent investment proceeds did not cover such amounts. In December 2010, the Company entered into an agreement to purchase investors' interests in the fund and the related obligation of \$5.2 million is included in the accompanying condensed combined and consolidated financial statements at December 31, 2010. This obligation was settled in January 2011 and the Company has no liabilities related to this transaction at June 30, 2011.

The Company has guaranteed payment of giveback obligations, if any, related to one of its corporate private equity funds to the extent the amount of funds reserved for potential giveback obligations is not sufficient to fulfill such obligations. At June 30, 2011 and December 31, 2010, \$13.6 million and \$14.9 million, respectively, was held in an escrow account and the Company believes the likelihood of any material fundings under this guarantee to be remote.

Contingent Obligations (Giveback)

An accrual for potential repayment of previously received performance fees of \$84.3 million at June 30, 2011, is shown as accrued giveback obligations in the condensed combined and 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, 2011. However, the ultimate giveback obligation, if any, does not become realized until the end of a fund's life (see Note 2). The Company has recorded \$20.1 million and \$38.8 million, of unbilled receivables from former and current employees and Carlyle's individual partners as of June 30, 2011 and December 31, 2010, respectively, related to giveback obligations, which are included in due from affiliates and other receivables, net in the accompanying condensed combined and consolidated balance sheets. Current and former partners and employees are personally responsible for their giveback obligations. The receivables are collateralized by investments made by individual partners and employees in Carlyle-sponsored funds. In addition, \$221.4 million and \$193.6 million has been withheld from distributions of carried interest to partners and employees for potential giveback obligations as of June 30, 2011 and December 31, 2010, respectively. Such amounts are held by an entity not included in the accompanying condensed combined and consolidated balance sheets.

If, at June 30, 2011, all of the investments held by our 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 \$572.6 million, on an after-tax basis where applicable.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

Leases

The Company leases office space in various countries around the world and maintains its headquarters in Washington, D.C., where it leases its primary office space under a non-cancelable lease agreement expiring on July 31, 2026. In the first quarter of 2011, the Company entered into a lease agreement for office space in Arlington, VA, expiring on June 30, 2022. Office leases in other locations expire in various years from 2011 through 2020. These leases are accounted for as operating leases. Rent expense was approximately \$21.0 million and \$15.4 million for the six months ended June 30, 2011 and 2010, respectively, and is included in general, administrative and other expenses in the condensed combined and consolidated statements of operations.

Included in rent expense are lease termination costs of \$2.4 million and \$(0.1) million for the six months ended June 30, 2011 and 2010, respectively.

The future minimum commitments for the leases are as follows (Dollars in millions):

2011	\$ 23.1
2012	34.7
2013	32.0
2014	31.6
2015	29.0
Thereafter	137.4
	<u>\$ 287.8</u>

Total minimum rentals to be received in the future under non-cancelable subleases as of June 30, 2011 were \$8.8 million.

The Company records contractual escalating minimum lease payments on a straight-line basis over the term of the lease. Deferred rent payable under the leases was \$10.0 million and \$7.1 million as of June 30, 2011 and December 31, 2010, respectively, and is included in accounts payable, accrued expenses and other liabilities in the accompanying condensed combined and consolidated balance sheets.

Legal Matters

In the ordinary course of business, the Company is a party to litigation, investigations, disputes and other potential claims. Certain of these matters are described below. The Company is not currently able to estimate for any such matters the reasonably possible amount of loss or range of loss. The Company does not believe it is probable that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect the Company or these financial statements.

Along with many other companies and individuals in the financial sector, the Company and CMP I are named as defendants in *Foy v. Austin Capital*, a case filed in June 2009, pending in the State of New Mexico's First Judicial District Court, County of Sante Fe, which purports to be a *qui tam* suit on behalf of the State of New Mexico. 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, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including the Company and CMP I on the ground that separate civil litigation by the Attorney General is a more effective means to seek recovery for the

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)**

State from these defendants. The Attorney General has brought two civil actions against certain of those defendants, not including the Carlyle defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions. The Company is currently unable to anticipate when the litigation will conclude or what impact the litigation may have on the Company and its interest holders.

In July 2009, a former shareholder of Carlyle Capital Corporation Limited (CCC), claiming to have lost \$20.0 million, filed a claim against CCC, the Company and certain officers and affiliates of the Company (*Huffington v. TC Group L.L.C.*) alleging violations of Massachusetts “blue sky” law provisions relating to material misrepresentations and omissions allegedly made during and after the marketing of CCC. The plaintiff seeks treble damages, interest, expenses and attorney’s fees and to have the subscription agreement deemed null and void and a full refund of the investment. In March 2010, the United States District Court for the District of Massachusetts dismissed the plaintiffs’ complaint on the grounds that it should have been filed in Delaware instead of Massachusetts and the plaintiffs subsequently filed an appeal to the United States Court of Appeals for the First Circuit. On February 25, 2011, the First Circuit upheld the District Court’s dismissal of plaintiff’s claims. Plaintiffs filed a renewed claim in Delaware state court on January 4, 2011. In November 2009, another former CCC investor also instituted similar legal proceedings in Kuwait’s Court of First Instance against affiliates of the Company (*National Industries Group v. The Carlyle Group*) seeking to recover losses incurred in connection with an investment in CCC. In July 2011, the Delaware Court of Chancery precluded the plaintiff from proceeding in Kuwait based on the forum selection clause in the plaintiff’s subscription agreement, which provided for exclusive jurisdiction in Delaware courts. The Company believes the claims are without merit and will vigorously contest all claims alleged by all such plaintiffs relating to the marketing of CCC and is currently unable to anticipate what impact it may have on the Company.

The Guernsey liquidators who took control of CCC in March 2008 have filed four suits against the Company and the former directors of CCC (*Carlyle Capital Corporation Limited v. Conway*), seeking \$1.0 billion in damages. They allege that the Company (in its capacity as the external manager of CCC) and the CCC board of directors were grossly negligent in their management of the CCC investment program or willfully mismanaged the investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. The core of the allegations is that the directors and Carlyle put the interests of Carlyle ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing Carlyle’s reputation and its “brand” over the best interests of CCC. The plaintiffs’ lawsuit is currently pending in the Superior Court of the District of Columbia, the Supreme Court of New York, County of New York and the Royal Court of Guernsey. The Company believes the claims are without merit and will vigorously contest all allegations. The Company recognized a loss of \$152.3 million in 2008 in connection with the winding up of CCC.

In June 2011, August 2011, and September 2011, three putative shareholder class actions were filed against Carlyle, certain of our affiliates and former directors of CCC alleging that the fund offering materials and various public disclosures were materially misleading or omitted material information. Two of the shareholder class actions, (*Phelps v. Stomber, et. al.*) and (*Glaubach v. Carlyle Capital Corporation Limited, et. al.*), were filed in the United States District Court for the District of Columbia. The most recent shareholder class action (*Phelps v. Stomber, et. al.*) was filed in the Supreme Court of New York, New York County and has subsequently been removed to the United States District Court for the Southern District of New York. The plaintiffs seek all compensatory damages sustained as a result of the alleged misrepresentations, costs and expenses, as well as reasonable attorney fees. We believe the claims are without merit and will vigorously contest all claims.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

In September 2006 and March 2009, the Company received requests for certain documents and other information from the Antitrust Division of the U.S. Department of Justice (“DOJ”) in connection with the DOJ’s investigation of global alternative asset firms to determine whether they have engaged in conduct prohibited by U.S. antitrust laws. The Company is fully cooperating with the DOJ’s investigation and is currently unable to anticipate what impact it may have on the Company.

On February 14, 2008, a private class-action lawsuit challenging “club” bids and other alleged anti-competitive business practices was filed in the U.S. District Court for the District of Massachusetts. (*Police and Fire Retirement System of the City of Detroit v. Apollo Global Management, LLC*). The complaint alleges, among other things, that certain global alternative firms, including the Company, violated Section 1 of the Sherman Act by forming multi-sponsor consortiums for the purpose of bidding collectively in company buyout actions in certain going private transactions, which the plaintiffs allege constitutes a “conspiracy in restraint of trade.” The plaintiffs seek damages as provided for in Section 4 of the Clayton Act and an injunction against such conduct in restraint of trade in the future. The Company believes the claims are without merit and will vigorously contest all claims and is currently unable to anticipate what impact it may have on the Company.

Indemnifications

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

Risks and Uncertainties

The 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 Company’s investments and profitability. Such events are beyond the Company’s control, and the likelihood that they may occur and the effect on the Company cannot be predicted.

Furthermore, most 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 are subject to significant limitations and uncertainties, including among others currency fluctuations and natural disasters.

The funds make investments outside of the United States. Non-U.S. investments are subject to the same risks associated with our 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 Company encounters credit risk. Credit risk is the risk of default by a counterparty in the Company’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.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

The Company considers cash, cash equivalents, securities, receivables, equity-method investments, accounts payable, accrued expenses, other liabilities and loans payable to be its financial instruments. The carrying amounts reported in the condensed combined and consolidated balance sheets for these financial instruments, except for the term loan in the Senior Secured Credit Facility as discussed in Note 9, equal or closely approximate their fair values.

Termination Costs

Employee and office lease termination costs are included in accrued compensation and benefits and accrued expenses in the condensed combined and consolidated balance sheets as well as general, administrative and other expenses in the condensed combined and consolidated statements of operations. As of June 30, 2011 and December 31, 2010, the accrual for termination costs primarily represents lease obligations associated with the closed offices, which represents management's estimate of the total amount expected to be incurred. The changes in the accrual for termination costs for the six months ended June 30, 2011 and 2010 are as follows:

	Six Months Ended June 30,	
	2011	2010
(Dollars in millions)		
Balance, beginning of period	\$ 23.1	\$ 29.6
Compensation expense	1.9	3.0
Contract termination costs	2.4	(0.1)
Costs paid or settled	(3.9)	(7.3)
Balance, end of period	<u>\$ 23.5</u>	<u>\$ 25.2</u>

11. Related Party Transactions

Due from Affiliates and Other Receivables, Net

The Company had the following due from affiliates and other receivables at June 30, 2011 and December 31, 2010:

	As of	
	June 30, 2011	December 31, 2010
(Dollars in millions)		
Unbilled receivable for giveback obligations from current and former employees	\$ 7.9	\$ 12.7
Unbilled receivable for giveback obligations from Carlyle's individual partners	12.2	26.1
Notes receivable and accrued interest from affiliates	71.9	106.7
Other receivables from unconsolidated funds and affiliates, net	188.8	180.3
Total	<u>\$ 280.8</u>	<u>\$ 325.8</u>

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 expenses include costs related to the pursuit of actual or proposed investments, professional fees and other expenses associated with the acquisition, holding and disposition of the investments. The affiliates are obligated, at the discretion of the Company to reimburse the expenses. Based on management's determination, the Company accrues and charges

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

interest on amounts due from affiliate accounts at interest rates ranging from 0% to 8%. The accrued and charged interest to the affiliates was not significant during the six months ended June 30, 2011 and 2010, respectively.

The Company has provided loans to certain unconsolidated funds to meet short-term obligations to purchase investments. These notes accrue interest at rates specified in each agreement, ranging from one-month LIBOR plus 2.15% (2.34% at June 30, 2011) to 18%.

These receivables are assessed periodically for collectability and amounts determined to be uncollectible are charged directly to general, administrative and other expenses in the condensed combined and 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 Company had the following due to affiliates balances at June 30, 2011 and December 31, 2010:

	As of	
	June 30, 2011	December 31, 2010
(Dollars in millions)		
Due to affiliates of Consolidated Funds	\$ 0.8	\$ 1.2
Due to non-consolidated joint venture partner	8.8	13.1
Other	17.0	9.3
Total	<u>\$ 26.6</u>	<u>\$ 23.6</u>

The Company has recorded obligations for amounts due to certain of its affiliates. These outstanding obligations are payable on demand. The Company periodically offsets expenses it has paid on behalf of its affiliates against these obligations. Based on management's determination, the Company accrues and pays interest on the amounts due to affiliates at interest rates ranging from 0% to the prime rate, as defined, plus 2% (5.25% at June 30, 2011). The interest incurred to the affiliates was not significant during the six months ended June 30, 2011 and 2010.

Other Related Party Transactions

In May 2011, the Company and its affiliates invested €41.0 million (\$59.0 million as of June 30, 2011) and €52.2 million (\$75.1 million as of June 30, 2011), respectively, into one of its European real estate funds. The proceeds were used to refinance the fund's existing loans. The Company's investment is recorded as an equity-method investment.

In the normal course of business, the Company has made use of aircraft owned by entities controlled by senior managing directors. The senior managing directors paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by the Company for the business use of these aircraft by senior managing directors and other employees is made at market rates, which totaled \$2.7 million and \$2.8 million for the six months ended June 30, 2011 and 2010, respectively. These fees are included in general, administrative, and other expenses in the condensed combined and consolidated statements of operations.

Carlyle partners 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

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

individuals who qualify under applicable legal requirements. These co-investment entities generally do not require Carlyle partners and employees to pay management or performance fees.

Carried interest income from the funds can be distributed to Carlyle partners and employees on a current basis, but is subject to repayment by the subsidiary of Carlyle Group that acts as general partner of the fund in the event that certain specified return thresholds are not ultimately achieved. The Carlyle partners 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. Substantially all revenue is earned from affiliates of Carlyle.

12. Derivative Instruments in the CLOs

In the ordinary course of business, the CLOs enter into various types of derivative instruments. Derivative instruments serve as components of the CLOs' investment strategies and are utilized primarily to structure and manage the risks related to currency, credit and interest exposure. The derivative instruments that the CLOs hold or issue do not qualify for hedge accounting under the accounting standards for derivatives and hedging. The CLOs' derivative instruments include currency swap contracts, currency options, credit risk swap contracts, and interest rate cap contracts, and are carried at fair value in the Company's condensed combined and consolidated balance sheets.

Certain CLOs purchase put and call options to manage risk from changes in the value of foreign currencies. Certain CLOs entered into currency swap transactions, which represent agreements that obligate two parties to exchange a series of cash flows in different currencies at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise determined notional amount. The currency swap transactions are stated at fair value and the difference between cash to be paid and received on swaps is recognized as net investment gains (losses) of Consolidated Funds in the condensed combined and consolidated statements of operations.

The fair value of the derivative instruments held by the CLOs are included in investments of Consolidated Funds in the accompanying condensed combined and consolidated balance sheets.

The following table identifies the gross fair value amounts of derivative instruments, which may be offset and presented net in the condensed combined and consolidated balance sheets to the extent that there is a legal right of offset, categorized by the volume of the total notional amounts or number of contracts and by primary underlying risk as of June 30, 2011 and December 31, 2010 (dollars in millions):

	Notional Amount	June 30, 2011	
		Fair Value - Assets	Fair Value - Liabilities
Currency-related			
Cross-currency swap contract(s)	\$ 413.0	\$ 33.2	\$ (8.6)
Currency option(s)	110.8	7.2	—
Interest-related			
Interest rate cap contract(s)	32.0	0.1	—
		<u>\$ 40.5</u>	<u>\$ (8.6)</u>

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

	December 31, 2010		
	Notional Amount	Fair Value - Assets	Fair Value - Liabilities
Currency-related			
Cross-currency swap contract(s)	\$ 354.4	\$ 25.9	\$ (5.6)
Currency option(s)	102.0	11.4	—
Credit-related			
Credit risk swap contract(s)	9.3	0.1	—
Interest-related			
Interest rate cap contract(s)	28.0	0.2	—
		<u>\$ 37.6</u>	<u>\$ (5.6)</u>

The following tables present a summary of net realized and unrealized appreciation (depreciation) on derivative instruments which is included in net investment gains (losses) of Consolidated Funds in the condensed combined and consolidated statements of operations (dollars in millions):

	Six Months Ended June 30, 2011		
	Realized Appreciation	Change in Unrealized Appreciation (Depreciation)	Total
Currency-related			
Cross-currency swap contract(s)	\$ 12.8	\$ 2.4	\$ 15.2
Currency option(s)	—	(4.9)	(4.9)
Credit-related			
Credit risk swap contract(s)	—	(0.1)	(0.1)
Interest-related			
Interest rate cap contract(s)	—	(0.1)	(0.1)
	<u>\$ 12.8</u>	<u>\$ (2.7)</u>	<u>\$ 10.1</u>

	Six Months Ended June 30, 2010		
	Realized Appreciation	Change in Unrealized Appreciation (Depreciation)	Total
Currency-related			
Cross-currency swap contract(s)	\$ 21.2	\$ (74.6)	\$ (53.4)
Currency option(s)	—	6.6	6.6
Credit-related			
Credit risk swap contract(s)	—	(0.8)	(0.8)
	<u>\$ 21.2</u>	<u>\$ (68.8)</u>	<u>\$ (47.6)</u>

Certain derivative instruments contain provisions which require the CLOs or the counterparty to post collateral if certain conditions are met. Cash received to satisfy these collateral requirements is included in restricted cash and securities of Consolidated Funds (see Note 2) and in other liabilities of Consolidated Funds in the condensed combined and consolidated balance sheets. The Company has elected not to offset derivative positions against the fair value of amounts (or amounts

Carlyle Group**Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)**

that approximate fair value) recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) under master netting arrangements.

13. Income Taxes

The Company had \$15.4 million and \$10.6 million in deferred tax assets as of June 30, 2011 and December 31, 2010, respectively, which are included in deposits and other in the accompanying condensed combined and consolidated balance sheets. These deferred tax assets resulted primarily from net operating losses in certain jurisdictions and the temporary differences between the financial statement and tax bases of depreciation on fixed assets and accrued bonuses. The Company did not have any material deferred tax liabilities at June 30, 2011 and December 31, 2010.

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 Company has recorded a liability for uncertain tax positions of \$18.7 million and \$17.2 million as of June 30, 2011 and December 31, 2011, respectively, which is reflected in accounts payable, accrued expenses and other liabilities in the accompanying condensed combined and consolidated balance sheets. These balances include \$4.6 million and \$3.9 million as of June 30, 2011 and December 31, 2010, respectively, related to interest and penalties associated with uncertain tax positions. If recognized, the entire amount of uncertain tax positions would be recorded as a reduction in the provision for income taxes. The total expense for interest and penalties related to unrecognized tax benefits for the six months ended June 30, 2011 and 2010 amounted to \$0.7 million, respectively.

In the normal course of business, the Company is subject to examination by federal and certain state, local and foreign tax regulators. As of June 30, 2011, the Company's U.S. federal income tax returns for the years 2007 through 2010 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 2006 to 2010. Foreign tax returns are generally subject to audit from 2004 to 2010. Certain of the Company's foreign subsidiaries are currently under audit by foreign tax authorities.

The Company does not believe that the outcome of these audits will require it to record reserves for uncertain tax positions or that the outcome will have a material impact on the condensed combined and consolidated financial statements. The Company 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.

14. Segment Reporting

Through June 30, 2011, Carlyle conducts its operations through three reportable segments:

Corporate Private Equity — The Corporate Private Equity segment is comprised of the Company's operations that advise a diverse group of funds that invest in buyout 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 Company's operations that advises U.S. and international funds focused on real estate, infrastructure, energy and renewable energy transactions.

Global Market Strategies — The Global Market Strategies segment advises a group of funds that pursue investment opportunities across various types of credit, equities and alternative instruments, and (as regards certain macroeconomic strategies) currencies, commodities, sovereign debt, and interest rate products and their derivatives.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

The Company's reportable business segments are differentiated by their various investment focuses and strategies. Overhead costs were allocated based on direct base compensation expense for the funds comprising each segment.

Economic Net Income ("ENI") and its components are key performance measures used by management to make operating decisions and assess the performance of the Company's reportable segments. ENI differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it reflects a charge for compensation, bonuses and performance fees attributable to Carlyle partners but does not include net income (loss) attributable to non-Carlyle interests in Consolidated Funds or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include amortization associated with our acquired intangible assets, transaction costs associated with acquisitions, gains and losses associated with the mark to market on contingent consideration issued in conjunction with our acquisitions, gains and losses from the retirement of our debt, charges associated with lease terminations and employee severance and settlements of legal claims.

Fee related earnings ("FRE") is a component of ENI 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 US GAAP in that it adjusts for the items included in the calculation of ENI and also adjusts ENI to exclude performance fees, investment income from investments in our funds, and performance fee related compensation.

Distributable earnings is a component of ENI and is used to assess performance and amounts potentially available for distribution. Distributable earnings 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 ENI and also adjusts ENI for unrealized performance fees, unrealized investment income and the corresponding unrealized performance fee compensation expense.

ENI and its components are used by management primarily in making resource deployment and compensation decisions across the Company's three reportable segments. Management makes operating decisions and assesses the performance of each of the Company's business segments based on financial and operating metrics and data that is presented without the consolidation of any of the Consolidated Funds. Consequently, ENI and all segment data excludes the assets, liabilities and operating results related to the Consolidated Funds.

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

The following table presents the financial data for the Company's three reportable segments as of and for the six months ended June 30, 2011:

	June 30, 2011 and the Six Months Then Ended			
	Corporate Private Equity	Real Assets	Global Market Strategies	Total
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	\$ 259.6	\$ 77.7	\$ 99.2	\$ 436.5
Portfolio advisory fees, net	22.2	0.7	1.4	24.3
Transaction fees, net	22.6	0.3	—	22.9
Total fund level fee revenues	304.4	78.7	100.6	483.7
Performance fees				
Realized	357.7	52.0	91.6	501.3
Unrealized	608.2	79.9	41.3	729.4
Total performance fees	965.9	131.9	132.9	1,230.7
Investment income				
Realized	27.0	0.5	7.9	35.4
Unrealized	9.2	4.2	19.6	33.0
Total investment income	36.2	4.7	27.5	68.4
Interest and other income	7.8	2.7	3.0	13.5
Total revenues	1,314.3	218.0	264.0	1,796.3
Segment Expenses				
Direct compensation and benefits				
Direct base compensation	126.4	38.9	39.8	205.1
Performance fee related				
Realized	179.4	5.7	49.3	234.4
Unrealized	339.1	(0.1)	26.4	365.4
Total direct compensation and benefits	644.9	44.5	115.5	804.9
General, administrative, and other indirect expenses	111.8	39.8	36.8	188.4
Interest	20.2	6.0	6.6	32.8
Total expenses	776.9	90.3	158.9	1,026.1
Economic Net Income	\$ 537.4	\$ 127.7	\$ 105.1	\$ 770.2
Fee Related Earnings	\$ 53.8	\$ (3.3)	\$ 20.4	\$ 70.9
Net Performance Fees	\$ 447.4	\$ 126.3	\$ 57.2	\$ 630.9
Investment Income	\$ 36.2	\$ 4.7	\$ 27.5	\$ 68.4
Distributable Earnings	\$ 259.1	\$ 43.5	\$ 70.6	\$ 373.2
Segment assets as of June 30, 2011	\$ 3,110.2	\$ 601.1	\$ 903.1	\$ 4,614.4

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

The following table presents the financial data for the Company's three reportable segments for the six months ended June 30, 2010:

	Six Months Ended June 30, 2010			Total
	Corporate Private Equity	Real Assets	Global Market Strategies	
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	\$ 271.3	\$ 71.3	\$ 38.8	\$ 381.4
Portfolio advisory fees, net	7.0	0.9	1.1	9.0
Transaction fees, net	4.9	6.9	—	11.8
Total fund level fee revenues	283.2	79.1	39.9	402.2
Performance fees				
Realized	86.4	—	1.7	88.1
Unrealized	36.9	(34.2)	20.8	23.5
Total performance fees	123.3	(34.2)	22.5	111.6
Investment income (loss)				
Realized	(4.1)	0.9	2.8	(0.4)
Unrealized	22.3	(2.0)	8.4	28.7
Total investment income (loss)	18.2	(1.1)	11.2	28.3
Interest and other income	6.2	1.7	1.6	9.5
Total revenues	430.9	45.5	75.2	551.6
Segment Expenses				
Direct compensation and benefits				
Direct base compensation	113.5	37.4	20.6	171.5
Performance fee related				
Realized	42.0	—	0.8	42.8
Unrealized	3.2	(3.8)	11.1	10.5
Total direct compensation and benefits	158.7	33.6	32.5	224.8
General, administrative, and other indirect expenses	82.4	30.9	14.1	127.4
Interest	5.8	2.0	1.2	9.0
Total expenses	246.9	66.5	47.8	361.2
Economic Net Income (Loss)	\$ 184.0	\$ (21.0)	\$ 27.4	\$ 190.4
Fee Related Earnings	\$ 87.7	\$ 10.5	\$ 5.6	\$ 103.8
Net Performance Fees	\$ 78.1	\$ (30.4)	\$ 10.6	\$ 58.3
Investment Income (Loss)	\$ 18.2	\$ (1.1)	\$ 11.2	\$ 28.3
Distributable Earnings	\$ 128.0	\$ 11.4	\$ 9.3	\$ 148.7

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

The following table reconciles the Total Segments to Carlyle's Income (Loss) Before Provision for Taxes and Total Assets as of and for the six months ended June 30, 2011:

	June 30, 2011 and the Six Months Then Ended			
	Total Reportable Segments	Consolidated Funds	Reconciling Items	Carlyle Consolidated
	(Dollars in millions)			
Revenues	\$1,796.3	\$ 330.4	\$ (53.6)(a)	\$ 2,073.1
Expenses	\$1,026.1	\$ 233.6	\$(553.2)(b)	\$ 706.5
Other income (loss)	\$ —	\$ (292.1)	\$ 15.1 (c)	\$ (277.0)
Economic net income	\$ 770.2	\$ (195.3)	\$ 514.7 (d)	\$ 1,089.6
Total assets	\$4,614.4	\$13,195.1	\$(119.3)(e)	\$17,690.2

The following table reconciles the Total Segments to Carlyle's Income (Loss) Before Provision for Taxes for the six months ended June 30, 2010:

	Six Months Ended June 30, 2010			
	Total Reportable Segments	Consolidated Funds	Reconciling Items	Carlyle Consolidated
	(Dollars in millions)			
Revenues	\$551.6	\$231.0	\$ (20.1)(a)	\$762.5
Expenses	\$361.2	\$131.6	\$(137.5)(b)	\$355.3
Other income	\$ —	\$314.4	\$ 0.2 (c)	\$314.6
Economic net income	\$190.4	\$413.8	\$ 117.6 (d)	\$721.8

- (a) The Revenues adjustment principally represents fund management and performance fees earned from the Consolidated Funds which were eliminated in consolidation to arrive at the Company's total revenues, and adjustments for amounts attributable to non-controlling interests in consolidated entities which were included in Revenues in the Company's segment reporting.
- (b) The Expenses adjustment represents the elimination of intercompany expenses of the Consolidated Funds payable to the Company, adjustments for partner compensation, and charges and credits associated with Carlyle corporate actions and non-recurring items as detailed below (Dollars in millions):

	Six Months Ended June 30,	
	2011	2010
Partner compensation	\$ (569.9)	\$ (124.2)
Acquisition related charges and amortization of intangibles	29.1	—
Other non-operating expenses	26.0	—
Severance and lease terminations	4.3	2.9
Elimination of expenses of the Consolidated Funds	(42.7)	(16.2)
	\$ (553.2)	\$ (137.5)

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

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Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

(d) The following table is a reconciliation of Income Before Provision for Income Taxes to Economic Net Income, to Fee Related Earnings, and to Distributable Earnings:

	Six Months Ended	
	2011	2010
	June 30,	
	(Dollars in millions)	
Income before provision for income taxes	\$ 1,089.6	\$ 721.8
Adjustments:		
Partner compensation(1)	(569.9)	(124.2)
Acquisition related charges and amortization of intangibles	29.1	—
Other non-operating expenses	26.0	—
Non-controlling interests in consolidated entities	191.1	(410.1)
Severance and lease terminations	4.3	2.9
Economic Net Income	\$ 770.2	\$ 190.4
Net performance fees	630.9	58.3
Investment income	68.4	28.3
Fee Related Earnings	\$ 70.9	\$ 103.8
Realized performance fees, net of related compensation	266.9	45.3
Investment income (loss) — realized	35.4	(0.4)
Distributable Earnings	\$ 373.2	\$ 148.7

(1) Adjustments for partner compensation reflect amounts due to Carlyle partners for compensation and carried interest allocated to them, which amounts were classified as partnership distributions in the combined and consolidated financial statements.

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

15. Subsequent Events

On July 1, 2011, the Company completed the acquisition of a 60% equity interest in AlpInvest Partners N.V. ("AlpInvest") for total purchase consideration of approximately €138.4 million (\$199.3 million), including the amount contributed by the 40% non-controlling interest holders. AlpInvest is one of the world's largest investors in private equity which advises a global private equity fund of funds program and related co-investment and secondary activities. The Company will consolidate the financial position and results of operations of AlpInvest effective July 1, 2011 and will account for this transaction as a business combination.

On July 1, 2011, the Company acquired 55% of Emerging Sovereign Group LLC, its subsidiaries, and Emerging Sovereign Partners LLC (collectively, "ESG"), an emerging markets equities and macroeconomic strategies investment manager. The purchase price consisted of \$45.0 million in cash, an ownership interest in Carlyle and performance-based contingent payments of up to \$110.5 million, which is the maximum amount of additional consideration that could be paid, of which \$73.5 million would be payable within five years of closing and \$37.0 million would be payable by year six. The Company will consolidate the financial position and results of operations of ESG effective July 1, 2011 and will account for this transaction as a business combination.

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

The acquisition-date fair value of the consideration transferred for the AlpInvest and ESG acquisitions, and the estimated fair values of the assets acquired, liabilities assumed, and non-controlling interests at the acquisition date for the acquisitions, are as follows:

	<u>AlpInvest</u>	<u>ESG</u>
	(Dollars in millions)	
Acquisition-date fair value of consideration transferred		
Cash	\$ 183.8	\$ 45.0
Equity interests and other contingent consideration	15.5	67.4
Total	<u>\$ 199.3</u>	<u>\$ 112.4</u>
Estimated fair value of assets acquired, liabilities assumed, and non-controlling interests		
Cash and receivables	\$ 169.0	\$ 11.3
Investments and accrued performance fees	216.6	25.0
Net fixed assets and other assets	9.6	0.1
Finite-lived intangible assets — contractual rights	70.6	88.0
Finite-lived intangible assets — trademarks	1.4	1.0
Goodwill	9.8	—
Assets of Consolidated Funds	8,326.0	398.1
Accounts payable, accrued compensation and other accrued liabilities	(233.3)	(11.7)
Deferred tax liabilities	(60.6)	(3.0)
Liabilities of Consolidated Funds	(62.8)	(36.3)
Non-controlling interests in consolidated entities	(8,247.0)	(360.1)
Total	<u>\$ 199.3</u>	<u>\$ 112.4</u>

The following supplemental information presents, on an unaudited pro forma basis, the impact to the Company's combined and consolidated financial results for the periods presented as if the ESG and AlpInvest acquisitions had been consummated as of January 1, 2010. The pro forma combined and consolidated financial results for the year ended December 31, 2010 also include the pro forma impact of the Company's acquisition of Claren Road on December 31, 2010 as if that acquisition had been consummated as of January 1, 2010 (refer to Note 3 of the Company's combined and consolidated financial statements for the year ended December 31, 2010 for a complete description of the Claren Road acquisition).

	<u>Six Months Ended June 30, 2011</u>	<u>Year Ended December 31, 2010</u>
	(Dollars in millions)	
Total revenues	\$ 2,272.3	\$ 3,284.1
Net income attributable to Carlyle Group	<u>\$ 1,302.0</u>	<u>\$ 1,551.6</u>

On July 1, 2011, the Company borrowed €81.0 million (\$116.6 million) under its revolving credit facility. On August 25, 2011, the Company borrowed \$125.0 million under its revolving credit facility and used those proceeds to repay the €81.0 million borrowing and its accumulated interest. The \$125.0 million balance outstanding will incur interest at LIBOR plus 2.25%.

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

On August 3, 2011, the Company purchased a management contract relating to a CLO managed by The Foothill Group, Inc. for approximately \$8.6 million. Gross assets of these CLOs are estimated to be \$500.0 million at June 30, 2011.

On October 20, 2011, the Company borrowed \$265.5 million under its revolving credit facility to redeem \$250.0 million aggregate principal amount of the subordinated notes for a redemption price of \$260.0 million, representing a 4% premium, plus accrued interest of approximately \$5.5 million. As a result, an aggregate of \$250.0 million principal amount of notes remained outstanding as of such date.

The Company has evaluated subsequent events through November 7, 2011, which is the date the financial statements were issued.

16. Supplemental Financial Information

The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Company's financial position as of June 30, 2011 and December 31, 2010

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

and results of operations for the six months ended June 30, 2011 and 2010. The supplemental statement of cash flows is presented without effects of the Consolidated Funds.

	As of June 30, 2011			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	\$ 485.3	\$ —	\$ —	\$ 485.3
Cash and cash equivalents held at Consolidated Funds	—	659.7	—	659.7
Restricted cash	31.9	—	—	31.9
Restricted cash and securities of Consolidated Funds	—	98.3	—	98.3
Investments and accrued performance fees	3,287.8	—	(104.6)	3,183.2
Investments of Consolidated Funds	—	12,191.6	—	12,191.6
Due from affiliates and other receivables, net	288.0	—	(7.2)	280.8
Due from affiliates and other receivables of Consolidated Funds, net	—	239.4	(7.5)	231.9
Fixed assets, net	45.4	—	—	45.4
Deposits and other	52.8	6.1	—	58.9
Intangible assets, net	423.2	—	—	423.2
Total assets	\$ 4,614.4	\$ 13,195.1	\$ (119.3)	\$ 17,690.2
Liabilities and equity				
Loans payable	\$ 580.5	\$ —	\$ —	\$ 580.5
Subordinated loan payable to affiliate	511.7	—	—	511.7
Loans payable of Consolidated Funds	—	10,486.6	(59.5)	10,427.1
Accounts payable, accrued expenses and other liabilities	174.8	—	—	174.8
Accrued compensation and benefits	479.6	—	—	479.6
Due to Carlyle partners	1,244.0	—	—	1,244.0
Due to affiliates	33.7	0.8	(7.9)	26.6
Deferred revenue	141.4	2.0	(0.1)	143.3
Other liabilities of Consolidated Funds	—	810.0	(13.3)	796.7
Accrued giveback obligations	84.3	—	—	84.3
Total liabilities	3,250.0	11,299.4	(80.8)	14,468.6
Redeemable non-controlling interests in consolidated entities	—	1,011.2	—	1,011.2
Members' equity	1,241.9	—	—	1,241.9
Accumulated other comprehensive income	(40.9)	—	—	(40.9)
Total members' equity	1,201.0	—	—	1,201.0
Equity appropriated for Consolidated Funds	—	660.3	(14.9)	645.4
Non-controlling interests in consolidated entities	163.4	224.2	(23.6)	364.0
Total equity	1,364.4	884.5	(38.5)	2,210.4
Total liabilities and equity	\$ 4,614.4	\$ 13,195.1	\$ (119.3)	\$ 17,690.2

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

	As of December 31, 2010			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	\$ 616.9	\$ —	\$ —	\$ 616.9
Cash and cash equivalents held at Consolidated Funds	—	729.5	—	729.5
Restricted cash	16.5	—	—	16.5
Restricted cash and securities of Consolidated Funds	—	135.5	—	135.5
Investments and accrued performance fees	2,669.9	—	(75.6)	2,594.3
Investments of Consolidated Funds	—	11,864.6	—	11,864.6
Due from affiliates and other receivables, net	329.7	—	(3.9)	325.8
Due from affiliates and other receivables of Consolidated Funds, net	—	245.2	(5.6)	239.6
Fixed assets, net	39.6	—	—	39.6
Deposits and other	44.7	7.2	—	51.9
Intangible assets, net	448.4	—	—	448.4
Total assets	\$ 4,165.7	\$ 12,982.0	\$ (85.1)	\$ 17,062.6
Liabilities and equity				
Loans payable	\$ 597.5	\$ —	\$ —	\$ 597.5
Subordinated loan payable to affiliate	494.0	—	—	494.0
Loans payable of Consolidated Funds	—	10,475.9	(42.4)	10,433.5
Accounts payable, accrued expenses and other liabilities	211.6	—	—	211.6
Accrued compensation and benefits	520.9	—	—	520.9
Due to Carlyle partners	953.1	—	(4.5)	948.6
Due to affiliates	27.7	1.5	(5.6)	23.6
Deferred revenue	200.1	2.1	—	202.2
Other liabilities of Consolidated Funds	—	622.4	(3.9)	618.5
Accrued giveback obligations	119.6	—	—	119.6
Total liabilities	3,124.5	11,101.9	(56.4)	14,170.0
Redeemable non-controlling interests in consolidated entities	—	694.0	—	694.0
Members' equity	929.7	—	—	929.7
Accumulated other comprehensive loss	(34.5)	—	—	(34.5)
Total members' equity	895.2	—	—	895.2
Equity appropriated for Consolidated Funds	—	946.5	(8.0)	938.5
Non-controlling interests in consolidated entities	146.0	239.6	(20.7)	364.9
Total equity	1,041.2	1,186.1	(28.7)	2,198.6
Total liabilities and equity	\$ 4,165.7	\$ 12,982.0	\$ (85.1)	\$ 17,062.6

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

	Six Months Ended June 30, 2011			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	\$ 483.7	\$ —	\$ (36.5)	\$ 447.2
Performance fees				
Realized	504.5	—	(9.6)	494.9
Unrealized	728.5	—	(3.0)	725.5
Total performance fees	1,233.0	—	(12.6)	1,220.4
Investment income				
Realized	50.3	—	(7.5)	42.8
Unrealized	38.0	—	(18.8)	19.2
Total investment income	88.3	—	(26.3)	62.0
Interest and other income	13.5	—	(0.4)	13.1
Interest and other income of Consolidated Funds	—	330.4	—	330.4
Total revenues	1,818.5	330.4	(75.8)	2,073.1
Expenses				
Compensation and benefits				
Base compensation	175.3	—	—	175.3
Performance fee related				
Realized	84.8	—	—	84.8
Unrealized	57.8	—	—	57.8
Total compensation and benefits	317.9	—	—	317.9
General, administrative and other expenses	144.3	—	—	144.3
Interest	32.8	—	—	32.8
Interest and other expenses of Consolidated Funds	—	233.6	(42.7)	190.9
Other non-operating expenses	20.6	—	—	20.6
Total expenses	515.6	233.6	(42.7)	706.5
Other loss				
Net investment losses of Consolidated Funds	—	(292.1)	15.1	(277.0)
Income (loss) before provision for income taxes	1,302.9	(195.3)	(18.0)	1,089.6
Provision for income taxes	12.8	—	—	12.8
Net income (loss)	1,290.1	(195.3)	(18.0)	1,076.8
Net income attributable to non-controlling interests in consolidated entities	22.2	—	(213.3)	(191.1)
Net income (loss) attributable to Carlyle Group	\$ 1,267.9	\$ (195.3)	\$ 195.3	\$ 1,267.9

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

	Six Months Ended June 30, 2010			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	\$ 402.2	\$ —	\$ (15.5)	\$ 386.7
Performance fees				
Realized	88.5	—	(7.5)	81.0
Unrealized	29.2	—	3.7	32.9
Total performance fees	117.7	—	(3.8)	113.9
Investment income				
Realized	2.5	—	(5.6)	(3.1)
Unrealized	30.2	—	(5.1)	25.1
Total investment income	32.7	—	(10.7)	22.0
Interest and other income	9.5	—	(0.6)	8.9
Interest and other income of Consolidated Funds	—	231.0	—	231.0
Total revenues	562.1	231.0	(30.6)	762.5
Expenses				
Compensation and benefits				
Base compensation	145.1	—	—	145.1
Performance fee related				
Realized	—	—	—	—
Unrealized	8.7	—	—	8.7
Total compensation and benefits	153.8	—	—	153.8
General, administrative and other expenses	77.1	—	—	77.1
Interest	9.0	—	—	9.0
Interest and other expenses of Consolidated Funds	—	131.6	(16.2)	115.4
Total expenses	239.9	131.6	(16.2)	355.3
Other income				
Net investment income of Consolidated Funds	—	314.4	0.2	314.6
Income before provision for income taxes	322.2	413.8	(14.2)	721.8
Provision for income taxes	7.4	—	—	7.4
Net income	314.8	413.8	(14.2)	714.4
Net income attributable to non-controlling interests in consolidated entities	10.5	—	399.6	410.1
Net income attributable to Carlyle Group	<u>\$ 304.3</u>	<u>\$ 413.8</u>	<u>\$ (413.8)</u>	<u>\$ 304.3</u>

Carlyle Group

Notes to the Condensed Combined and Consolidated Financial Statements — (Continued)

	<u>Six Months Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
	(Dollars in millions)	
Cash flows from operating activities		
Net income	\$ 1,290.1	\$ 314.8
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	37.2	11.0
Amortization of deferred financing fees	0.5	0.9
Non-cash performance fees	(741.9)	(112.8)
Other non-cash amounts included in net income	(4.2)	(12.2)
Investment income	(80.3)	(30.0)
Purchases of investments	(84.5)	(14.6)
Proceeds from the sale of investments	264.2	21.3
Change in due from affiliates and other receivables	(15.5)	32.6
Change in deposits and other	(8.6)	(3.0)
Change in accounts payable, accrued expenses and other liabilities	(39.0)	(31.8)
Change in accrued compensation and benefits	(41.2)	(51.8)
Change in due to affiliates	1.8	5.4
Change in deferred revenue	(56.9)	(88.3)
Net cash provided by operating activities	521.7	41.5
Cash flows from investing activities		
Change in restricted cash and securities	(15.4)	—
Purchases of fixed assets, net	(17.8)	(12.7)
Net cash used in investing activities	(33.2)	(12.7)
Cash flows from financing activities		
Payments on loans payable	(17.0)	(23.4)
Contributions from members	6.0	5.9
Distributions to members	(657.0)	(91.1)
Contributions from non-controlling interest holders	16.4	7.8
Distributions to non-controlling interest holders	(23.5)	(4.0)
Change in due to/from affiliates financing activities	48.7	32.9
Net cash used in financing activities	(626.4)	(71.9)
Effect of foreign exchange rate changes	6.3	(7.9)
Decrease in cash and cash equivalents	(131.6)	(51.0)
Cash and cash equivalents, beginning of period	616.9	488.1
Cash and cash equivalents, end of period	<u>\$ 485.3</u>	<u>\$ 437.1</u>

Independent auditor's report on consolidated balance sheet

To the Board of Directors of AlInvest Partners N.V.

We have audited the accompanying consolidated balance sheet of AlInvest Partners N.V. as of June 30, 2011 and related notes, comprising a summary of significant accounting policies and other explanatory information. This consolidated balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, and evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the consolidated financial position of AlInvest Partners N.V. as at June 30, 2011 in conformity with generally accepted accounting principles in the Netherlands.

Generally accepted accounting principles in the Netherlands vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in notes 6 and 7 to the consolidated balance sheet.

Amsterdam, The Netherlands, August 4, 2011
/s/ Ernst & Young Accountants LLP

AlpInvest Partners N.V.
Consolidated Balance Sheet

			June 30, 2011 (€ thousands)
Assets			
Fixed assets			
Tangible fixed assets, 4.1			
Other fixed assets	781		
Financial fixed assets			
Participation in investments, 4.2	314		
			€ 1,095
Current assets			
Pensions	459		
Accounts receivable			
Receivables	228		
Receivables from related parties, 4.3	5,688		
Other tax and social security receivables	21		
Corporate income tax receivables, 4.4	1,446		
Prepayments and accrued income, 4.6	1,189		
Short-term deposits	7,526		
			16,557
Cash and cash equivalents, 4.7			
Call deposits	97,000		
Cash	498		
			97,498
Total assets			€ 115,150
Liabilities and equity			
Group Equity			
Equity attributable to shareholders of the parent company, 4.8	84,803		
Equity attributable to other shareholders, 4.9	2,929		
			€ 87,732
Provisions			
Other long-term employee benefits, 4.10			102
Current liabilities			
Creditors	348		
Liabilities to related parties	8		
Other tax and social security payables	420		
Corporate income tax liabilities	12,999		
Forward contracts, 4.5	292		
Other short-term liabilities, 4.11	13,249		
			27,316
Total liabilities and equity			€ 115,150

The reference numbers relate to the notes which form an integral part of the consolidated balance sheet

AlpInvest Partners N.V.
Notes to the Consolidated Balance Sheet

1. Organization and presentation

1.1 General

This consolidated balance sheet prepared in accordance with generally accepted accounting principles of The Netherlands (“Dutch GAAP”), and including a reconciliation to US GAAP has been prepared for the inclusion in the S-1 filing of The Carlyle Group.

Unless indicated otherwise, the notes refer to the consolidated balance sheet and all amounts are stated in thousands of EURO.

1.2 Operations

AlpInvest Partners N.V. (the “company”) was incorporated on February 1, 2000 as NIB Capital Private Equity N.V. The company primarily engages in private equity investment management and financing services, and invests, directly and indirectly, in private equity related instruments on behalf of its clients. This includes participating interests in private equity funds and other such strategic alliances that invest in private equity (both listed and unlisted), as well as public and private participations and interests in, and management of, companies of whatever nature, financing of third parties and performance of such activities as are related or conducive to those listed above.

The statutory seat of the company is at Jachthavenweg 118, 1081 KJ Amsterdam, the Netherlands.

1.3 Group Structure

As from April 5, 2004, Stichting Pensioenfonds ABP and Stichting Pensioenfonds Zorg en Welzijn each owned 50% of the shares in the company. On February 29, 2008 Stichting Pensioenfonds ABP transferred its shares to APG Algemene Pensioen Groep N.V. (“APG”). On November 5, 2008 Stichting Pensioenfonds Zorg en Welzijn transferred its shares to PGGM N.V. (“PGGM”).

On January 26, 2011 APG and PGGM signed an agreement to sell the shares of AlpInvest Partners N.V. The shares were transferred on July 1, 2011 to AP B.V., a company ultimately owned by The Carlyle Group and AlpInvest Managing Partners.

On July 1, 2011 the legal form of the company was changed through an amendment of the articles of association from an N.V. (‘Naamloze Vennootschap’) to a B.V. (‘Besloten Vennootschap’).

1.4 Consolidation

The consolidated balance sheet comprises the financial data of AlpInvest Partners N.V. and all group companies in which AlpInvest Partners N.V. exercises a controlling influence on management and financial policy (“Group companies”). These companies are consolidated in full. The investment entities of which the company or one of its subsidiaries is the General Partner are not consolidated for Dutch GAAP reporting purposes.

Intercompany transactions, profits and balances among group companies are eliminated, unless these results are realised through transactions with third parties. Unrealised losses on intercompany transactions are eliminated as well, unless such a loss qualifies as impairment.

Reference is made to chapter 5 of these statements for an overview of Group companies.

1.5 Related Parties

As per June 30, 2011 APG and PGGM as well as Stichting Pensioenfonds ABP and Stichting Pensioenfonds Zorg en Welzijn are considered related parties.

The investment entities managed by the company or any of its Group companies, as well as its Directors and other shareholders (and the ultimate beneficial owners) in Group companies are also considered related parties.

Related party transactions included in the consolidated balance sheet consist of:

- An investment in AlpInvest Partners Later Stage Co-Investments II C.V. by Betacom XLII B.V. (note 4.2);
- Carried interest related receivables (note 4.3);
- Short term loans from the company to the investment entities managed by the company or any of its Group companies (note 4.3);
- Recharge of certain cost/revenue paid respectively invoiced by the company or any of its Group companies on behalf of the investment entities as accounted for under Prepayments and accrued income or Other short-term liabilities (note 4.6 and 4.11); and
- Other shareholder interests in Group companies of which (former) employees, among which Directors of the company, are the ultimate beneficial owners (note 4.9).

The relevant amounts are disclosed in the indicated paragraphs of the notes to the consolidated balance sheet.

1.6 Estimates

In applying the accounting policies and guidelines for preparing the consolidated balance sheet, management applies several estimates and judgments that might be essential for the amounts disclosed in the consolidated balance sheet. If necessary for the purposes of providing appropriate insight the nature of estimates and judgments, including the related assumptions, are disclosed in the notes to the consolidated balance sheet items in question.

2. Accounting policies for the consolidated balance sheet

2.1 General

The consolidated balance sheet has been prepared in accordance with Dutch GAAP. The balance sheet is denominated in Euros.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or fair value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet includes references to the notes.

2.2 Tangible Fixed Assets

Tangible fixed assets are stated at historical cost plus additional direct expense or manufacturing price less straight-line depreciation based on estimated useful life. Any impairment at the balance sheet date is taken into account. For details on how to determine whether tangible fixed assets are impaired, please refer to note 2.4.

2.3 Financial Fixed Assets

Participating interests in which the company does not exert significant influence are carried at fair market value. The fair market value is determined quarterly, based on the International Private Equity and Venture Capital Valuation Guidelines. Any increase or decrease in the carrying value of

an investment is charged to the income statement in the year to which it relates. The results for exits are determined by the difference between sales proceeds and the carrying value of the investments prior to the sale.

2.4 Impairment of Non-current Assets

At each balance sheet date, the company tests whether there are any indications of assets being subject to impairment. An asset is subject to impairment if its carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the net realizable value and the value in use.

2.5 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost. When a receivable is uncollectible, it is written off against the allowance account for receivables.

Receivables from related parties mainly comprise receivables related to carried interest income. Carried interest fees are recognized as income if and when it is certain that the conditions applicable for earning such fees have been fully met, and the investors have received back their full investment, all expenses and a minimum contractual return.

2.6 FX Forward-contracts

FX forward-contracts are recognized at the amount of the difference between the contracted forward rate and the spot rate as at the balance sheet date. The change in value is recognized through profit and loss.

2.7 Cash and Cash Equivalents

Cash represents cash in hand, bank balances and call-deposits. Negative balances at banks in one currency are netted with positive balances in other currencies. Cash and cash equivalents are stated at face value.

2.8 Group Equity

Group equity is made up of share capital, reserve for currency exchange differences, legal reserve and other reserves. The share capital recognised in the balance sheet has been issued and fully paid up. The other reserves consist of the accumulated results realised in previous years.

2.9 Equity Attributable to Other Shareholders

The equity attributable to other shareholders is stated at the amount of the net interest in the Group companies concerned.

2.10 Pension Obligations

Dutch Pension Plans

AlpInvest Partners N.V. operates a number of pension plans. The characteristics of the main plan (open to new employees) are:

- The basis for the defined benefit scheme is final pay;
- The salary in the defined benefit scheme is capped;
- Above the cap the pension scheme becomes defined contribution;
- Pensions and deferred pension rights of former employees can be increased yearly with a percentage to be determined by the employer; and

- The pensions have been insured with an outside insurance company.

The company has a guaranteed insurance contract. The assets of the scheme have been allocated 70% to bonds and 30% to equities and are managed by the applicable insurance company. Pensions and deferred pension rights of former employees can be increased yearly with a percentage to be determined by the employer.

The conditions of the Dutch Pension Act are applicable to all pensions of AlInvest Partners N.V. AlInvest Partners N.V. pays premiums based on contractual requirements to the insurance company. Premiums are recognised as personnel costs when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not been paid yet are represented as liabilities.

There are no other existing obligations (other than premiums to be paid) to the insurance company or employees that need to be recognized. No other assets need to be recognized.

The required pension provision is valued at its best estimate. As all obligations fall due and deferred assets will be released within one year the provision is stated at nominal value. AlInvest Partners N.V. has applied the liability method for pension plans. The premiums paid for the (applicable period of the financial) year are charged to the result. Changes in the pension provision are also charged to the result.

Foreign Pension Plans

All pension plans operated outside the Netherlands are defined contribution plans. Foreign pension plans comparable to the Dutch pension system are also accounted for using the liability method.

Jubilee Benefits

The provision for jubilee benefits is formed for expected benefits payable to current employees. Jubilee benefits are rights to a benefit employees earn after a certain term of service (25 years) with the company.

Other Employee Related Liabilities

Liabilities related to salaries, wages and social security contributions are recognised based on the terms of employment, when they are payable to employees.

2.11 Liabilities

Liabilities are stated at the amounts at which they were incurred. Liabilities are subsequently stated at amortised cost, being the amount incurred taking account of any premium or discount, less transaction costs.

2.12 Tax related Assets and Liabilities

Dutch fiscal practice rules determine domestic corporation tax, taking into account allowable deductions, charges and exemptions.

AlInvest Partners N.V. forms a fiscal unity for corporate income tax with some of its wholly owned subsidiaries.

2.13 Foreign Currencies

Functional Currency

Items included in the balance sheets of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional

currency). The consolidated balance sheet is presented in euros, which is the functional and presentation currency of AlInvest Partners N.V.

Transactions, Receivables and Liabilities

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in profit and loss.

Translation differences on non-monetary assets are recognised in profit and loss using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

Group Companies

Assets and liabilities of consolidated subsidiaries with a functional currency different from the presentation currency are translated at the rate of exchange prevailing at the balance sheet date; income and expense are translated at average exchange rates during the financial year. Any resulting exchange differences are taken directly to the legal reserve for translation differences within equity.

2.14 Accrued Interest

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. Accrued interest reflects the interest recognised during the period but not received/paid as per balance sheet date.

3. Financial Instruments and Risk Management

3.1 Currency Risk

AlInvest Partners N.V. mainly operates in the European Union and the United States. The currency risk for AlInvest Partners N.V. largely concerns future expenses in US dollars. On the basis of a risk analysis, the Management Board of the company has decided to hedge a large part of the US dollar exposure for 2011 related USD expenses. For this purpose forward exchange contracts have been entered into prior to the start of the year 2011.

AlInvest Partners N.V. also incurs currency risk on the net investments in its foreign subsidiaries, which is not hedged.

3.2 Interest Rate Risk

AlInvest Partners N.V. incurs market risk in respect of the renewal of fixed-interest deposits. No financial derivatives for interest rate risk are contracted with regards to these deposits as they are of a short term nature.

3.3 Credit Risk

The investor base of AlInvest Partners N.V. is highly concentrated. However, the credit risk is considered to be very limited as investors pay the majority of the fees in advance. The creditworthiness of these parties is considered to be high and, as they are pension funds, monitored by regulators.

The deposits of AlInvest Partners N.V. as at June 30, 2011 were held with one credit institution with a rating of A-1 for short-term credits and A for long-term credits (S&P rating). Given the short term nature of the deposits this is considered acceptable.

3.4 Liquidity Risk

The company has sufficient funds at its disposal in the form of short-term deposits and cash for its current operations.

4. Account Balance Details

4.1 Tangible Fixed Assets

Tangible Fixed Assets	Computers and Software	Furniture and Other Office Equipment	Leasehold Improve- ments	Total
Balance on June 30, 2011				
Cost	€ 6,030	€ 1,538	€ 3,015	€ 10,583
Accumulated impairment and depreciation	(5,708)	(1,291)	(2,803)	(9,802)
Book value	€ 322	€ 247	€ 212	€ 781

Tangible fixed assets are depreciated over a period ranging from three to five years.

4.2 Financial Fixed Assets

The participation in investments relates to Alpinvest Partners Later Stage Co-Investments II C.V. which is accounted for at fair value. For a list of all companies in which Alpinvest Partners N.V. has interests, see chapter 5.

4.3 Receivables From Related Parties

	June 30, 2011
Related party	
Stichting Pensioenfonds ABP	€ 3,187
Stichting Pensioenfonds Zorg en Welzijn	2,439
	5,626
Investment entities	62
Total	€ 5,688

These receivables are mainly related to carried interest income. All receivables fall due in less than one year. The fair value of the receivables approximates the book value.

4.4 Corporate Income Tax Receivable

This amount relates mainly to income tax paid in the US in excess of the amounts that are estimated to be due to the tax authorities for past fiscal years.

4.5 Forward Contracts

In 2010 and 2011 Alpinvest Partners N.V. economically hedged a large part of its 2011 and some of its 2012 funding requirements in US dollars by buying US dollar forwards. At June 30, 2011 forward contracts for a total amount of \$15,600 were outstanding. The delivery dates of the US dollars have been set to match the US dollar cash outflows between July 2011 and January 2012. The difference between the total value in Euro of the remaining outstanding forward agreements at the spot rate (€10,760) and the total value in Euro at the contracted forward rate (€11,052) amounted to a liability of €292 on June 30, 2011.

4.6 Prepayments and Accrued Income

	<u>June 30, 2011</u>
Prepaid rent	€ 258
Accrued interest	143
Prepaid management fee	96
Other receivables and prepaid items	692
Total	€ 1,189

All receivables fall due in less than one year. The fair value of the receivables approximates the book value.

4.7 Cash and Cash Equivalents

Cash and call deposits are at the company's free disposal.

4.8 Equity Attributable to Shareholders of the Parent

Share Capital

The company's authorized capital at June 30, 2011 was €20,000,000 divided into 20,000 ordinary shares of €1,000 each. Issued share capital totals €4,000,000, consisting of 4,000 ordinary shares with a nominal value of €1,000 each. The issued shares are fully paid. (All figures in this note are to the nearest Euro).

Legal Reserve for Translation Differences

This reserve relates to the foreign currency revaluation of AlInvest Partners Holding Inc, AlInvest Partners Inc., AlInvest Partners Ltd and AlInvest Partners UK Ltd.

Legal Reserve

This reserve relates to the positive difference of fair value less cost price of a participation in AlInvest Partners Later Stage Co-Investments II C.V. which is accounted for at fair market value.

4.9 Equity Attributable to Other Shareholders

This amount represents the interest of holders of Certificates of Shares other than the shareholders of the parent company in some of the entities that are part of the consolidation (see chapter 5). These shareholders are entities whose ultimate beneficial owners are Directors and (former) employees of the company and its subsidiaries.

4.10 Provisions for Other Long-term Employee Benefits

The jubilee provision has been determined by an independent actuary. Of the provisions, €102 qualifies as long-term (i.e. in effect for more than one year). For the valuation of the jubilee provision the following actuarial assumptions have been used:

	<u>June 30, 2011</u>
Discount rate at end of period	6.10%
General increase in salaries	2.00%

4.11 Other Short-term Liabilities

	<u>June 30,</u> <u>2011</u>
Personnel related items	€ 10,123
Carried interest related bonus	1,620
Holiday leave provision	213
Accrued expenses	1,057
Rent	168
Directors' fee payable to related parties	68
Total	€ 13,249

All current liabilities fall due in less than one year.

4.12 Off-balance Sheet Commitments and Contingencies

Multi-year Financial Obligations

Rental obligations for office space amount to €3,031 per annum. The leases expire on different dates between July 31, 2012 and March 10, 2018. A letter of credit for a maximum amount of \$550 (€379) was issued in favour of the landlord of one of the office spaces, which expires ultimately on March 31, 2016.

The monthly obligations for car leases amount to €17. These contracts have an average remaining life of 24 months. The aggregate liability resulting from these contracts amounts to €391.

The monthly obligations for copiers amount to €13. The contracts have an average remaining life of 37 months.

The monthly obligation for Bloomberg terminals amount to €6. The contracts, which expire in 2012, will be automatically renewed for a period of 2 years.

The monthly obligation for an ICT service contract amounts to €40. The contract expires 31 December 2011, but can be ended at any time during that period taken into account a notice period of 3 months.

Guarantees

There are no outstanding guarantees on behalf of the company.

Liability as General Partner

Reference is made to chapter 5.

Tax Group Liability

The company forms an income tax group with a small number of Group companies. Under the standard conditions, the members of the tax group are jointly and severally liable for any taxes payable by the Group.

The total tax charge to a large extent is related to Dutch fiscal entities and the US subsidiary.

5. Supplementary Information

5.1 Interests in Group Companies

As at June 30, 2011, AlpInvest Partners N.V. had interests in the following companies:

<u>Name of Company</u>	<u>Registered Office</u>	<u>% Ownership</u>	<u>Core Activities</u>
AlpInvest Partners Holding Inc	New York	100	Advisory and management services
AlpInvest Partners Inc	New York	100 through AlpInvest Partners Holding Inc	Advisory and management services
AlpInvest Partners Ltd	Hong Kong	100	Advisory and management services
AlpInvest Partners UK limited	London	100	Advisory and management Services
AlpInvest Partners Later Stage Co-Investments Custodian II B.V.	Amsterdam	100	Acts as custodian of AlpInvest Partners Later Stage Co-Investments II C.V.
AlpInvest Partners Later Stage Co-Investments Custodian IIA B.V.	Amsterdam	100	Acts as custodian of AlpInvest Partners Later Stage Co-Investments IIA C.V.
AlpInvest Partners Fund of Funds Custodian IIA B.V.	Amsterdam	100	Acts as custodian of AlpInvest Partners Fund of Funds IIA C.V.
AlpInvest Private Equity Partners B.V. **	Amsterdam	100	Acts as general partner of AlpInvest Private Equity Fund C.V. and does everything in connection therewith or ancillary thereto.
Betacom XLII B.V.	Amsterdam	100	Provides risk bearing capital in any form, such as equity, or convertible loans to existing and new enterprises.
AlpInvest Partners Later Stage Co-Investments II C.V.	Amsterdam	0.99 through Betacom XLII B.V.	Acts as limited partner of AlpInvest Partners Later Stage Co-Investments II C.V.
Betacom XLV B.V. **	Amsterdam	100	Enters into and acts as general partner of limited partnerships which aim at making investments and acting as limited partner in limited partnerships.
Betacom Beheer 2004 B.V. **	Amsterdam	100	Manages limited partnerships.
AlpInvest Partners Direct Investments B.V. **	Amsterdam	40.90 *	Holding company
AlpInvest Partners Co-Investments B.V. **	Amsterdam	56.22 *	Holding company
AlpInvest Partners Direct Secondary Investments B.V.	Amsterdam	56.93 *	Acts as advisor and intermediary of investors in relation to the investment in funds in general, and in particular in relation to making investments and divestments in private equity funds.
AlpInvest Partners Later Stage Co-Investments Management II B.V. **	Amsterdam	45.90 *	Acts as general partner of AlpInvest Partners Later Stage Co-Investments II C.V.

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<u>Name of Company</u>	<u>Registered Office</u>	<u>% Ownership</u>	<u>Core Activities</u>
AlpInvest Partners Fund Investments B.V. **	Amsterdam	64.27 *	Acts as advisor and intermediary of investors in relation to the investment in funds in general and in particular in relation to the making of investments and divestments in private equity funds.
AlpInvest Partners Later Stage Co-Investments Management IIA B.V. **	Amsterdam	100 *	Acts as general partner of AlpInvest Partners Later Stage Co-Investments IIA C.V. and holding and financing company.
AlpInvest Partners Fund of Funds Management IIA B.V. **	Amsterdam	100 *	Acts as general partner of AlpInvest Partners Fund of Funds IIA C.V., holding and financing company.
AlpInvest Partners European Mezzanine Investments B.V.	Amsterdam	100 *	Makes mezzanine investments and performs all direct and indirect activities in connection therewith.
AlpInvest Partners US Mezzanine Investments B.V. **	Amsterdam	62.90 *	Makes investments in general and in particular investments and divestments in mezzanine funds, and everything ancillary thereto.
AlpInvest Partners Direct Investments 2003 B.V. **	Amsterdam	0 *	Holding and financing company.
AlpInvest Partners Fund Investments 2003 B.V. **	Amsterdam	28.76 *	Acts as advisor and intermediary of investors and in relation to the investment in funds in general and especially in relation to making investments in private equity funds.
AlpInvest Partners 2003 B.V. **	Amsterdam	28.76 *	Holding and financing company
AlpInvest Partners Mezzanine Investments 2005/2006 B.V.	Amsterdam	100 *	Invests funds, including making investments and divestments in mezzanine funds and everything directly or indirectly related, as well as provides financial (advisory) services.
AlpInvest Partners Fund Investments 2006 B.V. **	Amsterdam	100 *	Acts as general partner of one or more limited partnership(s).
AlpInvest Partners 2006 B.V. **	Amsterdam	100 *	Holding and financing company.
AlpInvest Partners 2009 B.V. **	Amsterdam	100	Acts as general partner of one or more limited partnership(s)
AlpInvest Partners Fund Investments 2009 B.V. **	Amsterdam	100	Acts as general partner of one or more limited partnership(s)
AlpInvest Partners Beheer 2006 B.V. **	Amsterdam	100	Incorporates, participates in (in any form), manages, supervises and/or finances enterprises, companies and partnerships.

<u>Name of Company</u>	<u>Registered Office</u>	<u>% Ownership</u>	<u>Core Activities</u>
AlpInvest Beheer 2006 Ltd **	Cayman Islands	100 through AlpInvest Partners Beheer 2006 B.V.	Acts as general partner of AlpInvest Partners Beheer 2006 LP
AlpInvest Partners Mezzanine Investments 2007/2009 B.V.**	Amsterdam	100 *	Holding and financing company.
AlpInvest Partners Clean Technology Investments 2007-2009 B.V.**	Amsterdam	100 *	Acts as general partner of one or more limited partnerships and holding companies.
AlpInvest Partners Clean Technology Investments 2010-2011 B.V.	Amsterdam	100	Acts as general partner of one or more limited partnerships and holding companies
AlpInvest Partners 2008 B.V.**	Amsterdam	100 *	Holding and participation company
Oeral Investments B.V.	Zeist	100	Holding company
AP Private Equity Investments I B.V.	Amsterdam	100 through Oeral Investments B.V.	Management and financing services
AP Private Equity Investments IV B.V.	Amsterdam	100 through Oeral Investments B.V.	Management and financing services
AlpInvest Partners 2011 B.V. **	Amsterdam	100	Acts as general partner of one or more limited partnership(s)
Newport Support Services B.V.	Amsterdam	100	Management and financing services
Greenbird Support Services B.V.	Amsterdam	100	Management and financing services

* AlpInvest Partners N.V. controls and consolidates all these entities as it holds one priority share in each of the entities. Stichting Administratie Kantoor AlpInvest Partners holds 100% of the ordinary shares in these entities. AlpInvest Partners N.V. holds the indicated percentage of the certificates issued by Stichting Administratie Kantoor AlpInvest Partners.

** These companies act as General Partner of CV's and hence are liable for the debts of these CV's to the extent of the BV's own equity.

5.2 Subsequent events

On January 26, 2011 APG and PGGM signed an agreement to sell the shares of AlpInvest Partners N.V. The shares were transferred on July 1, 2011 to AP B.V., a company ultimately owned by The Carlyle Group and AlpInvest Managing Partners.

On July 1, 2011 the legal form of the company was changed through an amendment of the articles of association from an N.V. ('Naamloze Vennootschap') to a B.V. ('Besloten Vennootschap'). On this date the company also changed its governance structure, following the aforementioned acquisition of AlpInvest by The Carlyle Group and AlpInvest management. As per

this date, the Supervisory Board was dissolved and consequently the Supervisory Board members Mr. O.W. van der Wyck (Chairman), Mrs. E.F. Bos, Mr. A.B.J. ten Damme and Mr. A. Nühn resigned from the Supervisory Board. Mr. R.G. Chambers had resigned from the Supervisory Board on June 7, 2010. The Managing Board would like to thank the Supervisory Board members for their valuable contribution to the company. At the same date, Mr. D.A. D'Aniello and Mr. G. A. Youngkin, both members of the Management Committee of The Carlyle Group, joined the Managing Board of the company and Mr. W. Borgdorff and Mr. E.M.J. Thyssen resigned from the Managing Board.

On July 4, 2011 an amount of €66,000 was declared and paid out from the other reserves as dividend to the shareholders. This payment has not been recognized in the consolidated balance sheet.

6. Reconciliation of the Consolidated Balance Sheet to US GAAP

	AlpInvest Partners NV Consolidated Dutch GAAP	AlpInvest Partners NV US GAAP Adjustments	Consolidated Funds US GAAP	Eliminations for Consolidation	AlpInvest Partners NV Consolidated US GAAP	AlpInvest Partners NV Consolidated US GAAP
	EUR'000	Notes 7.2, 7.3, 7.4 EUR'000	Note 7.1 EUR'000	Note 7.1 EUR'000	EUR'000	USD'000
Assets						
Fixed assets						
Tangible fixed assets						
Other fixed assets	€ 781	€ —	€ —	€ —	€ 781	\$ 1,124
Financial fixed assets						
Pensions		3,227			3,227	4,644
Participation in investments	314				314	452
Investments of consolidated funds			5,716,317		5,716,317	8,226,352
	1,095	3,227	5,716,317		5,720,639	8,232,572
Current assets						
Pensions	459	(459)			—	—
Accounts receivable						
Receivables	228				228	328
Receivables from related parties	5,688	184,920	8	(40,375)	150,241	216,212
Tax and social security receivables	21				21	30
Corporate income tax receivables	1,446		5,717		7,163	10,308
Prepayments and accrued income	1,189		35,352		36,541	52,586
Other receivables of consolidated funds			23,764		23,764	34,199
Short-term deposits	7,526		2,167		9,693	13,949
	16,557	184,461	67,008	(40,375)	227,651	327,612
Cash and cash equivalents						
Call deposits	97,000				97,000	139,593
Cash	498		2,252		2,750	3,957
	97,498		2,252		99,750	143,550
Total assets	€ 115,150	€ 187,688	€ 5,785,577	€ (40,375)	€ 6,048,040	\$ 8,703,734

	AlpInvest Partners NV Consolidated Dutch GAAP	AlpInvest Partners NV US GAAP Adjustments	Consolidated Funds US GAAP	Eliminations for Consolidation	AlpInvest Partners NV Consolidated US GAAP	AlpInvest Partners NV Consolidated US GAAP
	EUR'000	Notes 7.2, 7.3, 7.4 EUR'000	Note 7.1 EUR'000	Note 7.1 EUR'000	EUR'000	USD'000
Liabilities and equity						
Equity						
Equity attributable to shareholders of the parent company	€ 84,803	€ 25,136	€ —	€ —	€ 109,939	\$ 158,212
Equity of consolidated funds			5,701,594	(5,701,594)	—	—
Equity attributable to other shareholders	2,929	(2,929)		5,701,594	5,701,594	8,205,163
	87,732	22,207	5,701,594	—	5,811,533	8,363,375
Provisions						
Other long-term employee benefits	102				102	147
Other accrued compensation		131,818			131,818	189,700
Deferred tax liabilities		30,734			30,734	44,229
Long-term liabilities						
Due to affiliates			83,716	(40,375)	43,341	62,371
Current liabilities						
Creditors	348				348	501
Liabilities to related parties	8				8	12
Tax and social security payables	420				420	604
Corporate income tax liabilities	12,999				12,999	18,708
Forward contracts	292				292	420
Other short-term liabilities	13,249	2,929			16,178	23,282
Other liabilities of consolidated funds			267		267	385
	27,316	2,929	267		30,512	43,912
Total liabilities and equity	€ 115,150	€ 187,688	€ 5,785,577	€ (40,375)	€ 6,048,040	\$ 8,703,734

7. Notes to the Reconciliation of the Consolidated Balance Sheet to US GAAP

The consolidated balance sheet has been prepared in accordance with Dutch GAAP. The reconciliation of the Dutch GAAP consolidated balance sheet to the U.S. GAAP consolidated balance sheet in EURO and US Dollars including the Adjustments are presented in chapter 6. The significant measurement differences between Dutch GAAP and U.S. GAAP and their effect on the consolidated balance sheet are described in the notes below.

7.1 Consolidated Funds

In the US GAAP balance sheet AlInvest consolidates funds in which AlInvest as the general partner is presumed to have control through a majority voting interest or otherwise. This adjustment is made following the requirement that variable interest entities ('VIEs'), for which the company is deemed to be the primary beneficiary, must be consolidated. Under the consolidation rules an entity is determined to be the primary beneficiary if it holds a controlling financial interest. The consolidation rules require an analysis to determine whether variable interests held in entities are VIEs and whether the company has a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity's business 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. Intercompany balances among group companies are eliminated.

Management of AlInvest has determined that the consolidated funds are investment companies under US GAAP for the purpose of financial reporting and therefore all investments have to be recorded at estimated fair value. As a result, the majority owned and controlled direct investments are not consolidated by the funds.

In addition to the Investments the assets of the consolidated funds consist of receivables, short-term deposits and cash. The funds are mainly financed through equity, which is fully attributable to other shareholders. The liabilities consist mainly of long-term liabilities to affiliates.

Investments of Consolidated Funds (€5,716,317)

This item consists of the fair market value of the investments that are directly held by the legal entities that are consolidated. The valuation policy applicable to the valuation of the investments depends on the nature of the investments. Investments are valued as follows:

(a) Unquoted Securities

Fund Investments (Primary and Secondary)

The fair value of fund investments is based on the Investment Entity's proportionate share of the net assets of the investment partnerships as reported by the third party General Partners of the underlying partnerships and is extracted from the most recent information available from the General Partners of the underlying partnerships prior to the finalization of this balance sheet.

Direct and Co-investments (Equity and Mezzanine)

The General Partner's determination of fair value of direct and co-investments involves a significant degree of management judgment and takes into consideration the specific nature, facts and circumstances of each investment, including but not limited to the price at which the investment was acquired, current and projected operating performance, trading values on public exchanges for comparable securities, and the financing terms currently available. The determination of fair value is based on the best information available. Due to the absence of quoted markets, inherent lack of liquidity and the long term nature of private equity investments, the determination of fair value may differ from the value that would have been used had a ready market existed, and the differences could be material.

(b) Quoted Securities

In an active market the valuation of quoted investments is the closing trade price at the reporting date.

(c) **Non EUR Denominated Securities**

Investments in foreign securities are translated into Euros at the rate of exchange at the reporting date. Foreign exchange gains and losses resulting from the translation are recognised in profit and loss.

(d) **Estimates**

The preparation of the valuations requires the General Partner to form opinions and to make estimates and assumptions that influence the application of accounting policies and the reported values of assets and liabilities. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

Equity Attributable to Other Shareholders

Equity attributable to other shareholders represents the equity in the consolidated entities which is held by investors other than the company or any of its group companies.

US GAAP Adjustments

The consolidated funds balance sheet has been prepared in accordance with Dutch GAAP and adjusted to US GAAP. The significant measurement differences between Dutch GAAP and US GAAP and their effects on the consolidated balance sheet as at June 30, 2011 are described below:

Under Dutch GAAP carried interest is recognized as it is realized by the management company and is no longer subject to contingencies. Therefore the consolidated funds do not account for unrealized carried interest, representing the amount of additional carried interest AlInvest Partners B.V. would earn from the funds if they were liquidated at June 30, 2011 at their reported NAV. Under US GAAP Consolidated Funds reflect carried interest as if all assets had been realized and all liabilities settled at the reported net asset value. This amount is reclassified from *Equity to Due to affiliates*.

Under Dutch GAAP, an adjustment can be applied to the value reported by the third party General Partners of the underlying partnerships. For US GAAP reporting purposes this adjustment has been removed.

7.2 Provisions for Pensions and Other Long-term Employee Benefits

Post employment and other long-term employee benefits must be accounted for according to ASC 715, which values the present value of the pension rights minus the fair value of the plan assets. An adjustment is therefore necessary compared to Dutch GAAP, which uses the liability method as described in chapter 2.

This adjustment has the following effects on the consolidated balance sheet as per June 30, 2011.

	June 30, 2011 Dutch GAAP	US GAAP Adjustment	June 30, 2011 US GAAP
Total net obligation for pensions	€ (459)	€ (2,768)	€ (3,227)
Total net obligation for other long-term employee benefits	102	—	102
Increase in deferred tax liabilities		692	692
Increase in equity attributable to shareholders of the parent company		2,076	2,076
Total	€ (357)	€ —	€ (357)

AlpInvest Partners N.V. has several pension schemes in effect which are partly defined benefit and partly defined contribution schemes. An actuarial valuation has been performed by an independent actuary to calculate the obligations for pensions and other long-term employee benefits according to ASC 715.

The following amounts have been included in the US GAAP consolidated balance sheet in respect of the defined benefit part of the schemes:

	<u>June 30,</u> <u>2011</u>
Present value existing pension rights (Defined Benefit Obligations)	€ 25,135
Market value investments	(28,362)
Total net obligation for pensions and other long-term employee benefits	<u>€ (3,227)</u>

Pensions and deferred pension rights of former employees can be increased yearly with a percentage to be determined by the employer. This conditional increase has been included in the accounts in the Defined Benefit Obligations based on the assumption for the increase of current and future pension payments.

7.3 Accrued Carried Interest

According to Dutch GAAP carried interest fees are recognized if and when it is certain that the conditions applicable for earning such fees have been fully met, and the investors have received back their full investment, all expenses and a minimum contractual return. US GAAP requires the company to accrue carried interest as if all assets had been realized and all liabilities settled at the reported net asset value.

Carried interest is allocated to the period to which it relates and is subject to Dutch Corporate income tax ("CIT").

The accrued revenues attributable to carried interest that are recognized are 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 carried interest income reflects the company's share of the gains and losses of the associated funds' underlying investments measured at their current fair values. The resulting accrued income is reported under *Receivables from related parties*. An accrual is made for the CIT payable on this additional income. This accrual is reported under *Deferred tax liabilities* in the balance sheet.

A portion of the carried interest that the company receives is due to (former) employees and Directors. Certain Directors and (former) employees (indirectly) hold Certificates of Shares in some of the entities that are part of the consolidation and receive their share in the form of dividends. Under Dutch GAAP their share in the profit and equity of these entities is classified as *Equity attributable to other shareholders*. Other (former) employees have obtained compensation rights that are based on the carried interest revenues received by Group companies. Under Dutch GAAP these rights are expensed as personnel expenses and the liabilities are classified under *Other short-term liabilities* (Personnel related items).

The applicable Equity attributable to other shareholders and the applicable compensation rights to other (former) employees associated with the accrued income are recognized. The compensation rights to other (former) employees form an additional cost which would be deductible for CIT and as such a tax receivable is calculated and reported netted with the tax payable calculated on the additional accrued income.

The effects of the adjustments on the consolidated balance sheet are summarized below.

	<u>US GAAP Adjustment</u>
Assets	
Increase in Receivables from related parties	€ 184,920
Liabilities and Equity	
Increase in Other accrued compensation	€ 131,818
Increase in Deferred tax liabilities	30,042
Increase in Equity attributable to shareholders of the parent company	23,060
	<u>€ 184,920</u>

7.4 Reclassification of Equity Attributable to Other Shareholders

As stated in note 7.3 a portion of the carried interest that the company receives is due to (former) employees and Directors.

Under U.S. GAAP the applicable *Equity attributable to other shareholders* is reclassified as *Other short-term liabilities*. The effects on the consolidated balance sheet are summarized below.

	<u>US GAAP Adjustment</u>
Equity	
Equity attributable to other shareholders	€ (2,929)
Current Liabilities	
Other short-term liabilities	2,929
Total	<u>€ —</u>

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
THE CARLYLE GROUP L.P.

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**AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
THE CARLYLE GROUP L.P.**

This AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF THE CARLYLE GROUP L.P. dated as of _____, is entered into by and among Carlyle Group Management L.L.C., a Delaware limited liability company, as the General Partner, together with any other Persons who become Partners in the Partnership or parties hereto as provided herein. In consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. *Definitions.*

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

“*Acquisition*” means any transaction in which any Group Member acquires (through an asset acquisition, merger, stock (or other equity) acquisition or other form of investment) control over all or a portion of the assets, properties or business of another Person.

“*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.

“*Agreement*” means this Amended and Restated Agreement of Limited Partnership of The Carlyle Group L.P., as it may be amended, supplemented or restated from time to time.

“*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 Securities Exchange Act (and “*Beneficially Own*” shall have a correlative meaning).

“*Board of Directors*” means the Board of Directors of the General Partner.

“*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.

“*Capital Account*” has the meaning assigned to such term in Section 6.1.

“*Capital Contribution*” means any cash or cash equivalents or other property valued at its fair market value that a Partner contributes to the Partnership pursuant to this Agreement.

“*Carlyle Holdings I*” means Carlyle Holdings I L.P., a Delaware limited partnership, and any successors thereto.

“*Carlyle Holdings I General Partner*” means Carlyle Holdings I GP Inc., a Delaware corporation and the direct or indirect general partner of Carlyle Holdings I, and any successors thereto.

“*Carlyle Holdings II*” means Carlyle Holdings II L.P., a Québec *société en commandite*, and any successors thereto.

“*Carlyle Holdings II General Partner*” means Carlyle Holdings II GP L.P., a Delaware limited partnership and the general partner of Carlyle Holdings II, and any successors thereto.

“*Carlyle Holdings III*” means Carlyle Holdings III L.P., a Québec *société en commandite*, and any successors thereto.

“*Carlyle Holdings III General Partner*” means Carlyle Holdings III GP L.P., a Québec *société en commandite* and the direct or indirect general partner of Carlyle Holdings III, and any successors thereto.

“*Carlyle Holdings General Partners*” means, collectively, Carlyle Holdings I General Partner, Carlyle Holdings II General Partner and Carlyle Holdings III General Partner (and the general partner of any future partnership designated as a Carlyle Holdings Partnership hereunder).

“*Carlyle Holdings Group*” means, collectively, the Carlyle Holdings Partnerships and their respective Subsidiaries.

“*Carlyle Holdings Limited Partner*” means each Person that becomes a limited partner of a Carlyle Holdings Partnership pursuant to the terms of the relevant Carlyle Holdings Partnership Agreement.

“*Carlyle Holdings Partnership Agreements*” means, collectively, the Amended and Restated Limited Partnership Agreement of Carlyle Holdings I, the Amended and Restated Limited Partnership Agreement of Carlyle Holdings II and the Amended and Restated Limited Partnership Agreement of Carlyle Holdings III (and the partnership agreement then in effect of any future partnership designated as a Carlyle Holdings Partnership hereunder), as they may each be amended, supplemented or restated from time to time.

“*Carlyle Holdings Partnership Unit*” means, collectively, one partnership unit in each of Carlyle Holdings I, Carlyle Holdings II and Carlyle Holdings III (and any future partnership designated as a Carlyle Holdings Partnership hereunder) issued under its respective Carlyle Holdings Partnership Agreement.

“*Carlyle Holdings Partnerships*” means, collectively, Carlyle Holdings I, Carlyle Holdings II and Carlyle Holdings III and any future partnership designated by the General Partner in its sole discretion as a Carlyle Holdings Partnership for purposes of this Agreement.

“*Carlyle Partners Ownership Condition*” has the meaning assigned to such term in Section 7.13.

“*Carrying Value*” means, with respect to any Partnership asset, the asset’s adjusted basis for U.S. federal income tax purposes, except that the initial carrying value of assets contributed to the Partnership shall be their respective gross fair market values on the date of contribution as determined by the General Partner, and the Carrying Values of all Partnership assets shall be adjusted to equal their respective fair market values, in accordance with the rules set forth in United States Treasury Regulation Section 1.704-1(b)(2)(iv)(f), except as otherwise provided herein, as of: (a) the date of the acquisition of any additional Partnership Interest by any new or existing Partner in exchange for more than a *de minimis* Capital Contribution; (b) the date of the distribution of more than a *de minimis* amount of Partnership assets to a Partner in exchange for a Partnership Interest; (c) the date a Partnership Interest is relinquished to the Partnership; (d) the date that the Partnership issues more than a *de minimis* Partnership Interest to a new Partner in exchange for services; or (e) any other date specified in the United States Treasury Regulations; provided however that adjustments pursuant to clauses (a), (b) (c), (d) and (e) above shall be made only if such adjustments are deemed necessary or appropriate by the General Partner to reflect the relative economic interests of the Partners. In the case of any asset that has a Carrying Value that differs from its adjusted tax basis, Carrying Value shall be adjusted by the amount of depreciation calculated for purposes of the definition of “Net Income (Loss)” rather than the amount of

depreciation determined for U.S. federal income tax purposes, and depreciation shall be calculated by reference to Carrying Value rather than tax basis once Carrying Value differs from tax basis.

“*Certificate*” means a certificate issued in global form in accordance with the rules and regulations of the Depository or in such other form as may be adopted by the General Partner, issued by the Partnership evidencing ownership of one or more Common Units or a certificate, in such form as may be adopted by the General Partner, issued by the Partnership evidencing ownership of one or more other Partnership Securities.

“*Certificate of Limited Partnership*” means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

“*Citizenship Certification*” means a properly completed certificate in such form as may be specified by the General Partner by which a Limited Partner certifies that he (and if he is a nominee holding for the account of another Person, that to the best of his knowledge such other Person) is an Eligible Citizen.

“*Closing Date*” means the first date on which Common Units are sold by the Partnership to the Underwriters pursuant to the provisions of the Underwriting Agreement.

“*Closing Price*” has the meaning assigned to such term in Section 15.1(a).

“*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 Unit*” means a Limited Partner Interest representing a fractional part of the Limited Partner Interests of all Limited Partners and having the rights and obligations specified with respect to Common Units in this Agreement.

“*Conflicts Committee*” means (A) prior to the Closing Date, all of the holders of Special Voting Units (who the Partners acknowledge and agree may be Affiliates of the General Partner and not independent) and (B) from and after the Closing Date, a committee of the Board of Directors composed entirely of one or more directors or managers who have been determined by the Board of Directors in its sole discretion to meet the independence standards (but not, for the avoidance of doubt, the financial literacy or financial expert qualifications) required to serve on an audit committee of a board of directors established by the Securities Exchange Act and the rules and regulations of the Commission thereunder and by the National Securities Exchange on which the Common Units are listed for trading.

“*Current Market Price*” has the meaning assigned to such term in Section 15.1(a).

“*Delaware Limited Partnership Act*” means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. § 17-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

“*Departing General Partner*” means a former General Partner from and after the effective date of any withdrawal of such former General Partner pursuant to Section 11.1.

“*Depository*” means, with respect to any Units issued in global form, The Depository Trust Company and its successors and permitted assigns.

“*Determination Date*” has the meaning assigned to such term in Section 7.13.

“*Directors*” means the members of the Board of Directors.

“*Eligible Citizen*” means a Person qualified to own interests in real property in jurisdictions in which any Group Member does business or proposes to do business from time to time, and whose

status as a Limited Partner the General Partner determines in its sole discretion does not or would not subject such Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

“*Event of Withdrawal*” has the meaning assigned to such term in Section 11.1(a).

“*Exchange Agreement*” means one or more exchange agreements providing for the exchange of Carlyle Holdings Partnership Units or other securities issued by members of the Carlyle Holdings Group for Common Units, as contemplated by the Registration Statement.

“*Fiscal Year*” has the meaning assigned to such term in Section 8.2.

“*General Partner*” means Carlyle Group Management L.L.C., a Delaware limited liability company and its successors and permitted assigns that are admitted to the Partnership as general partner of the Partnership, each in its capacity as a general partner of the Partnership (except as the context otherwise requires).

“*General Partner Agreement*” means the amended and restated limited liability company agreement of the General Partner, as the same may be amended or amended and restated from time to time.

“*General Partner Interest*” means the management and ownership interest of the 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 a General Partner is entitled as provided in this Agreement, together with all obligations of a General Partner to comply with the terms and provisions of this 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 Partnership Securities with any other Person that Beneficially Owns, or whose Affiliates or Associates Beneficially Own, directly or indirectly, Partnership Interests.

“*Group Member*” means a member of the Partnership Group.

“*Indemnitee*” means (a) the General Partner, (b) any Departing General Partner, (c) any Person who is or was a Tax Matters Partner (as defined in the Code), officer or director of the General Partner or any Departing General Partner, (d) any officer or director of the General Partner or any Departing General Partner who is or was serving at the request of the General Partner or any Departing General Partner as an officer, director, employee, member, partner, Tax Matters Partner (as defined in the Code), 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, (e) any Person who controls a General Partner or Departing General Partner, (f) any Person who is named in the Registration Statement as being or about to become a director of the General Partner and (g) any Person the General Partner in its sole discretion designates as an “Indemnitee” for purposes of this Agreement.

“*Initial Annual Meeting*” means the first annual meeting of Limited Partners held following each Determination Date on which the Board of Directors has been classified in accordance with Section 13.4(b)(v).

“*Initial Common Units*” means the Common Units sold in the Initial Offering.

“*Initial Limited Partner*” means each of the Organizational Limited Partner, TCG Partners and the Underwriters or their designee(s), in each case upon being admitted to the Partnership in accordance with Section 10.1.

“*Initial Offering*” means the initial offering and sale of Common Units to the public, as described in the Registration Statement.

“*Issue Price*” means the price at which a Unit is purchased from the Partnership, net of any sales commissions or underwriting discounts charged to the Partnership.

“*Limited Partner*” means, unless the context otherwise requires, each Initial Limited Partner, each additional Person that acquires or holds a Limited Partner Interest and is admitted to the Partnership as a limited partner of the Partnership pursuant to the terms of this Agreement and any Departing General Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 11.3, in each case, in such Person’s capacity as a limited partner of the Partnership as long as such Person holds a Limited Partner Interest. For the avoidance of doubt, each holder of a Special Voting Unit shall be a Limited Partner. For purposes of the Delaware Limited Partnership Act, the Limited Partners shall constitute a single class or group of limited partners.

“*Limited Partner Interest*” means the ownership interest of a Limited Partner in the Partnership, which may be evidenced by Common Units, Special Voting Units or other Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner is entitled as provided in this Agreement, including voting rights, together with all obligations of such Limited Partner to comply with the terms and provisions of this Agreement. Except to the extent otherwise expressly designated herein by the General Partner in its sole discretion, for purposes of this Agreement and the Delaware Limited Partnership Act, the Limited Partner Interests shall constitute a single class or group of limited partner interests.

“*Listing Date*” means the first date on which the Common Units are listed and traded on a National Securities Exchange.

“*Liquidation Date*” means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clause (a) or (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the holders of Outstanding Units have the right to elect to continue the business of the Partnership has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

“*Liquidator*” means the General Partner or one or more Persons as may be selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Limited Partnership Act.

“*Merger Agreement*” has the meaning assigned to such term in Section 14.1.

“*National Securities Exchange*” means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act or any successor thereto and any other securities exchange (whether or not registered with the Commission under Section 6(a) of the Securities Exchange Act) that the General Partner in its sole discretion shall designate as a National Securities Exchange for purposes of this Agreement.

“*Net Income (Loss)*” for any Fiscal Year (or other fiscal period) means the taxable income or loss of the Partnership for such period as determined in accordance with the accounting method used by the Partnership for U.S. federal income tax purposes with the following adjustments; (i) any income of the Partnership that is exempt from U.S. federal income taxation and not otherwise taken into account in computing Net Income (Loss) shall be added to such taxable income or loss; (ii) if the Carrying Value of any asset differs from its adjusted tax basis for U.S. federal income tax purposes, any depreciation, amortization or gain or loss resulting from a disposition of such asset shall be calculated with reference to such Carrying Value; (iii) upon an adjustment to the Carrying Value of any asset, pursuant to the definition of Carrying Value, the amount of the adjustment shall be included as gain or loss in computing such taxable income or loss; and (iv) any expenditures of the

Partnership not deductible in computing taxable income or loss, not properly capitalizable and not otherwise taken into account in computing Net Income (Loss) pursuant to this definition shall be treated as deductible items.

“*Non-citizen Assignee*” means a Person who the General Partner has determined in its sole discretion does not constitute an Eligible Citizen and as to whose Limited Partner Interests the General Partner has become the Limited Partner, pursuant to Section 4.8.

“*Non-Voting Common Unitholder*” means any Person who the General Partner may from time to time with such Person’s consent designate as a Non-Voting Common Unitholder.

“*Notice of Election to Purchase*” has the meaning assigned to such term in Section 15.1(b).

“*Opinion of Counsel*” means a written opinion of counsel or, in the case of tax matters, a qualified tax advisor (who may be regular counsel or tax adviser, as the case may be, to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its discretion.

“*Option Closing Date*” means the date or dates on which any Common Units are sold by the Partnership to the Underwriters upon exercise of the Over-Allotment Option.

“*Organizational Limited Partner*” means Carlyle Group Limited Partner L.L.C., a Delaware limited liability company and any successors thereto.

“*Outstanding*” means, with respect to Partnership Securities, all Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership’s books and records as of the date of determination; provided however that if at any time any Person or Group (other than the General Partner or its Affiliates) Beneficially Owns 20% or more of any class of Outstanding Common Units, all Common Units 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 Limited Partners 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 Agreement or the Delaware Limited Partnership Act, except that Common Units so owned shall be considered to be Outstanding for purposes of Section 11.1(b) (iv) (such Common Units shall not, however, be treated as a separate class of Partnership Securities for purposes of this Agreement or the Delaware Limited Partnership Act); provided further that the foregoing limitation shall not apply (i) to any Person or Group who acquired 20% or more of any Outstanding Common Units of any class then Outstanding directly from the General Partner or its Affiliates, (ii) to any Person or Group who acquired 20% or more of any Outstanding Common Units of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) provided that the General Partner 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 Common Units issued by the Partnership with the prior approval of the Board of Directors; provided further that if at any time a Non-Voting Common Unitholder Beneficially Owns any Common Units, no Common Units Beneficially Owned by the Non-Voting Common Unitholder shall be entitled to be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners 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 Agreement. The determinations of the matters described in clauses (i), (ii) and (iii) of the foregoing sentence shall be conclusively determined by the General Partner in its sole discretion, which determination shall be final and binding on all Partners. For the avoidance of doubt, the provisions of this definition applicable to Common Units shall not apply to the Special Voting Units.

“*Over-Allotment Option*” means the over-allotment option granted to the Underwriters by the Partnership pursuant to the Underwriting Agreement.

“*Partners*” means the General Partner and the Limited Partners.

“*Partnership*” means The Carlyle Group L.P., a Delaware limited partnership.

“*Partnership Group*” means the Partnership and its Subsidiaries treated as a single consolidated entity.

“*Partnership Interest*” means an interest in the Partnership, which shall include the General Partner Interests and Limited Partner Interests.

“*Partnership Security*” means any 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 and General Partner Units.

“*Percentage Interest*” means, as of any date of determination, (i) as to any holder of Common Units in its capacity as such, the product obtained by multiplying (a) 100% less the percentage applicable to the Units referred to in clause (v) by (b) the quotient obtained by dividing (x) the number of Common Units held by such holder by (y) the total number of all Outstanding Common Units, (ii) as to any holder of General Partner Units in its capacity as such with respect to such General Partner Units, 0%, (iii) as to any holder of Special Voting Units in its capacity as such with respect to such Special Voting Units, 0%, (iv) as to the Partnership holding Partnership Securities in treasury in its capacity as such with respect to such Partnership Securities held in treasury, 0% and (v) as to any holder of other Units in its capacity as such with respect to such Units, the percentage established for such Units by the General Partner as a part of the issuance of such Units.

“*Person*” means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association (including any group, organization, co-tenancy, 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).

“*Pro Rata*” means (a) in respect of Units or any class thereof, apportioned equally among all designated Units, and (b) in respect of Partners or Record Holders, apportioned among all Partners or Record Holders, as the case may be, in accordance with their relative Percentage Interests.

“*Purchase Date*” means the date determined by the General Partner as the date for purchase of all Outstanding Units of a certain class (other than Units owned by the General Partner and its Affiliates) pursuant to Article XV.

“*Quarter*” means, unless the context requires otherwise, a fiscal quarter of the Partnership, or with respect to the first fiscal quarter of the Partnership after the Closing Date the portion of such fiscal quarter after the Closing Date or, with respect to the final fiscal quarter of the Partnership, the relevant portion of such fiscal quarter.

“*Record Date*” means the date and time established by the General Partner pursuant to Section 13.6 or, if applicable, the Liquidator pursuant to Section 12.3, in each case, in its sole discretion for determining (a) the identity of the Record Holders entitled to notice of, or to vote at, any meeting of Limited Partners or entitled to vote by ballot or give approval of Partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Limited Partners or (b) the identity of Record Holders entitled to receive any report or distribution or to participate in any offer or other business of the Partnership.

“*Record Holder*” means the Person in whose name a Partnership Interest is registered on the books of the Partnership or, if such books are maintained by the Transfer Agent, on the books of the Transfer Agent, in each case, as of the Record Date.

“*Redeemable Interests*” means any Partnership Interests for which a redemption notice has been given, and has not been withdrawn, pursuant to Section 4.9.

“*Registration Rights Agreement*” means one or more registration rights agreements each among the Partnership and one or more limited partners of the Carlyle Holdings Partnerships providing for

the registration of Common Units, as contemplated by the Registration Statement as it may be amended, supplemented or restated from time to time.

“*Registration Statement*” means the Registration Statement on Form S-1 (Registration No. 333-) as it has been or as it may be amended or supplemented from time to time, filed by the Partnership with the Commission under the Securities Act to register the offering and sale of the Common Units in the Initial Offering.

“*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.

“*Securities 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.

“*Special Approval*” means either (a) approval by a majority of the members of the Conflicts Committee or, if there is only one member of the Conflicts Committee, approval by the sole member of the Conflicts Committee, or (b) approval by the vote of the Record Holders representing a majority of the voting power of the Voting Units (excluding Voting Units owned by the General Partner and its Affiliates).

“*Special Voting Unit*” means a Partnership Interest having the rights and obligations specified with respect to Special Voting Units in this Agreement. For the avoidance of doubt, holders of Special Voting Units, in their capacity as such, shall not be entitled to receive distributions by the Partnership and shall not be allocated income, gain, loss, deduction or credit of the Partnership.

“*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 Partnership.

“*Surviving Business Entity*” has the meaning assigned to such term in Section 14.2(b).

“*Tax Receivable Agreement*” means the Tax Receivable Agreement to be entered into substantially concurrently with the Initial Offering among the Partnership, Carlyle Holdings I, Carlyle Holdings I General Partner, Carlyle Holdings II, Carlyle Holdings II General Partner, Carlyle Holdings III, Carlyle Holdings III General Partner and the limited partners of the Carlyle Holdings Partnerships, as contemplated by the Registration Statement as it may be amended, supplemented or restated from time to time.

“*TCG Partners*” means TCG Carlyle Global Partners L.L.C., a Delaware limited liability company, and any successors thereto.

“*Trading Day*” has the meaning assigned to such term in Section 15.1(a).

“*Transfer*” has the meaning assigned to such term in Section 4.4(a).

“*Transfer Agent*” means such bank, trust company or other Person (including the General Partner or one of its Affiliates) as shall be appointed from time to time by the General Partner to act as registrar and transfer agent for the Common Units; provided that if no Transfer Agent is specifically designated for any other Partnership Securities, the General Partner shall act in such capacity.

“*Underwriter*” means each Person named as an underwriter in the Underwriting Agreement who purchases Common Units pursuant thereto.

“*Underwriting Agreement*” means the Underwriting Agreement to be entered into in connection with the Initial Offering among the Partnership and the Underwriters, providing for the purchase of Common Units by such Underwriters as it may be amended, supplemented or restated from time to time.

“*Unit*” means a Partnership Interest that is designated as a “Unit” and shall include Common Units, Special Voting Units and General Partner Units.

“*Unitholders*” means the holders of Units.

“*U.S. GAAP*” means U.S. generally accepted accounting principles consistently applied.

“*Voting Unit*” means a Common Unit (other than any Common Unit Beneficially Owned by a Non-Voting Common Unitholder), a Special Voting Unit and any other Partnership Interest that is designated as a “Voting Unit” from time to time.

“*Withdrawal Opinion of Counsel*” has the meaning assigned to such term in Section 11.1(b).

SECTION 1.2. *Construction.*

Unless the context requires otherwise: (a) any pronoun used in this Agreement 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 Agreement; 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 Agreement as a whole and not to any particular provision of this Agreement. The table of contents and headings contained in this Agreement are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement.

ARTICLE II
ORGANIZATION

SECTION 2.1. *Formation.*

The Partnership has been previously formed as a limited partnership pursuant to the filing of the Certificate of Limited Partnership with the Secretary of State of the State of Delaware on July 18, 2011, pursuant to the provisions of the Delaware Limited Partnership Act, and the execution of the Agreement of Limited Partnership of the Partnership, dated as of July 18, 2011, between the General Partner, as general partner, and the Organizational Limited Partner, as Limited Partner. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Limited Partnership Act. All Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

SECTION 2.2. *Name.*

The name of the Partnership shall be “The Carlyle Group L.P.” The Partnership’s business may be conducted under any other name or names as determined by the General Partner in its sole discretion, including the name of the General Partner. The words “Limited Partnership,” “LP,”

“L.P.,” “Ltd.” or similar words or letters shall be included in the Partnership’s name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner may change the name of the Partnership at any time and from time to time by filing an amendment to the Certificate of Limited Partnership (and upon any such filing this Agreement shall be deemed automatically amended to change the name of the Partnership) and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

SECTION 2.3. Registered Office; Registered Agent; Principal Office; Other Offices.

Unless and until changed by the General Partner by filing an amendment to the Certificate of Limited Partnership (and upon any such filing this Agreement shall be deemed automatically amended to change the registered office and the registered agent of the Partnership) the registered office of the Partnership in the State of Delaware is located at 1209 Orange Street, Wilmington, DE 19801, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office is The Corporation Trust Company. The principal office of the Partnership is located at 1001 Pennsylvania Avenue, NW, Washington, DC 20004 or such other place as the General Partner in its sole discretion may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner is 1001 Pennsylvania Avenue, NW, Washington, DC 20004 or such other place as the General Partner may from time to time designate by notice to the Limited Partners.

SECTION 2.4. Purpose and Business.

The purpose and nature of the business to be conducted by the Partnership 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 General Partner in its sole discretion and that lawfully may be conducted by a limited partnership organized pursuant to the Delaware Limited Partnership Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership 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 Group Member. To the fullest extent permitted by law, the General Partner shall have no duty (including any fiduciary duty) or obligation whatsoever to the Partnership or any other Person bound by this Agreement to propose or approve the conduct by the Partnership of any business and may, free of any duty (including any fiduciary duty) or obligation whatsoever to the Partnership or any other Person bound by this Agreement, decline to propose or approve the conduct by the Partnership of any business and, in so declining to propose or approve, shall not be deemed to have breached this Agreement, any other agreement contemplated hereby, the Delaware Limited Partnership Act or any other provision of law, rule or regulation or equity.

SECTION 2.5. Powers.

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

SECTION 2.6. Power of Attorney.

(a) Each Limited Partner and Record Holder hereby constitutes and appoints the General Partner and, if a Liquidator (other than the General Partner) shall have been selected pursuant to Section 12.3, the Liquidator, severally (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized managers and officers and attorneys-

in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator determines to be necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all amendments to this Agreement adopted in accordance with the terms hereof and all certificates, documents and other instruments that the General Partner or the Liquidator determines to be necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator determines to be necessary or appropriate to reflect the dissolution and termination of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, this Agreement (including, without limitation, issuance and cancellations of Special Voting Units pursuant to Section 5.3); (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Securities issued pursuant to Section 5.6; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger or consolidation or similar certificate) relating to a merger, consolidation, combination or conversion of the Partnership pursuant to Article XIV or otherwise in connection with a change of jurisdiction of the Partnership; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments that the General Partner or the Liquidator determines to be necessary or appropriate to (A) make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or (B) to effectuate the terms or intent of this Agreement; provided that when required by Section 13.3 or any other provision of this Agreement that establishes a certain percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of such percentage of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, shall not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Record Holder and the transfer of all or any portion of such Limited Partner's or Record Holder's Partnership Interest and shall extend to such Limited Partner's or Record Holder's heirs, successors, assigns and personal representatives. Each such Limited Partner or Record Holder hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Record Holder, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or

the Liquidator taken in good faith under such power of attorney. Each Limited Partner and Record Holder shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator may request in order to effectuate this Agreement and the purposes of the Partnership.

SECTION 2.7. *Term.*

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Limited Partnership Act and shall continue until the dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Limited Partnership Act.

SECTION 2.8. *Title to Partnership Assets.*

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner in its sole discretion determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership as soon as reasonably practicable; provided further that prior to the withdrawal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

SECTION 2.9. *Certain Undertakings Relating to the Separateness of the Partnership.*

(a) *Separateness Generally.* The Partnership shall conduct its business and operations separate and apart from those of any other Person (other than the General Partner) in accordance with this Section 2.9.

(b) *Separate Records.* The Partnership 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 Partnership.

(c) *No Effect.* Failure by the General Partner or the Partnership to comply with any of the obligations set forth above shall not affect the status of the Partnership as a separate legal entity, with its separate assets and separate liabilities.

ARTICLE III

RIGHTS OF LIMITED PARTNERS

SECTION 3.1. *Limitation of Liability.*

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement or as required by Section 17-607 or Section 17-804 of the Delaware Limited Partnership Act.

SECTION 3.2. *Management of Business.*

No Limited Partner, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Limited Partnership Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, manager, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee, manager, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Delaware Limited Partnership Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners under this Agreement or the Delaware Limited Partnership Act.

SECTION 3.3. *Outside Activities of the Limited Partners.*

Any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group or an Affiliate of a Group Member. Neither the Partnership nor any of the other Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner.

SECTION 3.4. *Rights of Limited Partners.*

(a) In addition to other rights provided by this Agreement or by applicable law (other than Section 17-305(a) of the Delaware Limited Partnership Act, the provisions of which are to the fullest extent permitted by law expressly replaced in their entirety by the provisions below), and except as limited by Sections 3.4(b) and 3.4(c), each Limited Partner shall have the right, for a purpose that is reasonably related to such Limited Partner's interest as a Limited Partner in the Partnership, upon reasonable written demand stating the purpose of such demand and at such Limited Partner's own expense, to obtain:

(i) promptly after its becoming available, a copy of the Partnership's U.S. federal income tax returns for each year (excluding for the avoidance of doubt, information specific to any other Partner);

(ii) a current list of the name and last known business, residence or mailing address of each Record Holder; and

(iii) a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed.

(b) The General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole discretion, (i) any information that the General Partner believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner believes (A) is not in the best interests of the Partnership Group, (B) could damage the Partnership Group or its business or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

(c) Notwithstanding any other provision of this Agreement or Section 17-305 of the Delaware Limited Partnership Act, each of the Partners and each other Person who acquires an interest in a Partnership Security hereby agrees to the fullest extent permitted by law that they do not have rights to receive information from the Partnership or any Indemnitee for the purpose of determining whether to pursue litigation or assist in pending litigation against the Partnership or any Indemnitee

relating to the affairs of the Partnership except pursuant to the applicable rules of discovery relating to litigation commenced by such Person.

ARTICLE IV

CERTIFICATES; RECORD HOLDERS; TRANSFER OF PARTNERSHIP INTERESTS;
REDEMPTION OF PARTNERSHIP INTERESTS

SECTION 4.1. *Certificates.*

Notwithstanding anything otherwise to the contrary herein, unless the General Partner shall determine otherwise in respect of some or all of any or all classes of Partnership Interests, Partnership Interests shall not be evidenced by certificates. Certificates that may be issued shall be executed on behalf of the Partnership by the General Partner (and by any appropriate officer of the General Partner on behalf of the General Partner).

No Certificate evidencing Common Units shall be valid for any purpose until it has been countersigned by the Transfer Agent; provided however that if the General Partner elects to issue Certificates evidencing Common Units in global form, the Certificates evidencing Common Units shall be valid upon receipt of a certificate from the Transfer Agent certifying that the Certificates evidencing Common Units have been duly registered in accordance with the directions of the Partnership.

SECTION 4.2. *Mutilated, Destroyed, Lost or Stolen Certificates.*

(a) If any mutilated Certificate evidencing Common Units is surrendered to the Transfer Agent or any mutilated Certificate evidencing other Partnership Securities is surrendered to the General Partner, the appropriate officers of the General Partner on behalf of the General Partner on behalf of the Partnership shall execute, and, if applicable, the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate evidencing the same number and type of Partnership Securities as the Certificate so surrendered.

(b) The appropriate officers of the General Partner on behalf of the General Partner on behalf of the Partnership 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 General Partner, that a previously issued Certificate has been lost, destroyed or stolen;
- (ii) requests the issuance of a new Certificate before the General Partner 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 General Partner, delivers to the General Partner a bond, in form and substance satisfactory to the General Partner, with surety or sureties and with fixed or open penalty as the General Partner, in its sole discretion, may direct to indemnify the Partnership, the Partners, the General Partner 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 General Partner.

If a Record Holder fails to notify the General Partner within a reasonable period of time after he has notice of the loss, destruction or theft of a Certificate, and a transfer of the Limited Partner Interests represented by the Certificate is registered before the Partnership, the General Partner or the Transfer Agent receives such notification, the Record Holder shall be precluded from making any claim against the Partnership, the General Partner or the Transfer Agent for such transfer or for a new Certificate.

(c) As a condition to the issuance of any new Certificate under this Section 4.2, the General Partner 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 4.3. Record Holders.

The Partnership shall be entitled to recognize the Record Holder as the owner with respect to any Partnership Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Partnership Interest on the part of any other Person, regardless of whether the Partnership 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 Partnership Interests 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 Partnership Interests, as between the Partnership on the one hand, and such other Persons on the other, such representative Person shall be the Record Holder of such Partnership Interest.

SECTION 4.4. Transfer Generally.

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction (i) by which the General Partner assigns its General Partner Units to another Person who becomes the General Partner, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange, or any other disposition by law or otherwise or (ii) by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person, and includes 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 Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any member of the General Partner of any or all of the issued and outstanding limited liability company or other interests in the General Partner.

SECTION 4.5. Registration and Transfer of Limited Partner Interests.

(a) The General Partner shall keep or cause to be kept on behalf of the Partnership a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 4.5(b), the Partnership will provide for the registration and transfer of Limited Partner Interests. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Units and transfers of such Common Units as herein provided. The Partnership shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this Section 4.5. Upon surrender of a Certificate for registration of transfer of any Limited Partner Interests evidenced by a Certificate, and subject to the provisions of Section 4.5(b), the appropriate officers of the General Partner on behalf of the General Partner on behalf of the Partnership shall execute and deliver, and in the case of Common Units, 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 Limited Partner Interests as was evidenced by the Certificate so surrendered.

(b) Except as otherwise provided in Section 4.8, the Partnership shall not recognize any transfer of Limited Partner Interests evidenced by Certificates until the Certificates evidencing such Limited

Partner Interests are surrendered for registration of transfer. No charge shall be imposed by the General Partner for such transfer; provided that as a condition to the issuance of any new Certificate under this Section 4.5, the General Partner 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 4.5, (ii) Section 4.3, (iii) Section 4.4, (iv) Section 4.7, (v) with respect to any series of Limited Partner Interests, the provisions of any statement of designations or amendment to this Agreement establishing such series, (vi) any contractual provisions binding on any Limited Partner and (vii) provisions of applicable law including the Securities Act, Limited Partner Interests shall be freely transferable. Partnership Interests may also be subject to any transfer restrictions contained in any employee related policies or equity benefit plans, programs or practices adopted on behalf of the Partnership.

SECTION 4.6. Transfer of the General Partner's General Partner Interest.

(a) Subject to Section 4.6(c) below, prior to December 31, 2021, the General Partner shall not transfer all or any part of its General Partner Interest (represented by General Partner Units) to a Person unless such transfer (i) has been approved by the prior written consent or vote of Limited Partners holding of at least a majority of the voting power of the Outstanding Voting Units (excluding Voting Units held by the General Partner or its Affiliates) or (ii) is of all, but not less than all, of its General Partner Interest to (A) an Affiliate of the General Partner (other than an individual) or (B) another Person (other than an individual) in connection with the merger or consolidation of the General Partner with or into another Person (other than an individual) or the transfer by the General Partner of all, but not less than all, of its General Partner Interest to another Person (other than an individual).

(b) Subject to Section 4.6(c) below, on or after December 31, 2021, the General Partner may transfer all or any part of its General Partner Interest without Unitholder approval.

(c) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of the General Partner under this Agreement and to be bound by the provisions of this Agreement and (ii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner. In the case of a transfer pursuant to and in compliance with this Section 4.6, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.3, be admitted to the Partnership as the General Partner effective immediately prior to the transfer of such General Partner Interest, and the business of the Partnership shall continue without dissolution.

SECTION 4.7. Restrictions on Transfers.

(a) Except as provided in Section 4.7(c) below, but notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interests 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, (ii) terminate the existence or qualification of the Partnership under the laws of the jurisdiction of its formation, or (iii) cause the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for U.S. federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if it receives an Opinion of Counsel that such restrictions are necessary or advisable to avoid a significant risk of the Partnership becoming taxable as a corporation or otherwise becoming taxable as an entity for U.S. federal income tax purposes. The General Partner may impose such restrictions by amending this Agreement; provided however, that any amendment that would result in the delisting or suspension of trading of any class of Limited Partner Interests (unless the successor interests contemplated by Section 14.3(c) are traded on a National Securities Exchange) on the

principal National Securities Exchange on which such class of Limited Partner Interests is then traded must be approved, prior to such amendment being effected, by the holders of at least a majority of the Outstanding Limited Partner Interests of such class.

(c) Nothing contained in this Article IV, or elsewhere in this Agreement, shall preclude the settlement of any transactions involving Partnership Interests entered into through the facilities of any National Securities Exchange on which such Partnership Interests are listed for trading.

SECTION 4.8. Citizenship Certificates; Non-citizen Assignees.

(a) If any Group Member is or becomes subject to any law or regulation that, in the determination of the General Partner in its sole discretion, creates a substantial risk of cancellation or forfeiture of any property in which the Group Member has an interest based on the nationality, citizenship or other related status of a Limited Partner, the General Partner may request any Limited Partner to furnish to the General Partner, within 30 days after receipt of such request, an executed Citizenship Certification or such other information concerning his nationality, citizenship or other related status (or, if the Limited Partner is a nominee holding for the account of another Person, the nationality, citizenship or other related status of such Person) as the General Partner may request. If a Limited Partner fails to furnish to the General Partner within the aforementioned 30-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the General Partner determines, with the advice of counsel, that a Limited Partner is not an Eligible Citizen, the Partnership Interests owned by such Limited Partner shall be subject to redemption in accordance with the provisions of Section 4.9. The General Partner also may require in its sole discretion that the status of any such Limited Partner be changed to that of a Non-citizen Assignee and, thereupon, the General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his Limited Partner Interests.

(b) The General Partner shall, in exercising voting rights in respect of Limited Partner Interests held by it on behalf of Non-citizen Assignees, distribute the votes in the same ratios as the votes of Partners (including the General Partner) in respect of Limited Partner Interests other than those of Non-citizen Assignees are cast, either for, against or abstaining as to the matter.

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Partnership shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment and assignment shall be treated for Partnership purposes as a purchase by the Partnership from the Non-citizen Assignee of his Limited Partner Interest (representing his right to receive his share of such distribution in kind).

(d) At any time after he can and does certify that he has become an Eligible Citizen, a Non-citizen Assignee may, upon application to the General Partner, request that with respect to any Limited Partner Interests of such Non-citizen Assignee not redeemed pursuant to Section 4.9, such Non-citizen Assignee be admitted as a Limited Partner, and upon approval of the General Partner in its sole discretion, such Non-citizen Assignee shall be admitted as a Limited Partner and shall no longer constitute a Non-citizen Assignee and the General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee's Limited Partner Interests.

SECTION 4.9. Redemption of Partnership Interests of Non-citizen Assignees.

(a) If at any time a Limited Partner fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.8(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner is not an Eligible Citizen, the General Partner, in its sole discretion, may cause the Partnership to, unless the Limited Partner establishes to the satisfaction of the General Partner that such Limited Partner is an Eligible Citizen or has transferred his Partnership Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the

General Partner prior to the date fixed for redemption as provided below, redeem the Limited Partner Interest of such Limited Partner as follows:

(i) The General Partner shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Limited Partner, at his last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the Redeemable Interests, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon the redemption of the Redeemable Interests (or, if later in the case of Redeemable Interests evidenced by Certificates, upon surrender of the Certificates evidencing such Redeemable Interests) and that on and after the date fixed for redemption no further allocations or distributions to which the Limited Partner would otherwise be entitled in respect of the Redeemable Interests will accrue or be made.

(ii) The aggregate redemption price for Redeemable Interests shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed for redemption) of Limited Partner Interests of the class to be so redeemed multiplied by the number of Limited Partner Interests of each such class included among the Redeemable Interests. The redemption price shall be paid as determined by the General Partner in its sole discretion, in cash or by delivery of a promissory note of the Partnership in the principal amount of the redemption price, bearing interest at the prime lending rate prevailing on the date fixed for redemption as published by *The Wall Street Journal*, payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) The Limited Partner or his duly authorized representative shall be entitled to receive the payment for Redeemable Interests at the place of payment specified in the notice of redemption on the redemption date (or, if later in the case of Redeemable Interests evidenced by Certificates, upon surrender by or on behalf of the Limited Partner, at the place specified in the notice of redemption, of the Certificates, evidencing the Redeemable Interests, duly endorsed in blank or accompanied by an assignment duly executed in blank).

(iv) After the redemption date, Redeemable Interests shall no longer constitute issued and Outstanding Limited Partner Interests; provided however, that pursuant to Section 7.11, in the sole discretion of the General Partner, the Redeemable Interests may be held in treasury .

(b) The provisions of this Section 4.9 shall also be applicable to Limited Partner Interests held by a Limited Partner as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this Section 4.9 shall prevent the recipient of a notice of redemption from transferring his Limited Partner Interest before the redemption date if such transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a transfer, the General Partner shall withdraw the notice of redemption, provided the transferee of such Limited Partner Interest certifies to the satisfaction of the General Partner in a Citizenship Certification that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

(d) Notwithstanding anything in Section 4.8 or Section 4.9 to the contrary, no proceeds shall be delivered to a Person to whom the delivery of such proceeds would violate applicable law, and in such case and in lieu thereof, the proceeds shall be delivered to a charity selected by the General Partner in its sole discretion and any redemption shall be effective upon delivery of such payments to such charity.

ARTICLE V

CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

SECTION 5.1. *Organizational Issuances.*

Upon issuance by the Partnership of Common Units on or about the Listing Date and the admission of such Unitholders as Limited Partners, the Organizational Limited Partner of the Partnership shall automatically withdraw as a limited partner of the Partnership and as a result shall have no further right, interest or obligation of any kind whatsoever as a limited partner of the Partnership and any capital contribution of the Organizational Limited Partner will be returned to it on the date of such withdrawal.

SECTION 5.2. *Contributions by the General Partner and its Affiliates.*

The General Partner shall not be obligated to make any Capital Contributions to the Partnership.

SECTION 5.3. *Issuances and Cancellations of Special Voting Units.*

(a) On the date of this Agreement the Partnership shall issue one (1) Special Voting Unit to TCG Partners.

(b) The General Partner shall be entitled to issue additional Special Voting Units in its sole discretion.

(c) (i) TCG Partners, as holder of a Special Voting Unit, shall be entitled to a number of votes that is equal to the product of (x) the total number of Carlyle Holdings Partnership Units held of record by each Carlyle Holdings Limited Partner that does not hold a Special Voting Unit multiplied by (y) the Exchange Rate (as defined in the Exchange Agreement). (ii) Each other holder of Special Voting Units, as such, shall be entitled, without regard to the number of Special Voting Units (or fraction thereof) held by such holder, to a number of votes that is equal to the product of (x) the total number of Carlyle Holdings Partnership Units held of record by such holder multiplied by (y) the Exchange Rate (as defined in the Exchange Agreement).

(d) In the event that a holder of a Special Voting Unit, other than TCG Partners, shall cease to be the record holder of a Carlyle Holdings Partnership Unit, the Special Voting Unit held by such holder shall be automatically cancelled without any further action of any Person and such holder shall cease to be a Limited Partner with respect to the Special Voting Unit so cancelled. The determination of the General Partner as to whether a holder of a Special Voting Unit is the record holder of a Carlyle Holdings Partnership Unit (other than the Partnership and its Subsidiaries) or remains the record holder of such Special Voting Unit shall be made in its sole discretion, which determination shall be conclusive and binding on all Partners.

(e) Upon the issuance to it of a Special Voting Unit by the General Partner, each holder thereof shall automatically and without further action be admitted to the Partnership as a Limited Partner in respect of the Special Voting Unit so issued.

SECTION 5.4. *Contributions by the Underwriters.*

(a) On the Closing Date and pursuant to the Underwriting Agreement, the Underwriters shall contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit multiplied by the number of Common Units specified in the Underwriting Agreement to be purchased by the Underwriters on the Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue the number of Common Units specified in the Underwriting Agreement to be purchased by the Underwriters to the Underwriters or their designee(s) in accordance with the Underwriting Agreement, and such Underwriters or their designee(s) shall be admitted to the Partnership as Limited Partners.

(b) Upon the exercise, if any, of the Over-Allotment Option, on the Option Closing Date and pursuant to the Underwriting Agreement, the Underwriters shall contribute to the Partnership cash in an amount equal to the Issue Price per Initial Common Unit multiplied by the number of Common Units to be purchased by the Underwriters on the Option Closing Date. In exchange for such Capital Contributions by the Underwriters, the Partnership shall issue to the Underwriters or their designee(s) the number of Common Units subject to the Over-Allotment Option that are to be purchased by them in accordance with the Underwriting Agreement.

SECTION 5.5. Interest and Withdrawal.

No interest on Capital Contributions shall be paid by the Partnership. No Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions are made pursuant to this Agreement or upon dissolution of the Partnership and then in each case only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement (including with respect to Partnership Securities subsequently issued by the Partnership pursuant to the Underwriting Agreement or otherwise), no Partner shall have priority over any other Partner either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners agree within the meaning of Section 17-502(b) of the Delaware Limited Partnership Act.

SECTION 5.6. Issuances of Additional Partnership Securities.

(a) The Partnership may issue additional Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as the General Partner shall determine in its sole discretion, all without the approval of any Limited Partners, including pursuant to Section 7.4(c) and pursuant to the Underwriting Agreement as part of the Initial Offering. The Partnership may reissue any Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities held by the Partnership in treasury for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as the General Partner shall determine in its sole discretion, all without the approval of any Limited Partners, including pursuant to Section 7.4(c).

(b) Each additional Partnership Interest authorized to be issued by the Partnership pursuant to Section 5.6(a) or Section 7.4(c) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Partnership Interests), as shall be fixed by the General Partner in its sole discretion, including (i) the right to share in Partnership profits and losses or items thereof; (ii) the right to share in Partnership distributions; (iii) the rights upon dissolution and liquidation of the Partnership; (iv) whether, and the terms and conditions upon which, the Partnership may or shall be required to redeem the Partnership Interest (including sinking fund provisions); (v) whether such Partnership Interest is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Partnership Interest will be issued, evidenced by certificates and assigned or transferred; (vii) the method for determining the Percentage Interest as to such Partnership Interest; and (viii) the right, if any, of the holder of each such Partnership Interest to vote on Partnership matters, including matters relating to the relative designations, preferences, rights, powers and duties of such Partnership Interest.

(c) The General Partner is hereby authorized to take all actions that it determines to be necessary or appropriate in connection with (i) each issuance of Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities pursuant to this Section 5.6 or Section 7.4(c), including the admission of additional Limited Partners in connection therewith and any related amendment of this Agreement, and (ii) all additional issuances of Partnership Securities and options, rights, warrants and appreciation rights relating to Partnership Securities. The General Partner shall determine in its sole discretion the relative rights, powers and duties of the holders of

the Units or other Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities being so issued. The General Partner is authorized to do all things that it determines to be necessary or appropriate in connection with any future issuance of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities, including compliance with any statute, rule, regulation or guideline of any governmental agency or any National Securities Exchange on which the Units or other Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities are listed for trading.

SECTION 5.7. Preemptive Rights.

Unless otherwise determined by the General Partner, in its sole discretion, no Person shall have any preemptive, preferential or other similar right with respect to the issuance of any Partnership Interest, whether unissued, held in the treasury or hereafter created.

SECTION 5.8. Splits and Combinations.

(a) Subject to Section 5.8(d), the Partnership may make a Pro Rata distribution of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities to all Record Holders or may effect a subdivision or combination of Partnership Securities so long as, after any such event, each Partner shall have the same Percentage Interest in the Partnership as before such event, and any amounts calculated on a per Unit basis or stated as a number of Units are proportionately adjusted retroactive to the beginning of the Partnership.

(b) Whenever such a distribution, subdivision or combination of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities is declared, the General Partner shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall provide notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than 10 days prior to the date of such notice. The General Partner also may cause a firm of independent public accountants selected by it to calculate the number of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the Partnership may issue Certificates to the Record Holders of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities as of the applicable Record Date representing the new number of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities held by such Record Holders, or the General Partner may adopt such other procedures that it determines to be necessary or appropriate to reflect such changes. If any such combination results in a smaller total number of Partnership Securities Outstanding or outstanding options, rights, warrants or appreciation rights relating to Partnership Securities, the Partnership shall require, as a condition to the delivery to a Record Holder of any such new Certificate, the surrender of any Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not be required to issue fractional Units upon any distribution, subdivision or combination of Units. If a distribution, subdivision or combination of Units would result in the issuance of fractional Units but for the provisions of this Section 5.8(d), the General Partner in its sole discretion may determine that each fractional Unit shall be rounded to the nearest whole Unit (and a 0.5 Unit shall be rounded to the next higher Unit).

SECTION 5.9. Fully Paid and Non-Assessable Nature of Limited Partner Interests.

All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Limited Partner Interests in the Partnership, except as such non-assessability may be affected by Sections 17-607 or 17-804 of the Delaware Limited Partnership Act or this Agreement.

ARTICLE VI
ALLOCATIONS AND DISTRIBUTIONS

SECTION 6.1. *Establishment and Maintenance of Capital Accounts.*

There shall be established for each Partner on the books of the Partnership as of the date such Partner becomes a Partner a capital account (each being a "*Capital Account*"). Each Capital Contribution by any Partner, if any, shall be credited to the Capital Account of such Partner on the date such Capital Contribution is made to the Partnership. In addition, each Partner's Capital Account shall be (a) credited with (i) such Partner's allocable share of any Net Income (or items thereof) of the Partnership, and (ii) the amount of any Partnership liabilities that are assumed by the Partner or secured by any Partnership property distributed to the Partner and (b) debited with (i) the amount of distributions (and deemed distributions) to such Partner of cash or the fair market value of other property so distributed, (ii) such Partner's allocable share of Net Loss (or items thereof) of the Partnership, and (iii) the amount of any liabilities of the Partner assumed by the Partnership or which are secured by any property contributed by the Partner to the Partnership. Any other item which is required to be reflected in a Partner's Capital Account under Section 704(b) of the Code and the United States Treasury Regulations promulgated thereunder or otherwise under this Agreement shall be so reflected. The General Partner shall make such adjustments to Capital Accounts as it determines in its sole discretion to be appropriate to ensure allocations are made in accordance with a Partner's interest in the Partnership. Interest shall not be payable on Capital Account balances. The Partnership Capital Accounts shall be maintained in accordance with the provisions of Treasury Regulations Section 1.704-1(b)(2)(iv)(f) and, to the extent not inconsistent with such regulation, the provisions of this Agreement. The Capital Account of each holder of General Partner Units or Special Voting Units shall at all times be zero, except to the extent such holder also holds Partnership Interests other than General Partner Units or Special Voting Units.

SECTION 6.2. *Allocations.*

(a) Net Income (Loss) (including items thereof) of the Partnership for each Fiscal Year shall be allocated to each Partner in accordance with such Partner's Percentage Interest, except as otherwise determined by the General Partner in its sole discretion in order to comply with the Code or applicable regulations thereunder.

(b) The General Partner shall determine all matters concerning allocations for tax purposes not expressly provided for herein in its sole discretion. For the proper administration of the Partnership and for the preservation of uniformity of Partnership Interests (or any portion or class or classes thereof), the General Partner may (i) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of United States Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of Partnership Interests (or any portion or class or classes thereof), and (ii) adopt and employ or modify such conventions and methods as the General Partner determines in its sole discretion to be appropriate for (A) the determination for tax purposes of items of income, gain, loss, deduction and credit and the allocation of such items among Partners and between transferors and transferees under this Agreement and pursuant to the Code and the United States Treasury Regulations promulgated thereunder, (B) the determination of the identities and tax classification of Partners, (C) the valuation of Partnership assets and the determination of tax basis, (D) the allocation of asset values and tax basis, (E) the adoption and maintenance of accounting methods and (F) taking into account differences between the Carrying Values of Partnership assets and such asset adjusted tax basis pursuant to Section 704(c) of the Code and the United States Treasury Regulations promulgated thereunder.

(c) Allocations that would otherwise be made to a Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in

accordance with Section 6031(c) of the Code or any other method determined by the General Partner in its sole discretion.

SECTION 6.3. *Requirement and Characterization of Distributions; Distributions to Record Holders.*

(a) The General Partner, in its sole discretion, may authorize distributions by the Partnership to the Partners, which distributions shall be made Pro Rata in accordance with the Partners' respective Percentage Interests.

(b) The General Partner may treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of cash to such Partners.

(c) Notwithstanding Section 6.3(a), in the event of the dissolution of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(d) Each distribution in respect of a Partnership Interest shall be paid by the Partnership, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holder of such Partnership Interest as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Partnership's liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

(e) Notwithstanding any provision to the contrary contained in this Agreement, the Partnership, and the General Partner on behalf of the Partnership, shall not be required to make a distribution to a Partner or a Record Holder if such distribution would violate the Delaware Limited Partnership Act or other applicable law.

ARTICLE VII

MANAGEMENT AND OPERATION OF BUSINESS

SECTION 7.1. *Management.*

(a) The General Partner shall conduct, direct and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner shall have full power and authority to do all things and on such terms as it determines, in its sole discretion, to be necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including without limitation the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible or exchangeable into Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities, and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the

Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Article XIV);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the financing of the conduct of the operations of the Partnership Group, the lending of funds to other Persons; the repayment or guarantee of obligations of any Group Member or other Person and the making of capital contributions to any Group Member or other Person;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than their interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having such titles as the General Partner may determine in its sole discretion) and agents, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of insurance for the benefit of the Partnership Group, the Partners and Indemnitees;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, limited liability companies, corporations or other entities or relationships (including the acquisition of interests in, and the contributions of property to, the Partnership's Subsidiaries from time to time), subject to the restrictions set forth in Section 2.4;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation, arbitration or mediation and the incurring of legal expense and the settlement of claims and litigation;

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xii) the entering into of listing agreements with any National Securities Exchange and the delisting of some or all of the Limited Partner Interests from, or requesting that trading be suspended on, any such exchange (subject to any prior approval that may be required under Section 4.7);

(xiii) the purchase, sale or other acquisition or disposition of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities;

(xiv) the undertaking of any action in connection with the Partnership's participation in the management of the Partnership Group through its directors, officers or employees or the Partnership's direct or indirect ownership of the Group Members, including, without limitation, all things described in or contemplated by the Registration Statement and the agreements described in or filed as exhibits to the Registration Statement; and

(xv) cause to be registered for resale under the Securities Act and applicable state or non-U.S. securities laws, any securities of, or any securities convertible or exchangeable into securities of, the Partnership held by any Person, including the General Partner or any Affiliate of the General Partner.

(b) In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation or duty to, take into account the tax consequences to any Partner (including the General Partner) of any action taken (or not taken) by it. The General Partner and the Partnership shall not have any liability to a Limited Partner for monetary damages, equitable relief or otherwise for losses sustained, liabilities incurred or benefits not derived by such Limited Partner in connection with such decisions.

(c) Notwithstanding any other provision of this Agreement, the Delaware Limited Partnership Act or any applicable law, rule or regulation, each of the Partners and each other Person who may acquire an interest in Partnership Securities hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Underwriting Agreement, the Exchange Agreement, the Tax Receivable Agreement, the Registration Rights Agreement, the Carlyle Holdings Partnership Agreements and the other agreements described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through its delegation of such authority to any officer of the Partnership) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Partnership, in each case in such form and with such terms as it in its sole discretion shall determine, without any further act, approval or vote of the Partners or the other Persons who may acquire an interest in Partnership Securities; and (iii) agrees that the execution, delivery or performance by the General Partner, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty existing at law, in equity or otherwise.

SECTION 7.2. Certificate of Limited Partnership.

(a) The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Limited Partnership Act and is authorized to cause to be filed such other certificates or documents that the General Partner determines to be necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent the General Partner determines such action to be necessary or appropriate, the General Partner is authorized to file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner.

(b) In the event that the General Partner determines the Partnership should seek relief pursuant to Section 7704(e) of the Code to preserve the status of the Partnership as a partnership for U.S. federal (and applicable U.S. state) income tax purposes, the Partnership and each Partner shall agree to adjustments required by the U.S. tax authorities, and the Partnership shall pay such amounts as required by the U.S. tax authorities, to preserve the status of the Partnership as a partnership for U.S. federal (and applicable U.S. state) income tax purposes.

SECTION 7.3. Partnership Group Assets; General Partner's Authority.

Except as provided in Articles XII and XIV, the General Partner may not sell or exchange all or substantially all of the assets of the Partnership Group, taken as a whole, in a single transaction or a

series of related transactions without the approval of holders of a majority of the voting power of Outstanding Voting Units; provided however that this provision shall not preclude or limit the General Partner's ability, in its sole discretion, to mortgage, pledge, hypothecate or grant a security interest in any or all of the assets of the Partnership Group (including for the benefit of Persons other than members of the Partnership Group, including Affiliates of the General Partner), including, in each case, pursuant to any forced sale of any or all of the assets of the Partnership Group pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a majority of the voting power of Outstanding Voting Units, the General Partner shall not, on behalf of the Partnership, except as permitted under Sections 4.6 and 11.1, elect or cause the Partnership to elect a successor general partner of the Partnership.

SECTION 7.4. Reimbursement of the General Partner.

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement, the General Partner shall not be compensated for its services as general partner or managing member of any Group Member.

(b) The Partnership shall pay, or cause to be paid, all costs, fees, operating expenses and other expenses of the Partnership (including the costs, fees and expenses of attorneys, accountants or other professionals and the compensation of all personnel providing services to the Partnership) incurred in pursuing and conducting, or otherwise related to, the activities of the Partnership. The Partnership shall also, in the sole discretion of the General Partner, bear and/or reimburse the General Partner for (i) any costs, fees or expenses incurred by the General Partner in connection with serving as the General Partner and (ii) all other expenses allocable to the Partnership Group or otherwise incurred by the General Partner in connection with operating the Partnership Group's business (including expenses allocated to the General Partner by its Affiliates). To the extent that the General Partner determines in its sole discretion that such expenses are related to the business and affairs of the General Partner that are conducted through the Partnership Group (including expenses that relate to the business and affairs of the Partnership Group and that also relate to other activities of the General Partner), the General Partner may cause the Partnership to pay or bear all expenses of the General Partner, including without limitation, costs of securities offerings not borne directly by Partners, board of directors compensation and meeting costs, salary, bonus, incentive compensation and other amounts paid to any Person, including Affiliates of the General Partner, to perform services for the Partnership Group or for the General Partner, cost of periodic reports to Unitholders, litigation costs and damages arising from litigation, accounting and legal costs and franchise taxes, provided that the Partnership shall not pay or bear any income tax obligations of the General Partner. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) The General Partner may, in its sole discretion, without the approval of the Limited Partners (who shall have no right to vote in respect thereof), propose and adopt on behalf of the Partnership Group equity benefit plans, programs and practices (including plans, programs and practices involving the issuance of or reservation of issuance of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities), or cause the Partnership to issue or to reserve for issuance Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities in connection with, or pursuant to, any such equity benefit plan, program or practice or any equity benefit plan, program or practice maintained or sponsored by the General Partner or any of its Affiliates in respect of services performed directly or indirectly for the benefit of the Partnership Group. The Partnership agrees to issue and sell to the General Partner or any of its Affiliates any Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities that the General Partner or such Affiliates are obligated to provide pursuant to any equity benefit plans, programs or practices maintained or sponsored by them. Expenses incurred by the General Partner in connection with any such plans, programs and practices (including the net cost to the General Partner or such Affiliates of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities purchased by the

General Partner or such Affiliates from the Partnership to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner under any equity benefit plans, programs or practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or the transferee of or successor to all of the General Partner's General Partner Interest.

SECTION 7.5. *Outside Activities.*

(a) On and after the Listing Date, the General Partner, for so long as it is a General Partner of the Partnership (i) agrees that its sole business will be to act as a general partner or managing member of the Partnership and any other partnership or limited liability company of which the Partnership is, directly or indirectly, a partner, managing member, trustee or stockholder and to undertake activities that are ancillary or related thereto (including being a limited partner in the Partnership) and (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner, managing member, trustee or stockholder of one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member.

(b) Except insofar as the General Partner is specifically restricted by Section 7.5(a), 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 breach of this Agreement or any duty otherwise existing at law, in equity or otherwise to any Group Member or any Partner, Record Holder or Person who acquires an interest in a Partnership Security. None of any Group Member, any Limited Partner or any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any Indemnitee.

(c) Subject to the terms of Section 7.5(a) and Section 7.5(b), but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engagement in competitive activities by any Indemnitees (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership, all Partners and all Persons acquiring an interest in a Partnership Security, (ii) it shall not be a breach of the General Partner's or any other Indemnitee's duties or any other obligation of any type whatsoever of the General Partner or any other Indemnitee if the Indemnitee (other than the General Partner) engages in any such business interests or activities in preference to or to the exclusion of any Group Member, (iii) the General Partner and 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 doctrine of "corporate opportunity" or other analogous doctrine shall not apply to any such Indemnitee and (v) the Indemnitees (including the General Partner) shall not be liable to the Partnership, any Limited Partner, Record Holder or any other Person who acquires an interest in a Partnership Security by reason that such Indemnitee or Indemnitees (including the General Partner) 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 uses information in the possession of a Group Member to acquire or operate a business opportunity.

(d) The General Partner and any of its Affiliates may acquire Units or other Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities and, except as otherwise expressly provided in this Agreement, shall be entitled to exercise all rights of a General Partner or Limited Partner, as applicable, relating to such Units or Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities.

SECTION 7.6. *Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with the General Partner and its Affiliates; Certain Restrictions on the General Partner.*

- (a) The General Partner or any of its Affiliates may, but shall be under no obligation to, lend to any Group Member, and any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the Group Member on terms to which the General Partner agrees in good faith.
- (b) Any Group Member (including the Partnership) may lend or contribute to any other Group Member, and any Group Member may borrow from any other Group Member (including the Partnership), funds on terms and conditions determined by the General Partner in its sole discretion. The foregoing authority may be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.
- (c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership on terms to which the General Partner agrees to in good faith.
- (d) The Partnership may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant on terms to which the General Partner agrees in good faith.
- (e) The General Partner or any of its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, on terms to which the General Partner agrees in good faith.
- (f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

SECTION 7.7. *Indemnification.*

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Section 7.7, all Indemnitees shall be indemnified and held harmless by the Partnership 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 Agreement; provided that the 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 7.7, the Indemnitee acted in bad faith or engaged in fraud or willful misconduct. Notwithstanding the preceding sentence, except as otherwise provided in Section 7.7(j), the Partnership 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 General Partner 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 Partnership pursuant to Section 7.7(j). The indemnification of an Indemnitee of the type identified in clause (d) 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 7.7(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 Partnership, unless otherwise mandated by applicable law. If, notwithstanding the foregoing sentence, the Partnership makes an indemnification payment or advances expenses to such an Indemnitee entitled to primary indemnification, the Partnership 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 Partnership (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 7.7(a) in appearing at, participating in or defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership prior to a final and non-appealable determination that the Indemnitee is not entitled to be indemnified upon receipt by the Partnership 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 7.7. Notwithstanding the preceding sentence, except as otherwise provided in Section 7.7(j), the Partnership 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 General Partner 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 Partnership pursuant to Section 7.7(j).

(c) The indemnification provided by this Section 7.7 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 Voting Units 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 (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnitee who has ceased to serve in such capacity.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates, the other Indemnitees and such other Persons as the General Partner 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 Partnership Group's activities or such Person's activities on behalf of the Partnership Group regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, (i) the Partnership 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 Partnership 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 7.7(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 Partnership.

(f) Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership. The General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification. Except as required by Section 17-607 and Section 17-804 of the Delaware Limited Partnership Act, in no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 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 Agreement.

(h) The provisions of this Section 7.7 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 7.7 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 Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 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 7.7 is not paid in full within thirty (30) days after a written claim therefor by any Indemnitee has been received by the Partnership, 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 Partnership 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 7.7 shall not limit the right of the Partnership, 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 7.8. Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable to the Partnership, the Limited Partners or any other Persons who have acquired interests in the Partnership Securities or are bound by this Agreement, 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 breach of this Agreement) 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 Partnership, the Limited Partners, the Record Holders and any other Person who acquires an interest in a Partnership Security, each on their own behalf and on behalf of the Partnership, 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 Limited Partner, Record Holder or other Person.

(b) The General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct, negligence or wrongdoing on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership, the Partners, the Record Holders or any Person who acquires an interest in a Partnership Security, any Indemnitee acting in connection with the Partnership's business or affairs shall not be liable, to the fullest extent permitted by law, to the Partnership, to any Partner, to any Record Holder or to any other Person who acquires an interest in a Partnership Security for such Indemnitee's reliance on the provisions of this Agreement.

(d) Any amendment, modification or repeal of this Section 7.8 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 7.8 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.

SECTION 7.9. Modification of Duties; Standards of conducts; Resolution of Conflicts of Interest

(a) Notwithstanding anything to the contrary set forth in this Agreement or otherwise applicable provision of law or in equity, neither the General Partner nor any other Indemnitee shall have any fiduciary duties, or, to the fullest extent permitted by law, except to the extent expressly provided in this Agreement, other duties, obligations or liabilities, to the Partnership, any Limited Partner, any other Person who has acquired an interest in a Partnership Security, any other Person who is bound by this Agreement or any creditor of the Partnership, and, to the fullest extent permitted by law, the General Partner and the other Indemnitees shall only be subject to any contractual standards imposed and existing under this Agreement. Notwithstanding any other provision of this Agreement or otherwise applicable provision of law or in equity, whenever in this Agreement or any other agreement contemplated hereby the General Partner, the Board of Directors or any committee of the Board of Directors is permitted to or required to make a decision (i) in its “discretion” or “sole discretion” or (ii) pursuant to any provision not subject to an express standard of “good faith” (regardless of whether there is a reference to “discretion”, “sole discretion” or any other standard), then the General Partner (or any of its Affiliates or Associates causing it to do so), the Board of Directors, or any committee of the Board of Directors, as applicable, in making such decision, shall not be subject to any fiduciary duty and shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting the Partnership, the Partners, or any other Person (including any creditor of the Partnership), and shall not be subject to any other or different standards imposed by this Agreement or otherwise existing at law, in equity or otherwise. Notwithstanding the immediately preceding sentence, if a decision or action under this Agreement is to be made or taken by the General Partner in “good faith”, the General Partner shall act under that express standard and shall not be subject to any other or different standard under this Agreement or otherwise existing at law, in equity or otherwise. For all purposes of this Agreement and notwithstanding any applicable provision of law or in equity, a determination or other action or failure to act by the General Partner, the Board of Directors or any committee thereof conclusively will be deemed to be made, taken or omitted to be made or taken in “good faith”, and shall not be a breach of this Agreement, (i) if such determination, action or failure to act was approved by Special Approval or (ii) unless the General Partner, the Board of Directors or committee thereof, as applicable, subjectively believed such determination, action or failure to act was opposed to the best interests of the Partnership. The belief of a majority of the Board of Directors or committee thereof shall be deemed to be the belief of the Board of Directors or such committee. In any proceeding brought by the Partnership, any Limited Partner, any Record Holder, any other Person who acquires an interest in a Partnership Security or any other Person who is bound by this Agreement challenging such action, determination or failure to act, notwithstanding any provision of law or equity to the contrary, the Person bringing or prosecuting such proceeding shall have the burden of proving that such determination, action or failure to act was not in good faith. Any action or determination taken or made by the General Partner, its Board of Directors, any committee of the Board of Directors (including the Conflicts Committee) or any other Indemnitee which is not in breach of this Agreement shall be deemed taken or determined in compliance with this Agreement, the Delaware Limited Partnership Act and any other applicable fiduciary requirements.

(b) Whenever the General Partner makes a determination or takes or fails to take any other action, or any of its Affiliates causes it to do so, in its individual capacity as opposed to in its capacity as a general partner of the Partnership, whether under this Agreement or any other agreement or circumstance contemplated hereby or otherwise, then the General Partner, or such Affiliates or Associates causing it to do so, are entitled, to the fullest extent permitted by law, to make such determination or to take or not to take such other action free of any duty (including any fiduciary duty) existing at law, in equity or otherwise or obligation whatsoever to the Partnership, any Limited Partner, any Record Holder, any Person who acquires an interest in a Partnership Security, any other Person bound by this Agreement or any creditor of the Partnership, and the General Partner, or such Affiliates causing it to do so, shall not, to the fullest extent permitted by law, be required to act pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Limited Partnership Act or any other law, rule or regulation or at equity.

(c) Whenever a potential conflict of interest exists or arises between the General Partner (in its capacity as the general partner of the Partnership, as limited partner of the Partnership, or in its individual capacity) or any of its Affiliates or Associates, on the one hand, and the Partnership, any Group Member, any Partner, any other Person who acquires an interest in a Partnership Security or any other Person who is bound by this Agreement, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall conclusively be deemed approved by the Partnership, all of the Partners, each Person who acquires an interest in a Partnership Security and any other Person bound hereby and shall not constitute a breach of this Agreement or any agreement contemplated herein, or of duty (including any fiduciary duty) existing at law, in equity or otherwise or obligation whatsoever if the resolution or course of action in respect of such conflict of interest is (i) approved by Special Approval or (ii) approved by the General Partner in good faith. The General Partner and the Conflicts Committee (in connection with any Special Approval by the Conflicts Committee) each shall be authorized in connection with its resolution of any conflict of interest to consider such factors as it determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. The General Partner shall be authorized but not required in connection with its resolution of any conflict of interest to seek Special Approval of such resolution, and the General Partner may also adopt a resolution or course of action that has not received Special Approval. Failure to seek Special Approval shall not be deemed to indicate that a conflict of interest exists or that Special Approval could not have been obtained. Notwithstanding anything to the contrary in this Agreement or any duty otherwise existing at law or equity, and without limitation of Section 7.6, to the fullest extent permitted by the Delaware Limited Partnership Act, the existence of the conflicts of interest described in or contemplated by the Registration Statement are hereby approved, and all such conflicts of interest are waived, by the Partnership and each Partner and any other Person who acquires an interest in a Partnership Security and shall not constitute a breach of this Agreement or any duty existing at law, in equity or otherwise.

(d) Notwithstanding anything to the contrary in this Agreement, the General Partner and its Affiliates shall have no duty or obligation, express or implied, to (i) sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business or (ii) permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use. Any determination by the General Partner or any of its Affiliates to enter into such contracts shall be in its sole discretion.

(e) The Limited Partners, hereby authorize the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner or managing member of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

(f) The Limited Partners expressly acknowledge that the General Partner is under no obligation to consider the separate interests of the Limited Partners (including, without limitation, the tax consequences to Limited Partners) in deciding whether to cause the Partnership to take (or decline to take) any actions, and that the General Partner shall not be liable to the Limited Partners for monetary damages or equitable relief for losses sustained, liabilities incurred or benefits not derived by Limited Partners in connection with such decisions.

(g) Notwithstanding any other provision of this Agreement, to the extent that any provision of this Agreement, including the provisions of this Section 7.9, purports (i) to restrict or otherwise modify or eliminate the duties (including fiduciary duties), obligations and liabilities of the General Partner, the Board of Directors, any committee of the Board of Directors (including the Conflicts Committee) or any other Indemnitee otherwise existing at law or in equity or (ii) to constitute a waiver or consent by the Partnership, the Limited Partners or any other Person who acquires an interest in a Partnership Security to any such restriction, modification or elimination, such provision shall be deemed to have been approved by the Partnership, all of the Partners, and each other Person who has acquired an interest in a Partnership Security.

SECTION 7.10. Other Matters Concerning the General Partner.

(a) The General Partner and any other 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.

(b) The General Partner and any Indemnitee may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and 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 the General Partner or 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.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers or any duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform each and every act and duty that is permitted or required to be done by the General Partner hereunder.

SECTION 7.11. Purchase or Sale of Partnership Securities.

The General Partner may cause the Partnership or any other Group Member to purchase or otherwise acquire Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities. Notwithstanding any other provision of this Agreement or otherwise applicable provision of law or equity, any Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities that are purchased or otherwise acquired by the Partnership may, in the sole discretion of the General Partner, be held by the Partnership in treasury and, if so held in treasury, shall no longer be deemed to be Outstanding for any purpose. For the avoidance of doubt, (i) Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities that are held by the Partnership in treasury (a) shall not be allocated Net Income (Loss) pursuant to Article VI and (b) shall not be entitled to distributions pursuant to Article VI, and (ii) shall neither be entitled to vote nor be counted for quorum purposes. The General Partner or any other Indemnitee or any Affiliate of the General Partner may also purchase or otherwise acquire and sell or otherwise dispose of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities for their own account, subject to the provisions of Articles IV and X.

SECTION 7.12. Reliance by Third Parties.

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner and any officer of the General Partner purporting to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. The Partnership, each Limited Partner and each other Person who has acquired an interest in a Partnership Security hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or any such officer shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the General Partner or any such officer executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

SECTION 7.13. Board of Directors

(a) On January 31 of each year (each a "Determination Date"), the General Partner will determine whether the voting power collectively held by (i) the holders of Special Voting Units (including Voting Units held by the General Partner and its Affiliates) in their capacity as such, (ii) persons that were formerly employed by or had provided services to (including as a director), or are then employed by or providing services to (including as a director), the General Partner and/or its Affiliates, and (iii) any estate, trust, partnership or limited liability company or other similar entity of which any such person is a trustee, partner, member or similar party, respectively, is at least 10% of the voting power of the Outstanding Voting Units (treating as Outstanding and held by any such persons, Voting Units deliverable pursuant to any equity awards granted to such persons) (the "Carlyle Partners Ownership Condition").

(b) The method of nomination, election and removal of Directors shall be determined as follows: (i) in any year in which the General Partner has determined on the applicable Determination Date that the Carlyle Partners Ownership Condition has not been satisfied, the Board of Directors shall be elected at an annual meeting of the Limited Partners holding Outstanding Units in accordance with Section 13.4(b); and (ii) in any year in which the General Partner has determined on the applicable Determination Date that the Carlyle Partners Ownership Condition has been satisfied, the provisions of Section 13.4(b) shall not apply and the method for nominating, electing and removing Directors shall be as otherwise provided in the General Partner Agreement.

ARTICLE VIII

BOOKS, RECORDS AND ACCOUNTING

SECTION 8.1. Records and Accounting.

The General Partner shall keep or cause to be kept at the principal office of the Partnership or any other place designated by the General Partner in its sole discretion appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its

business, including the record of the Record Holders of Units or other Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, magnetic tape, photographs, micrographics or any other information storage device; provided that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

SECTION 8.2. *Fiscal Year.*

The fiscal year of the Partnership (each, a “*Fiscal Year*”) shall be a year ending December 31. The General Partner in its sole discretion may change the Fiscal Year of the Partnership 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 Limited Partners of such change in the next regular communication to the Limited Partners.

ARTICLE IX

TAX MATTERS

SECTION 9.1. *Tax Returns and Information.*

As soon as reasonably practicable after the end of each Fiscal Year (which each of the Partners and each other Person who acquires an interest in a Partnership Security hereby acknowledges and agrees may be later than the otherwise applicable due date of the tax return of such Partner or other Person), the Partnership shall send to each Partner a copy of U.S. Internal Revenue Service Schedule K-1 with respect to such Fiscal Year. The Partnership also shall provide the Partners with such other information as may be reasonably required in the discretion of the General Partner for purposes of allowing the Partners to prepare and file their own U.S. federal, state and local tax returns. Each Partner shall be required to report for all tax purposes consistently with such information provided by the Partnership. The classification, realization and recognition of income, gain, losses and deductions and other items shall be on the accrual method of accounting for U.S. federal income tax purposes.

SECTION 9.2. *Tax Elections.*

The General Partner shall determine whether to make, refrain from making or revoke any and all elections permitted by the tax laws of the United States, the several states and other relevant jurisdictions, in its sole discretion.

SECTION 9.3. *Tax Controversies.*

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized to represent the Partnership (at the Partnership’s expense) in connection with all examinations of the Partnership’s affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things required by the General Partner to conduct such proceedings.

SECTION 9.4. *Withholding.*

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that may be required or be necessary or appropriate to cause the Partnership or any other Group Member to comply with any withholding requirements established under the Code or any other U.S. federal, state, local or non-U.S. law including pursuant to Sections 1441, 1442, 1445, 1446 and 3406 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner (including by reason of Section 1446 of the Code), the General Partner shall treat the

amount withheld as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

SECTION 9.5. *Election to be Treated as a Corporation.*

If the General Partner determines in its sole discretion that it is no longer in the interests of the Partnership to continue as a partnership for U.S. federal income tax purposes, the General Partner may elect to treat the Partnership as an association or as a publicly traded partnership taxable as a corporation for U.S. federal (and applicable state) income tax purposes or may effect such change by merger or conversion or otherwise under applicable law.

ARTICLE X

ADMISSION OF PARTNERS

SECTION 10.1. *Admission of Initial Limited Partners.*

(a) Upon the issuance by the Partnership of a Special Voting Unit to TCG Partners, the General Partner shall admit TCG Partners to the Partnership as an Initial Limited Partner in respect of the Special Voting Unit issued to it.

(b) Upon the issuance by the Partnership of Common Units to the Underwriters or their designee(s) as described in Section 5.4 in connection with the Initial Offering, the General Partner shall admit such parties to the Partnership as Initial Limited Partners in respect of the Common Units issued to them.

SECTION 10.2. *Admission of Additional Limited Partners.*

(a) By acceptance of the transfer of any Limited Partner Interests in accordance with this Section 10.2 or the issuance of any Limited Partner Interests in accordance herewith (including in a merger, consolidation or other business combination pursuant to Article XIV), and except as provided in Section 4.8, each transferee or other recipient of a Limited Partner Interest (including any nominee holder or an agent or representative acquiring such Limited Partner Interests for the account of another Person) (i) shall be admitted to the Partnership as a Limited Partner with respect to the Limited Partner Interests so transferred or issued to such Person when any such transfer or issuance is reflected in the books and records of the Partnership, with or without execution of this Agreement, (ii) shall become bound by the terms of, and shall be deemed to have agreed to be bound by, this Agreement, (iii) shall become the Record Holder of the Limited Partner Interests so transferred or issued, (iv) represents that the transferee or other recipient has the capacity, power and authority to enter into this Agreement, (v) grants the powers of attorney set forth in this Agreement and (vi) makes the consents, acknowledgments and waivers contained in this Agreement. The transfer of any Limited Partner Interests and/or the admission of any new Limited Partner shall not constitute an amendment to this Agreement. A Person may become a Record Holder without the consent or approval of any of the Partners. A Person may not become a Limited Partner without acquiring a Limited Partner Interest. The rights and obligations of a Person who is a Non-citizen Assignee shall be determined in accordance with Section 4.8.

(b) The name and mailing address of each Record Holder shall be listed on the books and records of the Partnership maintained for such purpose by the Partnership or the Transfer Agent. The General Partner shall update the books and records of the Partnership from time to time as necessary to reflect accurately the information therein (or shall cause the Transfer Agent to do so, as applicable). A Limited Partner Interest may be represented by a Certificate, as provided in Section 4.1.

(c) Any transfer of a Limited Partner Interest shall not entitle the transferee to share in the profits and losses, to receive distributions, to receive allocations of income, gain, loss, deduction or credit or any similar item or to any other rights to which the transferor was entitled until the transferee becomes a Limited Partner pursuant to Section 10.2(a).

SECTION 10.3. *Admission of Successor General Partner.*

A successor General Partner approved pursuant to Section 11.1 or the transferee of or successor to all of the General Partner Interest (represented by General Partner Units) pursuant to Section 4.6 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner effective immediately prior to the withdrawal of the predecessor or transferring General Partner pursuant to Section 11.1 or the transfer of such General Partner's General Partner Interest (represented by General Partner Units) pursuant to Section 4.6; provided however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.6 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor is hereby authorized to and shall, subject to the terms hereof, carry on the business of the Partnership without dissolution.

SECTION 10.4. *Amendment of Agreement and Certificate of Limited Partnership to Reflect the Admission of Partners.*

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary under the Delaware Limited Partnership Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI

WITHDRAWAL OR REMOVAL OF PARTNERS

SECTION 11.1. *Withdrawal of the General Partner.*

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal"):

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners;

(ii) The General Partner transfers all of its General Partner Interest pursuant to Section 4.6;

(iii) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1(a)(iii); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(iv) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(v) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a

trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iii), (iv) or (v)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Listing Date and ending at 12:00 midnight, New York City time, on December 31, 2021, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by Limited Partners holding at least a majority of the voting power of the Outstanding Voting Units (excluding Voting Units held by the General Partner and its Affiliates) and the General Partner delivers to the Partnership an Opinion of Counsel ("*Withdrawal Opinion of Counsel*") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or cause the Partnership or any Group Member to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for U.S. federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, New York City time, on December 31, 2021, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii); or (iv) notwithstanding clause (i) of this sentence, at any time that the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the General Partner and its Affiliates) Beneficially Own or own of record or control at least 50% of the Outstanding Common Units. The withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall also constitute the withdrawal of the General Partner as general partner or managing member, to the extent applicable, of the other Group Members. If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i), the Limited Partners holding a majority of the voting power of Outstanding Voting Units, may, prior to the effective date of such withdrawal, elect a successor General Partner. The Person so elected as successor General Partner shall automatically become the successor general partner or managing member, to the extent applicable, of the other Group Members of which the General Partner is a general partner or a managing member, and is hereby authorized to, and shall, continue the business of the Partnership and, to the extent applicable, the other Group Members without dissolution. If, prior to the effective date of the General Partner's withdrawal pursuant to Section 11.1(a)(i), a successor is not selected by the Unitholders as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with and subject to Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

SECTION 11.2. No Removal of the General Partner.

The Limited Partners shall have no right to remove or expel, with or without cause, the General Partner.

SECTION 11.3. Interest of Departing General Partner and Successor General Partner.

(a) In the event of the withdrawal of a General Partner, if a successor General Partner is elected in accordance with the terms of Section 11.1, the Departing General Partner, in its sole discretion and acting in its individual capacity, shall have the option exercisable prior to the effective date of the withdrawal of such Departing General Partner to require its successor to purchase its General

Partner Interest (represented by General Partner Units) in exchange for an amount in cash equal to the fair market value of such General Partner Interest, such amount to be determined and payable as of the effective date of its withdrawal. The Departing General Partner shall be entitled to receive all reimbursements due such Departing General Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the Departing General Partner or its Affiliates (excluding any Group Member) for the benefit of the Partnership or the other Group Members.

For purposes of this Section 11.3(a), the fair market value of a Departing General Partner's General Partner Interest shall be determined by agreement between the Departing General Partner and its successor or, failing agreement within 30 days after the effective date of such Departing General Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing General Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing General Partner shall designate an independent investment banking firm or other independent expert, the Departing General Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the General Partner Interest of the Departing General Partner. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Units on any National Securities Exchange on which Common Units are then listed, the value of the Partnership's assets, the rights and obligations of the Departing General Partner and other factors it may deem relevant.

(b) If the Departing General Partner does not exercise its option to require the successor General Partner to purchase its General Partner Interest in the manner set forth in Section 11.3(a), the Departing General Partner (or its transferee) shall automatically become a Limited Partner and its General Partner Interest automatically shall be converted into Common Units pursuant to a valuation made by an investment banking firm or other independent expert selected pursuant to Section 11.3(a). Any successor General Partner shall indemnify the Departing General Partner (or its transferee) as to all debts and liabilities of the Partnership arising on or after the date on which the Departing General Partner (or its transferee) becomes a Limited Partner. For purposes of this Agreement, conversion of the General Partner Interest of the Departing General Partner to Common Units will be characterized as if the Departing General Partner (or its transferee) contributed its General Partner Interest to the Partnership in exchange for the newly-issued Common Units and the Partnership reissued a new General Partner Interest in the Partnership to the successor General Partner.

SECTION 11.4. Withdrawal of Limited Partners.

No Limited Partner shall have any right to withdraw from the Partnership; provided however that when a transferee of a Limited Partner's Limited Partner Interest becomes a Record Holder of the Limited Partner Interest so transferred, such transferring Limited Partner shall cease to be a Limited Partner with respect to the Limited Partner Interest so transferred.

ARTICLE XII
DISSOLUTION AND LIQUIDATION

SECTION 12.1. Dissolution.

The Partnership shall not be dissolved by the admission of additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, if a successor General Partner is admitted to the Partnership

pursuant to Sections 10.3, 11.1 or 12.2, the Partnership shall not be dissolved and such successor General Partner is hereby authorized to, and shall, continue the business of the Partnership. Subject to Section 12.2, the Partnership shall dissolve, and its affairs shall be wound up, upon:

- (a) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and such successor is admitted to the Partnership pursuant to this Agreement;
- (b) an election to dissolve the Partnership by the General Partner that is approved by the Unitholders holding a majority of the voting power of Outstanding Voting Units;
- (c) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Limited Partnership Act; or
- (d) at any time there are no Limited Partners, unless the Partnership is continued without dissolution in accordance with the Delaware Limited Partnership Act.

SECTION 12.2. Continuation of the Business of the Partnership After Event of Withdrawal.

Upon an Event of Withdrawal caused by (a) the withdrawal of the General Partner as provided in Sections 11.1(a)(i) and the failure of the Partners to select a successor to such Departing General Partner pursuant to Section 11.1, then within 90 days thereafter, or (b) an event constituting an Event of Withdrawal as defined in Sections 11.1(a)(iii), (iv) or (v), then, to the maximum extent permitted by law, within 180 days thereafter, the Unitholders holding a majority of the voting power of Outstanding Voting Units may elect to continue the business of the Partnership on the same terms and conditions set forth in this Agreement by appointing as the successor General Partner a Person approved by the Unitholders holding a majority of the voting power of Outstanding Voting Units. Unless such an election is made within the applicable time period as set forth above, the Partnership shall dissolve and conduct only activities necessary to wind up its affairs. If such an election is so made, then:

- (i) the Partnership shall continue without dissolution unless earlier dissolved in accordance with this Article XII;
- (ii) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be treated in the manner provided in Section 11.3; and
- (iii) the successor General Partner shall be admitted to the Partnership as General Partner, effective as of the Event of Withdrawal, by agreeing in writing to be bound by this Agreement;

provided that the right of the Unitholders holding a majority of the voting power of Outstanding Voting Units to approve a successor General Partner and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel (x) that the exercise of the right would not result in the loss of limited liability of any Limited Partner and (y) neither the Partnership nor any Group Member (other than the Carlyle Holdings I General Partner, Carlyle Holdings III General Partner or other Group Member that is formed or existing as a corporation) would be treated as an association taxable as a corporation or otherwise be taxable as an entity for U.S. federal income tax purposes upon the exercise of such right to continue (to the extent not so treated or taxed).

SECTION 12.3. Liquidator.

Upon dissolution of the Partnership, unless the Partnership is continued pursuant to Section 12.2, the General Partner shall act, or select in its sole discretion one or more Persons to act as Liquidator. If the General Partner is acting as the Liquidator, it shall not be entitled to receive any additional compensation for acting in such capacity. If a Person other than the General Partner acts as Liquidator, such Liquidator (1) shall be entitled to receive such compensation for its services as may be approved by either the Board of Directors of the withdrawing General Partner (or similar governing body) or Unitholders holding at least a majority of the voting power of the Outstanding

Voting Units voting as a single class, (2) shall agree not to resign at any time without 15 days' prior notice and (3) may be removed at any time, with or without cause, by notice of removal approved by Unitholders holding at least a majority of the voting power of the Outstanding Voting Units voting as a single class. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the voting power of the Outstanding Voting Units voting as a single class. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3) necessary or appropriate to carry out the duties and functions of the Liquidator hereunder for and during the period of time required to complete the winding up and liquidation of the Partnership as provided for herein.

SECTION 12.4. *Liquidation.*

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Limited Partnership Act and the following:

(a) *Disposition of Assets.* The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate distributions of cash (to the extent any cash is available) must be made to the other Partners. The Liquidator may defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) *Discharge of Liabilities.* Liabilities of the Partnership include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of Section 12.3) and amounts to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment.

(c) *Liquidation Distributions.* All cash and other property in excess of that required to discharge liabilities (whether by payment or the making of reasonable provision for payment thereof) as provided in Section 12.4(b) shall be distributed to the Partners in accordance with their respective Percentage Interests as of a Record Date selected by the Liquidator.

SECTION 12.5. *Cancellation of Certificate of Limited Partnership.*

Upon the completion of the distribution of Partnership cash and other property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Certificate of Limited Partnership shall be cancelled in accordance with the Delaware Limited Partnership Act and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

SECTION 12.6. *Return of Contributions.*

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners or Unitholders, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

SECTION 12.7. *Waiver of Partition.*

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

SECTION 12.8. *Capital Account Restoration.*

No Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership or otherwise.

ARTICLE XIII

AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

SECTION 13.1. *Amendments to be Adopted Solely by the General Partner.*

Each Partner agrees that the General Partner, without the approval of any Partner, any Unitholder or any other Person, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) the admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that the General Partner determines in its sole discretion is necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or other jurisdiction or to ensure that the Group Members (other than the Carlyle Holdings I General Partner or the Carlyle Holdings III General Partner or other Group Member that is formed or existing as a corporation) will not be treated as associations taxable as corporations or otherwise taxed as entities for U.S. federal income tax purposes (to the extent not so treated);

(d) a change that the General Partner determines in its sole discretion to be necessary or appropriate to address changes in U.S. federal, state or local income tax regulations, legislation or interpretation;

(e) a change that the General Partner determines (i) does not adversely affect the Limited Partners considered as a whole (or adversely affect any particular class of Partnership Interests as compared to another class of Partnership Interests, except under clause (h) below) in any material respect; provided, however, for purposes of determining whether an amendment satisfies the requirements of this Section 13.1(e)(i), the General Partner may in its sole discretion disregard any adverse effect on any class or classes of Partnership Interests the holders of which have approved such amendment pursuant to Section 13.3(c)(ii) to be necessary or appropriate to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any U.S. federal, state or local or non-U.S. agency or judicial authority or contained in any U.S. federal, state or local or non-U.S. statute (including the Delaware Limited Partnership Act) or (B) facilitate the trading of the Limited Partner Interests (including the division of any class or classes of Outstanding Limited Partner Interests into different classes to

facilitate uniformity of tax consequences within such classes of Limited Partner Interests) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are or will be listed, (iii) to be necessary or appropriate in connection with action taken by the General Partner pursuant to Section 5.8 or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(f) a change in the Fiscal Year or taxable year of the Partnership and any other changes that the General Partner determines to be necessary or appropriate as a result of a change in the Fiscal Year or taxable year of the Partnership including, if the General Partner shall so determine in its sole discretion, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(g) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its Indemnitees, from having a material risk of being in any manner subjected to registration under the provisions of the U.S. Investment Company Act of 1940, as amended, the U.S. Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the U.S. Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(h) an amendment that the General Partner determines in its sole discretion to be necessary or appropriate in connection with the creation, authorization or issuance of any class or series of Partnership Securities or options, rights, warrants or appreciation rights relating to Partnership Securities pursuant to Section 5.6;

(i) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(j) an amendment effected, necessitated or contemplated by a Merger Agreement permitted by Article XIV;

(k) an amendment that the General Partner determines in its sole discretion to be necessary or appropriate to reflect and account for the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity;

(l) an amendment effected, necessitated or contemplated by an amendment to any Carlyle Holdings Partnership Agreement that requires unitholders of any Carlyle Holdings Partnership to provide a statement, certification or other proof of evidence to the Carlyle Holdings Partnerships regarding whether such unitholder is subject to U.S. federal income taxation on the income generated by the Carlyle Holdings Partnerships;

(m) a merger, conversion or conveyance pursuant to Section 14.3(c), including any amendment permitted pursuant to Section 14.5;

(n) any amendment that the General Partner determines to be necessary or appropriate to cure any ambiguity, omission, mistake, defect or inconsistency; or

(o) any other amendments substantially similar to the foregoing.

SECTION 13.2. Amendment Procedures.

Except as provided in Sections 5.5, 13.1, 13.3 and 14.5, all amendments to this Agreement shall be made in accordance with the requirements of this Section 13.2. Amendments to this Agreement may be proposed only by the General Partner; provided however that, to the fullest extent permitted by law, the General Partner shall have no duty or obligation to propose any amendment to this Agreement and may decline to do so free of any duty (including any fiduciary duty) or obligation whatsoever to the Partnership, any Limited Partner, any other Person bound by this Agreement or

any creditor of the Partnership. A proposed amendment pursuant to this Section 13.2 shall be effective upon its approval by the General Partner and Unitholders holding a majority of the voting power of the Outstanding Voting Units, unless a greater or lesser percentage is required under this Agreement. If such an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of the voting power of Outstanding Voting Units or call a meeting of the Unitholders to consider and vote on such proposed amendment, in each case in accordance with the other provisions of this Article XIII. The General Partner shall notify all Record Holders upon final adoption of any such proposed amendments.

SECTION 13.3. Amendment Requirements.

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that requires the vote or consent of Unitholders holding, or holders of, a percentage of the voting power of Outstanding Voting Units (including Voting Units deemed owned by the General Partner and its Affiliates) required 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 Unitholders or holders of Outstanding Voting Units whose aggregate Outstanding Voting Units constitute not less than the voting or consent requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner without its consent, unless such enlargement may be deemed to have occurred as a result of an amendment approved pursuant to Section 13.3(c), or (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to the General Partner or any of its Affiliates without the General Partner's consent, which consent may be given or withheld in its sole discretion.

(c) Except as provided in Sections 13.1 and 14.3, any amendment that would have a material adverse effect on the rights or preferences of any class of Partnership Interests in relation to other classes of Partnership Interests (treating the Voting Units as a separate class for this purpose) must be approved by the holders of not less than a majority of the Outstanding Partnership Interests of the class affected.

(d) Notwithstanding the provisions of Sections 13.1 and 13.2, in addition to any other approvals or consents that may be required under this Agreement, neither Section 7.13 nor Section 13.4(b) shall be amended, altered, changed, repealed or rescinded in any respect without the written consent of TCG Partners.

(e) Notwithstanding any other provision of this Agreement, except for amendments pursuant to Section 13.1 and except as otherwise provided by Article XIV, no amendments shall become effective without the approval of Unitholders holding at least 90% of the voting power of the Outstanding Voting Units unless the Partnership obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any Limited Partner under the Delaware Limited Partnership Act.

SECTION 13.4. Meetings.

(a) All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the General Partner or by Limited Partners representing 50% or more of the voting power of the Outstanding Limited Partner Interests of the class or classes for which a meeting is proposed. (For the avoidance of doubt, the Common Units and the Special Voting Units shall not constitute separate classes for this purpose.) Limited Partners shall call a special meeting by delivering to the General Partner one or more requests in writing stating that the signing Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may

be reasonably necessary for the Partnership 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, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A meeting shall be held at a time and place determined by the General Partner 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. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership within the meaning of the Delaware Limited Partnership Act so as to jeopardize the Limited Partners' limited liability under the Delaware Limited Partnership Act or the law of any other state in which the Partnership is qualified to do business.

(b) (i) Subject to Section 7.13 and Section 13.4(b)(xi), in any year in which the General Partner has determined on the applicable Determination Date that the Carlyle Partners Ownership Condition has not been satisfied, an annual meeting of the Limited Partners holding Outstanding Units for the election of Directors and such other matters as the General Partner shall submit to a vote of the Limited Partners holding Outstanding Units shall be held in June of such year or at such other date and time as may be fixed by the General Partner at such place within or without the State of Delaware as may be fixed by the General Partner and all as stated in the notice of the meeting. Notice of the annual meeting shall be given in accordance with Section 13.5 not less than 10 days nor more than 60 days prior to the date of such meeting.

(ii) The Limited Partners holding Outstanding Units shall vote together as a single class for the election of Directors to the Board of Directors (but such Limited Partners and their Units shall not, however, be treated as a separate class of Partners or Partnership Securities for purposes of this Agreement). The Limited Partners 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 13.4(b). The exercise by a Limited Partner of the right to elect the Directors and any other rights afforded to such Limited Partner under this Section 13.4(b) shall be in such Limited Partner's capacity as a limited partner of the Partnership and shall not cause a Limited Partner to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize such Limited Partner's limited liability under the Delaware Limited Partnership Act or the law of any other state in which the Partnership is qualified to do business.

(iii) If the General Partner has provided at least thirty days advance notice of any meeting at which Directors are to be elected, then the Limited Partners holding Outstanding Units that attend such meeting shall constitute a quorum, and if the General Partner has provided less than thirty days advance notice of any such meeting, then Limited Partners holding a majority of the Outstanding Units shall constitute a quorum.

(iv) The number of Directors on the Board of Directors shall be as determined in accordance with the General Partner Agreement.

(v) The Directors shall be divided into three classes, Class I, Class II, and Class III, as determined by the then-existing Board of Directors in its sole discretion, on any Determination Date on which the General Partner has determined that the Carlyle Partners Ownership Condition has not been satisfied, unless the Board of Directors has already been classified in accordance with this Section 13.4(b)(v) on the next preceding Determination Date. 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 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 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 applicable 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 Limited Partners following the applicable 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 Limited Partners following the applicable Initial Annual Meeting. At each succeeding annual meeting of Limited Partners for the election of Directors following an Initial Annual Meeting, successors to the Directors whose term expires at that annual meeting shall be elected for a three-year term.

(vi) Each 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. If, in any year in which an annual meeting of the Limited Partners for the election of Directors is required to be held in accordance with Section 7.13 and this Section 13.4(b), 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. Any vacancy on the Board of Directors (including, without limitation, any vacancy caused by an increase in the number of Directors on the Board of Directors) may only be filled by the vote of a majority of the remaining 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. A Director may be removed only at a meeting of the Limited Partners upon the affirmative vote of Limited Partners holding a majority of the Outstanding Units; provided, however, a Director may only be removed if, at the same meeting, Limited Partners holding a majority of the Outstanding Units nominate a replacement Director (and any such nomination shall not be subject to the nomination procedures otherwise set forth in this Section 13.4), and Limited Partners holding a majority of the Outstanding Units also vote to elect a replacement Director, and, provided, further, a Director may only be removed for cause.

(vii) (A) (1) Nominations of persons for election of Directors to the Board of Directors of the General Partner may be made at an annual meeting of the Limited Partners only pursuant to the General Partner's notice of meeting (or any supplement thereto) (a) by or at the direction of a majority of the Directors or (b) by a Limited Partner, or a group of Limited Partners, that holds or beneficially owns, and has continuously held or beneficially owned without interruption for the prior eighteen (18) months, 5% of the Outstanding Units (in either case, a "Limited Partner Group") if each member of the Limited Partner Group was a Record Holder at the time the notice provided for in this Section 13.4(b)(vii) is delivered to the General Partner, and if the Limited Partner Group complies with the notice procedures set forth in this Section 13.4(b)(vii).

(2) For any nominations brought before an annual meeting by a Limited Partner Group pursuant to clause (b) of paragraph (A)(1) of this Section 13.4(b)(vii), the Limited Partner Group must have given timely notice thereof in writing to the General Partner. To be timely, a Limited Partner Group's notice shall be delivered to the General Partner 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 Limited Partner Group 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 Partnership or the General Partner). For purposes of any 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 Limited Partner Group's notice as described above. Such Limited

Partner Group's notice shall set forth: (a) as to each person whom the Limited Partner Group 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 Securities Exchange Act and the rules and regulations promulgated thereunder and (ii) such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected; and (b) as to each member of the Limited Partner Group giving the notice and the beneficial owner, if any, on whose behalf the nomination is made (i) the name and address of such Limited Partners, as they appear on the Partnership's books and records, and of such beneficial owners, (ii) the type and number of Units which are owned beneficially and of record by such Limited Partners and such beneficial owners, (iii) a description of any agreement, arrangement or understanding with respect to the nomination between or among any or all members of such Limited Partner Group 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 Units) that has been entered into as of the date of the Limited Partner Group's notice by, or on behalf of, any members of such Limited Partner Group and such beneficial owners, the effect or intent of which is to mitigate loss to, manage risk or benefit of Unit price changes for, or increase or decrease the voting power of, such Limited Partners and such beneficial owner, with respect to Units, (v) a representation that each member of the Limited Partner Group 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 nomination, (vi) a representation whether any member of the Limited Partner Group 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 Partnership's Outstanding Units required to elect the nominee and/or (b) otherwise to solicit proxies from Limited Partners in support of such nomination, and (vii) any other information relating to any member of such Limited Partner Group 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 Securities Exchange Act and the rules and regulations promulgated thereunder. A Limited Partner Group providing notice of a proposed nomination for election to the Board of Directors 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 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 General Partner at the principal executive offices of the General Partner not later than five (5) days after the record date for the meeting (in the case of any update and supplement required to be made as of the 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 General Partner 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 of the General Partner.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 13.4(b)(vii) to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the General Partner is increased effective after the time period for which nominations would otherwise be due under paragraph (A)(2) of this Section 13.4(b)(vii) and there is no public announcement by the Partnership or the General Partner 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 Limited Partner Group's notice required by this Section 13.4(b)(vii) shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be

delivered to the General Partner 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 Partnership or the General Partner.

(B) Nominations of persons for election as a Director to the Board of Directors may be made at a special meeting of Limited Partners at which Directors are to be elected pursuant to the General Partner's 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 Limited Partner Group pursuant to Section 13.4(a) hereof, if each member of such Limited Partner Group is a Record Holder at the time the notice provided for in this Section 13.4(b)(vii) is delivered to the General Partner and if the Limited Partner Group complies with the notice procedures set forth in this Section 13.4(b)(vii). In the event the General Partner calls a special meeting of Limited Partners for the purpose of electing one or more Directors to the Board of Directors, any such Limited Partner Group may nominate a person or persons (as the case may be) for election to such position(s) as specified in the General Partner's notice of meeting, if the Limited Partner Group's notice required by paragraph (A)(2) of this Section 13.4(b)(vii) shall be delivered to the General Partner 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 Limited Partner Group's notice as described above.

(C) (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 13.4(b) shall be eligible to be elected at an annual or special meeting of Limited Partners to serve as Directors. Except as otherwise provided by law, the chairman designated by the General Partner pursuant to Section 13.10 shall have the power and duty (a) to determine whether a nomination was made in accordance with the procedures set forth in this Section 13.4(b) (including whether the members of the Limited Partner Group or beneficial owner, if any, on whose behalf the nomination 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 Limited Partner Group's nominee in compliance with such Limited Partner Group's representation as required by clause (A)(2)(b)(vi) of this Section 13.4(b)(vii) and (b) if any proposed nomination was not made in compliance with this Section 13.4(b), to declare that such nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 13.4(b), unless otherwise required by law, if each member of the Limited Partner Group (or a qualified representative of each member of the Limited Partner Group) does not appear at the annual or special meeting of Limited Partners to present a nomination, such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the General Partner or the Partnership. For purposes of this Section 13.4(b), to be considered a qualified representative of a member of the Limited Partner Group, a person must be a duly authorized officer, manager or partner of such Limited Partner or must be authorized by a writing executed by such Limited Partner or an electronic transmission delivered by such Limited Partner to act for such Limited Partner as proxy at the meeting of Limited Partners and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of Limited Partners.

(2) For purposes of this Section 13.4(b)(vii), "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 Partnership or the General Partner with the Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act and the rules and regulations promulgated thereunder.

(3) Notwithstanding the foregoing provisions of this Section 13.4(b)(vii), a Limited Partner shall also comply with all applicable requirements of the Securities Exchange Act and the rules and

regulations thereunder with respect to the matters set forth in this Section 13.4(b)(vii); provided however, that any references in this Agreement to the Securities Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations pursuant to this Section 13.4(b)(vii) (including paragraphs A(1) and B hereof), and compliance with paragraphs A(1)(b) and B of this Section 13.4(b)(vii) shall be the exclusive means for a Limited Partner to make nominations.

(viii) This Section 13.4(b) shall not be deemed in any way to limit or impair the ability of the Board of Directors to adopt a “poison pill” or unitholder or other similar rights plan with respect to the Partnership, whether such poison pill or plan contains “dead hand” provisions, “no hand” provisions or other provisions relating to the redemption of the poison pill or plan, in each case as such terms are used under Delaware common law.

(ix) The Partnership and the General Partner shall use their commercially reasonable best efforts to take such action as shall be necessary or appropriate to give effect to and implement the provisions of this Section 13.4(b), including, without limitation, amending the organizational documents of the General Partner such that at all times the organizational documents of the General Partner shall provide (i) that in any year in which the General Partner has determined on the applicable Determination Date that the Carlyle Partners Ownership Condition has not been satisfied the Directors shall be elected in accordance with the terms of this Agreement, and (ii) terms consistent with this Section 13.4(b).

(x) If the General Partner delegates to an existing or newly formed wholly owned Subsidiary the power and authority to manage and control the business and affairs of the Partnership Group, the foregoing provisions of this Section 13.4(b) shall be applicable with respect to the Board of Directors or other governing body of such Subsidiary.

(xi) During the period beginning on any Determination Date on which the General Partner has determined that the Carlyle Partners Ownership Condition has been satisfied until the next succeeding Determination Date, if any, on which the General Partner has determined that the Carlyle Partners Ownership Condition has not been satisfied, the provisions of this Section 13.4(b) shall automatically not apply, the Board of Directors shall not be classified, Directors shall not be elected by the Limited Partners, and the Directors shall be nominated and elected and may be removed solely in accordance with the General Partner Agreement.

SECTION 13.5. Notice of a Meeting.

Notice of a meeting called pursuant to Section 13.4 shall be given to the Record Holders of the class or classes of Limited Partner Interests for which a meeting is proposed in writing by mail or other means of written communication in accordance with Section 16.1. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

SECTION 13.6. Record Date.

For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in Section 13.11 the General Partner may set a Record Date, which shall not be less than 10 nor more than 60 days before (a) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such National Securities Exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the General Partner to give such approvals (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such National Securities Exchange shall govern). If the General Partner does not set a Record Date, then (a) the Record Date for determining

the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners shall be the close of business on the Business Day immediately preceding the day on which notice is given, and (b) the Record Date for determining the Limited Partners entitled to give approvals without a meeting shall be the date the first written approval is deposited with the Partnership in care of the General Partner in accordance with Section 13.11.

SECTION 13.7. *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 45 days. At the adjourned meeting, the Partnership may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article XIII.

SECTION 13.8. *Waiver of Notice; Approval of Meeting; Approval of Minutes.*

The transactions of any meeting of Limited Partners, however called and noticed, and whenever held, shall be as valid as if it had occurred at a meeting duly held after regular call and notice if a quorum is present either in person or by proxy. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except (i) when the Limited Partner attends the meeting solely for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business at such meeting because the meeting is not lawfully called or convened, and takes no other action, and (ii) that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, if the disapproval is expressly made at the meeting.

SECTION 13.9. *Quorum.*

Subject to Section 13.4(b), the Limited Partners holding a majority of the voting power of the Outstanding Limited Partner Interests of the class or classes for which a meeting has been called (including Limited Partner Interests deemed owned by the General Partner) represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class or classes unless any such action by the Limited Partners requires approval by Limited Partners holding a greater percentage of the voting power of such Limited Partner Interests, in which case the quorum shall be such greater percentage. (For the avoidance of doubt, the Common Units and the Special Voting Units shall not constitute separate classes for this purpose.) At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding a majority Limited Partner votes cast shall be deemed to constitute the act of all Limited Partners, unless a greater or different percentage is required with respect to such action under this Agreement, in which case the act of the Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent at least such greater or lesser percentage of the voting power shall be required. The Limited Partners 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 Limited Partners 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 Limited Partner Interests specified in this Agreement (including Outstanding Limited Partner Interests deemed owned by the General Partner). In the absence of a quorum any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of Limited Partners holding at least a majority of the voting power of the Outstanding Limited Partner Interests present and entitled to vote at such meeting (including Outstanding Limited Partner Interests deemed owned by the General Partner) represented either in person or by proxy, but no other business may be transacted, except as provided in Section 13.7.

SECTION 13.10. *Conduct of a Meeting.*

The General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 13.4, 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 General Partner shall designate a Person to serve as chairman of any meeting, who shall, among other things, be entitled to exercise the powers of the General Partner set forth in this Section 13.10, and the General Partner shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Partnership maintained by the General Partner. The General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem necessary or advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, 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 approvals, proxies and votes in writing.

SECTION 13.11. *Action Without a Meeting.*

If authorized by the General Partner, any action that may be taken at a meeting of the Limited Partners may be taken without a meeting, without a vote and without prior notice, if consented to in writing or by electronic transmission by Limited Partners owning not less than the minimum percentage of the voting power of the Outstanding Limited Partner Interests (including Limited Partner Interests deemed owned by the General Partner) that would be necessary to authorize or take such action at a meeting at which all the Limited Partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests 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 Limited Partners who have not consented. The General Partner may specify that any written ballot, if any, submitted to Limited Partners for the purpose of taking any action without a meeting shall be returned to the Partnership within the time period, which shall be not less than 20 days, specified by the General Partner in its sole discretion. If a ballot returned to the Partnership does not vote all of the Limited Partner Interests held by the Limited Partners, the Partnership shall be deemed to have failed to receive a ballot for the Limited Partner Interests that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the General Partner, any written approvals or approvals transmitted by electronic transmission shall have no force and effect unless and until (a) they are deposited with the Partnership in care of the General Partner, (b) approvals sufficient to take the action proposed are dated or transmitted as of a date not more than 90 days prior to the date sufficient approvals are deposited with the Partnership and (c) an Opinion of Counsel is delivered to the General Partner to the effect that the exercise of such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership within the meaning of the Delaware Limited Partnership Act so as to jeopardize the Limited Partners' limited liability, and (ii) is otherwise permissible under the state statutes then governing the rights, duties and liabilities of the Partnership and the Partners. Nothing contained in this Section 13.11 shall be deemed to require the General Partner to solicit all Limited Partners in connection with a matter approved by the requisite percentage of the voting power of Limited Partners or other holders of Outstanding Voting Units acting by written consent or consent by electronic transmission without a meeting.

SECTION 13.12. *Voting and Other Rights.*

(a) Only those Record Holders of Outstanding Limited Partner Interests on the Record Date set pursuant to Section 13.6 (and also subject to the limitations contained in the definition of

“Outstanding” and the limitations set forth in Section 13.4(b)) shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which the holders of the Outstanding Limited Partner Interests have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding Limited Partner Interests shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Limited Partner Interests. Each Common Unit shall entitle the holder thereof (other than a Non-Voting Common Unitholder) to one vote for each Common Unit held of record by such holder as of the relevant Record Date.

(b) With respect to Limited Partner Interests that are held for a Person’s account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such Limited Partner Interests are registered, such other Person shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, and unless the arrangement between such Persons provides otherwise, vote such Limited Partner Interests in favor of, and at the direction of, the Person who is the Beneficial Owner, and the Partnership shall be entitled to assume it is so acting without further inquiry. The provisions of this Section 13.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 4.3.

(c) Notwithstanding any other provision of this Agreement, for the avoidance of doubt, a Non-Voting Common Unitholder shall be subject to the limitations on voting set forth in this Section 13.12(c) for so long as it is a Limited Partner or Beneficially Owns any Common Units. Notwithstanding any other provision of this Agreement or the terms of any Common Units, a Non-Voting Common Unitholder shall have no voting rights whatsoever with respect to the Partnership, including any voting rights that may otherwise exist for Limited Partners or holders of Common Units hereunder, under the Act, at law, in equity or otherwise; provided that any amendment of this Agreement that would have a material adverse effect on the rights or preferences of the Common Units Beneficially Owned by Non-Voting Common Unitholders in relation to other Common Units (treating the Common Units Beneficially Owned by Non-Voting Common Unitholders as a separate class for this purpose) must be approved by the holders of not less than a majority of the Common Units Beneficially Owned by the Non-Voting Common Unitholders. Each Non-Voting Common Unitholder hereby further irrevocably waives any right it may otherwise have to vote to elect or appoint a successor General Partner or Liquidator under the Act in its capacity as Limited Partner or with respect to any Common Units owned by it.

SECTION 13.13. Participation of Special Voting Units in All Actions Participated in by Common Units.

(a) Notwithstanding any other provision of this Agreement, the Delaware Limited Partnership Act or any applicable law, rule or regulation, but subject to Section 13.13(b) with respect to the voting matters addressed therein, each of the Partners and each other Person who may acquire an interest in Partnership Securities hereby agrees that the holders of Special Voting Units (other than the Partnership and its Subsidiaries) shall be entitled to receive notice of, be included in any requisite quora for and participate in any and all approvals, votes or other actions of the Partners on an equivalent basis as, and treating such Persons for all purposes as if they are, Limited Partners holding Common Units that are not Non-Voting Common Unitholders (including, without limitation, the notices, quora, approvals, votes and other actions contemplated by Sections 4.6(a), 7.3, 7.7(c), 7.9(a), 11.1(b), 12.1(b), 12.2, 12.3, 13.2, 13.3, 13.4, 13.5, 13.6, 13.8, 13.9, 13.10, 13.11, 13.12, 14.3 and 16.1 hereof), including any and all notices, quora, approvals, votes and other actions that may be taken pursuant to the requirements of the Delaware Limited Partnership Act or any other applicable law, rule or regulation. This Agreement shall be construed in all cases to give maximum effect to such agreement.

(b) Notwithstanding Section 13.13(a) or any other provision of this Agreement, the holders of Special Voting Units, as such, collectively shall be entitled (A) prior to the Closing Date, to all of the Limited Partner votes (and no other Limited Partners, as such, shall be entitled to any Limited Partner votes) and (B) from and after the Closing Date, to a number of Limited Partner votes that is equal to the product of (x) the total number of Carlyle Holdings Partnership Units outstanding

(excluding Carlyle Holdings Partnership Units held by the Partnership or its Subsidiaries) as of the relevant Record Date multiplied by (y) the Exchange Rate (as defined in the Exchange Agreement). Pursuant to Section 5.3 hereof, (i) TCG Partners, as holder of a Special Voting Unit, shall be entitled to a number of votes that is equal to the product of (x) the total number of Carlyle Holdings Partnership Units held of record by each Carlyle Holdings Partner that does not hold a Special Voting Unit multiplied by (y) the Exchange Rate (as defined in the Exchange Agreement) and (ii) each other holder of Special Voting Units, as such, shall be entitled, without regard to the number of Special Voting Units (or fraction thereof) held by such holder, to a number of votes that is equal to the product of (x) the total number of Carlyle Holdings Partnership Units held of record by such holder multiplied by (y) the Exchange Rate (as defined in the Exchange Agreement). The number of votes to which each holder of a Special Voting Unit shall be entitled from and after the Closing Date shall be adjusted accordingly if (i) a Limited Partner holding Common Units, as such, shall become entitled to a number of votes other than one for each Common Unit held and/or (ii) under the terms of the Exchange Agreement the holders of Carlyle Holdings Partnership Units party thereto shall become entitled to exchange each such unit for a number of Common Units other than one. The holders of Special Voting Units shall vote together with the Limited Partners holding Common Units as a single class and, to the extent that the Limited Partners holding Common Units shall vote together with the holders of any other class of Partnership Interest, the holders of Special Voting Units shall also vote together with the holders of such other class of Partnership Interests on an equivalent basis as the Limited Partners holding Common Units.

(c) Notwithstanding anything to the contrary contained in this Agreement, and in addition to any other vote required by the Delaware Limited Partnership Act or this Agreement, the affirmative vote of the holders of at least a majority of the voting power of the Special Voting Units (excluding Special Voting Units held by the Partnership and its Subsidiaries) voting separately as a class shall be required to alter, amend or repeal this Section 13.13 or to adopt any provision inconsistent therewith.

ARTICLE XIV

MERGER

SECTION 14.1. *Authority.*

The Partnership 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 Delaware Limited Partnership Act, 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 (“*Merger Agreement*”) in accordance with this Article XIV.

SECTION 14.2. *Procedure for Merger, Consolidation or Other Business Combination.*

Merger, consolidation or other business combination of the Partnership pursuant to this Article XIV requires the prior consent of the General Partner, provided however that, to the fullest extent permitted by law, the General Partner shall have no duty or obligation to consent to any merger, consolidation or other business combination of the Partnership and, to the fullest extent permitted by law, may decline to do so free of any duty (including any fiduciary duty) or obligation whatsoever to the Partnership, any Limited Partner, any other Person bound by this Agreement or any creditor of the Partnership and, in declining to consent to a merger, consolidation or other business combination, shall not be required to act pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Limited Partnership Act or any other law, rule or regulation or at equity. If the General Partner shall determine, in the

exercise of its sole discretion, to consent to the merger, consolidation or other business combination, the General Partner shall approve the Merger Agreement, which shall set forth:

- (a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge, consolidate or combine;
- (b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger, consolidation or other business combination (the "Surviving Business Entity");
- (c) The terms and conditions of the proposed merger, consolidation or other business combination;
- (d) The manner and basis of converting or exchanging the equity securities of each constituent business entity for, or into, cash, property or interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be converted or exchanged solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or interests, rights, securities or obligations of any general or limited partnership, corporation, trust, limited liability company, unincorporated business or other Person (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive upon conversion of, or in exchange for, their interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust, limited liability company, unincorporated business or other Person (other than the Surviving Business Entity), or evidences thereof, are to be delivered;
- (e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership, operating agreement or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger, consolidation or other business combination;
- (f) The effective time of the merger, consolidation or other business combination which may be the date of the filing of the certificate of merger or consolidation or similar certificate pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided that if the effective time of such transaction is to be later than the date of the filing of such certificate, the effective time shall be fixed at a date or time certain at or prior to the time of the filing of such certificate and stated therein); and
- (g) Such other provisions with respect to the proposed merger, consolidation or other business combination that the General Partner determines in its sole discretion to be necessary or appropriate.

SECTION 14.3. *Approval by Limited Partners of Merger, Consolidation or Other Business Combination; Conversion of the Partnership into another Limited Liability Entity.*

- (a) Except as provided in Section 14.3(c), the Merger Agreement and the merger, consolidation or other business combination contemplated thereby shall be approved upon receiving the affirmative vote or consent of the holders of a majority of the voting power of Outstanding Voting Units.
- (b) Except as provided in Section 14.3(c), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger or consolidation or similar certificate pursuant to Section 14.4, the merger, consolidation or other business combination may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(c) Notwithstanding anything else contained in this Article XIV or otherwise in this Agreement, the General Partner is permitted, without Limited Partner approval, to convert the Partnership into a new limited liability entity, to merge the Partnership into, or convey all of the Partnership's assets to, another limited liability entity, which shall be newly formed and shall have no assets, liabilities or operations at the time of such conversion, merger or conveyance other than those it receives from the Partnership or those arising from its incorporation or formation; provided that (A) the General Partner has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner, (B) the sole purpose of such conversion, merger or conveyance is to effect a mere change in the legal form of the Partnership into another limited liability entity and (C) the governing instruments of the new entity provide the Limited Partners and the General Partner with substantially the same rights and obligations as are herein contained.

SECTION 14.4. *Certificate of Merger or Consolidation.*

Upon the approval by the General Partner and, to the extent required pursuant to Section 14.3(a), of the Unitholders, of a Merger Agreement and the merger, consolidation or business combination contemplated thereby, a certificate of merger or consolidation or similar certificate shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Limited Partnership Act.

SECTION 14.5. *Amendment of Partnership Agreement.*

Pursuant to Section 17-211(g) of the Delaware Limited Partnership Act, an agreement of merger, consolidation or other business combination approved in accordance with this Article XIV may (a) effect any amendment to this Agreement or (b) effect the adoption of a new partnership agreement for a limited partnership if it is the Surviving Business Entity. Any such amendment or adoption made pursuant to this Section 14.5 shall be effective at the effective time or date of the merger, consolidation or other business combination.

SECTION 14.6. *Effect of Merger.*

(a) At the effective time of the certificate of merger or consolidation or similar certificate:

(i) all of the rights, privileges and powers of each of the business entities that has merged, consolidated or otherwise combined, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger, consolidation or other business combination shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger, consolidation or other business combination;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger, consolidation or other business combination effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

SECTION 14.7. *Merger of Subsidiaries.*

Article XIV does not apply to mergers of Subsidiaries of the Partnership. Mergers of Subsidiaries are within the exclusive authority of the General Partner, subject to Section 7.3.

ARTICLE XV

RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS

SECTION 15.1. *Right to Acquire Limited Partner Interests.*

(a) Notwithstanding any other provision of this Agreement, if at any time (1) less than 10% of the total Limited Partner Interests of any class then Outstanding (other than Special Voting Units) is held by Persons other than the General Partner and its Affiliates, or (2) the Partnership is required to register as an investment company under the U.S. Investment Company Act of 1940, as amended, the General Partner shall then have the right, which right it may assign and transfer in whole or in part to the Partnership or any Affiliate of the General Partner, exercisable in its sole discretion, to purchase all, but not less than all, of such Limited Partner Interests of such class then Outstanding held by Persons other than the General Partner and its Affiliates, at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in Section 15.1(b) is mailed and (y) the highest price paid by the General Partner or any of its Affiliates acting in concert with the Partnership for any such Limited Partner Interest of such class purchased during the 90-day period preceding the date that the notice described in Section 15.1(b) is mailed. As used in this Agreement, (i) "Current Market Price" as of any date of any class of Limited Partner Interests means the average of the daily Closing Prices per limited partner interest of such class for the 20 consecutive Trading Days immediately prior to such date; (ii) "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange, the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the primary reporting system then in use in relation to such Limited Partner Interest of such class, or, if on any such day such Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of such class selected by the General Partner in its sole discretion, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined by the General Partner in its sole discretion; and (iii) "Trading Day" means a day on which the principal National Securities Exchange on which such Limited Partner Interests of any class are listed or admitted to trading is open for the transaction of business or, if Limited Partner Interests of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

(b) If the General Partner, any Affiliate of the General Partner or the Partnership elects to exercise the right to purchase Limited Partner Interests granted pursuant to Section 15.1(a), the General Partner shall deliver to the Transfer Agent notice of such election to purchase (the "Notice of Election to Purchase") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of Limited Partner Interests of such class (as of a Record Date selected by the General Partner) at least 10, but not more than 60, days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and circulated in the Borough of Manhattan, New York City. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with Section 15.1(a)) at which Limited Partner Interests will be purchased and state that the General Partner, its Affiliate or the Partnership, as the case may be, elects to purchase such Limited Partner Interests (in the case of Limited Partner Interests evidenced by Certificates, upon surrender of Certificates representing such Limited Partner Interests) in exchange for payment at such office or offices of the Transfer Agent as

the Transfer Agent may specify or as may be required by any National Securities Exchange on which such Limited Partner Interests are listed or admitted to trading. Any such Notice of Election to Purchase mailed to a Record Holder of Limited Partner Interests at his address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given regardless of whether the owner receives such notice. On or prior to the Purchase Date, the General Partner, its Affiliate or the Partnership, as the case may be, shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate purchase price of all of such Limited Partner Interests to be purchased in accordance with this Section 15.1. If the Notice of Election to Purchase shall have been duly given as aforesaid at least 10 days prior to the Purchase Date, and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Limited Partner Interests subject to purchase as provided herein, then from and after the Purchase Date, notwithstanding that any Certificate shall not have been surrendered for purchase, all rights of the holders of such Limited Partner Interests (including any rights pursuant to Articles IV, V, VI, and XII) shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 15.1(a)) for Limited Partner Interests therefor, without interest (in the case of Limited Partner Interests evidenced by Certificates, upon surrender to the Transfer Agent of the Certificates representing such Limited Partner Interests) and such Limited Partner Interests shall thereupon be deemed to be transferred to the General Partner, its Affiliate or the Partnership, as the case may be, on the record books of the Transfer Agent and the Partnership, and the General Partner or any Affiliate of the General Partner, or the Partnership, as the case may be, shall be deemed to be the owner of all such Limited Partner Interests from and after the Purchase Date and shall have all rights as the owner of such Limited Partner Interests (including all rights as owner of such Limited Partner Interests pursuant to Articles IV, V, VI and XII).

ARTICLE XVI

GENERAL PROVISIONS

SECTION 16.1. *Addresses and Notices.*

- (a) Any notice, demand, request, report, document or proxy materials required or permitted to be given or made to a Partner under this Agreement 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 Partner at the address in Section 16.1(b), or when made in any other manner, including by press release, if permitted by applicable law.
- (b) Any payment, distribution or other matter to be given or made to a Partner 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 Partnership Securities at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Partnership Securities by reason of any assignment or otherwise.
- (c) Notwithstanding the foregoing, if (i) a Partner shall consent to receiving 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 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 16.1 executed by the General Partner, 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. If any notice, demand,

request, report, document, proxy material, payment, distribution or other matter given or made in accordance with the provisions of this Section 16.1 is returned marked to indicate that it was unable to be delivered, such notice, demand, request, report, documents, proxy materials, payment, distribution or other matter and, if returned by the United States Postal Service (or other physical mail delivery mail service outside the United States of America), any subsequent notices, demands, requests, reports, documents, proxy materials, payments, distributions or other matters shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his address) or other delivery if they are available for the Partner at the principal office of the Partnership for a period of one year from the date of the giving or making of such notice, demand, request, report, document, proxy material, payment, distribution or other matter to the other Partners. Any notice to the Partnership shall be deemed given if received in writing by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner or other Person if believed by it to be genuine.

SECTION 16.2. *Further Action.*

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

SECTION 16.3. *Binding Effect.*

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns. The Indemnitees and their heirs, executors, administrators and successors shall be entitled to receive the benefits of this Agreement.

SECTION 16.4. *Integration.*

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

SECTION 16.5. *Creditors.*

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

SECTION 16.6. *Waiver.*

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

SECTION 16.7. *Counterparts.*

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring a Limited Partner Interest pursuant to Section 10.1(c) or 10.2(a), without execution hereof.

SECTION 16.8. *Applicable Law.*

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 16.9. *Exclusive Jurisdiction.*

Each of the Limited Partners and the General Partner and each Person holding any beneficial interest in the Partnership (whether through a broker, dealer, bank, trust company or clearing

corporation or an agent of any of the foregoing or otherwise), to the fullest extent permitted by law, (i) irrevocably agrees that any claims, suits, actions or proceedings arising out of or relating in any way to this Agreement (including any claims, suits or actions to interpret, apply or enforce (A) the provisions of this Agreement, (B) the duties, obligations or liabilities of the Partnership to the Limited Partners or the General Partner, or of Limited Partners or the General Partner to the Partnership, or among Partners, (C) the rights or powers of, or restrictions on, the Partnership, the Limited Partners or the General Partner, (D) any provision of the Delaware Limited Partnership Act, or (E) any other instrument, document, agreement or certificate contemplated by any provision of the Delaware Limited Partnership Act relating to the Partnership (regardless of whether such claims, suits, actions or proceedings (x) sound in contract, tort, fraud or otherwise, (y) are based on common law, statutory, equitable, legal or other grounds, or (z) are derivative or direct claims)), 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 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; and (vi) irrevocably waives any and all right to trial by jury in any such claim, suit, action or proceeding.

SECTION 16.10. *Invalidity of Provisions.*

If any provision of this Agreement 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 Agreement 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 Agreement to give the fullest effect possible to the intent of the words of this Agreement.

SECTION 16.11. *Consent of Partners.*

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

SECTION 16.12. *Facsimile Signatures.*

The use of facsimile signatures affixed in the name and on behalf of the Transfer Agent on Certificates, if any, representing Common Units is expressly permitted by this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above:

GENERAL PARTNER:

Carlyle Group Management L.L.C.

By: _____
Name:
Title:

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as Limited Partners of the Partnership, pursuant to powers of attorney now and hereafter executed in favor of, and granted and delivered to the General Partner or without execution hereof pursuant to Section 10.1(c) or 10.2(a).

Carlyle Group Management L.L.C.

By: _____
Name:
Title:

IN WITNESS WHEREOF, solely to evidence the withdrawal of the undersigned as a limited partner of the Partnership in accordance with Section 5.1 of the Agreement, the undersigned has executed this Agreement as of the date first written above.

Carlyle Group Limited Partner L.L.C.

By: _____
Name:
Title:

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the expenses payable by the Registrant in connection with the issuance and distribution of the common units being registered hereby. All of such expenses are estimates, other than the filing and listing fees payable to the Securities and Exchange Commission, the Financial Industry Regulatory Authority and .

Filing Fee — Securities and Exchange Commission	\$ 11,600	
Fee — Financial Industry Regulatory Authority	\$ 10,500	
Listing Fee —		*
Fees and Expenses of Counsel		*
Printing Expenses		*
Fees and Expenses of Accountants		*
Transfer Agent and Registrar's Fees		*
Miscellaneous Expenses		*
Total		*****

* To be provided by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The section of the prospectus entitled "Material Provisions of The Carlyle Group L.P. Partnership Agreement — Indemnification" discloses that we generally will indemnify our general partner, officers, directors and affiliates of the general partner and certain other specified persons to the fullest extent permitted by the law against all losses, claims, damages or similar events and is incorporated herein by this reference. Subject to any terms, conditions or restrictions set forth in the partnership agreement, Section 17-108 of the Delaware Revised Uniform Limited Partnership Act empowers a Delaware limited partnership to indemnify and hold harmless any partner or other persons from and against all claims and demands whatsoever.

We currently maintain liability insurance for our directors and officers. In connection with this offering, we will obtain additional liability insurance for our directors and officers. Such insurance will be available to our directors and officers in accordance with its terms.

Reference is made to the form of underwriting agreement to be filed as Exhibit 1.1 hereto for provisions providing that the underwriters are obligated under certain circumstances to indemnify our directors, officers and controlling persons against certain liabilities under the Securities Act of 1933, as amended.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

Not applicable.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit Index

- | | |
|-----|---|
| 1.1 | Underwriting Agreement.* |
| 3.1 | Certificate of Limited Partnership of the Registrant.** |
| 3.2 | Form of Amended and Restated Agreement of Limited Partnership of the Registrant (included as Appendix A to the prospectus). |

5.1	Opinion of Simpson Thacher & Bartlett LLP regarding validity of the common units registered.*
8.1	Opinion of Simpson Thacher & Bartlett LLP regarding certain tax matters.*
10.1	Form of Limited Partnership Agreement of Carlyle Holdings I L.P.*
10.2	Form of Limited Partnership Agreement of Carlyle Holdings II L.P.*
10.3	Form of Limited Partnership Agreement of Carlyle Holdings III L.P.*
10.4	Form of Tax Receivable Agreement.*
10.5	Form of Exchange Agreement.*
10.6	Form of Registration Rights Agreement with Senior Carlyle Professionals.*
10.7	Registration Rights Agreement with MDC/TCP Investments (Cayman) I, Ltd., MDC/TCP Investments (Cayman) II, Ltd., MDC/TCP Investments (Cayman) III, Ltd., MDC/TCP Investments (Cayman) IV, Ltd., MDC/TCP Investments (Cayman) V, Ltd., MDC/TCP Investments (Cayman) VI, Ltd., and Five Overseas Investment L.L.C.*
10.8	Registration Rights Agreement with California Public Employees' Retirement System.*
10.9	Form of Equity Incentive Plan.*
10.10	Noncompetition Agreement with William E. Conway, Jr.*
10.11	Noncompetition Agreement with Daniel A. D'Aniello.*
10.12	Noncompetition Agreement with David M. Rubenstein.*
10.13	Amended and Restated Employment Agreement with Adena T. Friedman.*
10.14	Note And Unit Subscription Agreement, dated as of December 16, 2010, by and among TC Group, L.L.C., TC Group Cayman, L.P., TC Group Investment Holdings, L.P., TC Group Cayman Investment Holdings, L.P., TCG Holdings, L.L.C., TCG Holdings Cayman, L.P., TCG Holdings II, L.P., TCG Holdings Cayman II, L.P., Fortieth Investment Company L.L.C., MDC/TCP Investments (Cayman) I, Ltd., MDC/TCP Investments (Cayman) II, Ltd., MDC/TCP Investments (Cayman) III, Ltd., MDC/TCP Investments (Cayman) IV, Ltd., MDC/TCP Investments (Cayman) V, Ltd., MDC/TCP Investments (Cayman) VI, Ltd., and Five Overseas Investment L.L.C.*
10.15	Lease, dated January 10, 2011 between Commonwealth Tower, L.P. and Carlyle Investment Management L.L.C.
10.16	Lease, dated April 16, 2010 between Teachers Insurance and Annuity Association of America and Carlyle Investment Management L.L.C.
21.1	Subsidiaries of the Registrant*
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Ernst & Young Accountants LLP.
23.3	Consent of Simpson Thacher & Bartlett LLP (included as part of Exhibit 5.1).*
24.1	Power of Attorney**

* To be filed by amendment.

** Previously filed.

ITEM 17. UNDERTAKINGS

(1) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or

proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

(2) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(3) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(4) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Washington, D.C., on the 7th day of November, 2011.

The Carlyle Group L.P.

By: Carlyle Group Management L.L.C.,
its general partner

By: /s/ Adena T. Friedman
Name: Adena T. Friedman
Title: Chief Financial Officer

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on the 7th day of November, 2011.

<u>Signature</u>	<u>Title</u>
* _____ William E. Conway, Jr.	Co-Chief Executive Officer and Director (co-principal executive officer)
* _____ Daniel A. D'Aniello	Chairman and Director (co-principal executive officer)
* _____ David M. Rubenstein	Co-Chief Executive Officer and Director (co-principal executive officer)
/s/ Adena T. Friedman _____ Adena T. Friedman	Chief Financial Officer (principal financial officer)
* _____ Curtis L. Buser	Chief Accounting Officer (principal accounting officer)

* By: /s/ Adena T. Friedman

Attorney-in-fact

DEED OF LEASE

**COMMONWEALTH TOWER, L.P.,
a Delaware limited partnership**

Landlord

and

**CARLYLE INVESTMENT MANAGEMENT L.L.C.,
a Delaware limited liability company**

Tenant

**1300 Wilson Boulevard
Arlington, Virginia**

January 10, 2011

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DEED OF LEASE

THIS DEED OF LEASE (this “Lease”) is made as of January 10th, 2011 (the “Effective Date”), between COMMONWEALTH TOWER, L.P., a Delaware limited partnership (“Landlord”), and CARLYLE INVESTMENT MANAGEMENT L.L.C., a Delaware limited liability company (“Tenant”).

Landlord and Tenant hereby agree as follows:

**ARTICLE 1
BASIC LEASE PROVISIONS**

PREMISES	<p>If Landlord does not timely deliver the Swap Notice to Tenant under Section 2.1(b), the twelfth (12th) floor (the “Twelfth Floor Premises”), the thirteenth (13th) floor (the “Thirteenth Floor Premises”) and the fourteenth (14th) floor (the “Fourteenth Floor Premises”) of the Building and storage space on the B-2 level (Unit B-200) of the Building, all as more particularly shown on Exhibit A-Floor Plan</p> <p>If Landlord timely delivers the Swap Notice to Tenant under Section 2.1(b), the eleventh (11th) floor (the “Eleventh Floor Premises”), the twelfth (12th) floor (the “Twelfth Floor Premises”) and the thirteenth (13th) floor (the “Thirteenth Floor Premises”) of the Building and storage space on the B-2 level (Unit B-200) of the Building, all as more particularly shown on Exhibit A-Floor Plan</p>
BUILDING	The building, fixtures, equipment and other improvements and appurtenances now located or hereafter erected, located or placed upon the Land and commonly known as 1300 Wilson Boulevard, Arlington, Virginia
PARKING FACILITY	The parking structure, fixtures and other improvements and appurtenances now located or hereafter erected, located or placed upon the Land
LAND	The real property described on Exhibit A-1-Land to this Lease
PROJECT	The Land, the Building, the Common Areas and the Parking Facility
COMMENCEMENT DATE	With respect to an applicable floor of the Premises, the earlier of (i) the Rent Commencement Date for such floor or (ii) the date on which Tenant occupies such floor or any portion thereof for the conduct of Tenant’s business

**RENT COMMENCEMENT
DATE**

If Landlord does not timely deliver the Swap Notice to Tenant under Section 2.1(b):

Twelfth Floor Premises: July 1, 2012, subject to extension on a day for day basis for each day of Landlord Delay or Access Delay with respect to the Twelfth Floor Premises

Thirteenth Floor Premises: May 1, 2012, subject to extension on a day for day basis for each day of Landlord Delay or Access Delay with respect to the Thirteenth Floor Premises

Fourteenth Floor Premises: January 1, 2012, subject to extension on a day for day basis for each day of Landlord Delay or Access Delay with respect to the Fourteenth Floor Premises

Storage Space: January 1, 2012

If Landlord timely delivers the Swap Notice to Tenant under Section 2.1(b):

Eleventh Floor Premises: July 1, 2012, subject to extension on a day for day basis for each day of Landlord Delay or Access Delay with respect to the Eleventh Floor Premises

Twelfth Floor Premises: May 1, 2012, subject to extension on a day for day basis for each day of Landlord Delay or Access Delay with respect to the Twelfth Floor Premises

Thirteenth Floor Premises: January 1, 2012, subject to extension on a day for day basis for each day of Landlord Delay or Access Delay with respect to the Thirteenth Floor Premises

Storage Space: January 1, 2012

EXPIRATION DATE

June 30, 2022, as such date might be extended or sooner terminated as provided in this Lease

TERM

The period that begins on the Commencement Date and, unless this Lease is sooner terminated, ends on the Expiration Date

PERMITTED USES

Executive and general offices and uses accessory or incidental thereto

BASE YEAR

Calendar year 2011

**TENANT'S
PROPORTIONATE SHARE**

The percentage equal to a fraction, the numerator of which is the Area of the Premises and the denominator of which is the Area of the Building

If Landlord does not timely deliver the Swap Notice to Tenant under Section 2.1(b), Tenant's Proportionate Share for the initial Premises shall be 19.720203%, subject to adjustment as set forth in Section 2.4

If Landlord timely delivers the Swap Notice to Tenant under Section 2.1(b), Tenant's Proportionate Share for the initial Premises shall be 19.79214%, subject to adjustment as set forth in Section 2.4

AREA OF THE BUILDING

357,258 rentable square feet, subject to adjustment as set forth in Section 2.4

AREA OF THE PREMISES

If Landlord does not timely deliver the Swap Notice to Tenant under Section 2.1(b), 70,452 rentable square feet, subject to adjustment as set forth in Section 2.4, with the Twelfth Floor Premises containing 23,588 rentable square feet, the Thirteenth Floor Premises containing 23,532 rentable square feet and the Fourteenth Floor Premises containing 23,332 rentable square feet

If Landlord timely delivers the Swap Notice to Tenant under Section 2.1(b), 70,709 rentable square feet, subject to adjustment as set forth in Section 2.4, with the Eleventh Floor Premises containing 23,589 rentable square feet, the Twelfth Floor Premises containing 23,588 rentable square feet and the Thirteenth Floor Premises containing 23,532 rentable square feet

FIXED RENT

Eleventh Floor Premises (If Landlord timely delivers the Swap Notice to Tenant under Section 2.1(b)):

Period	Fixed Rent <i>per annum</i> per square foot of Area of the Eleventh Floor Premises
July 1, 2012 — August 31, 2012	\$52.00
September 1, 2012 — August 31, 2013	\$53.30
September 1, 2013 — August 31, 2014	\$54.63
September 1, 2014 — August 31, 2015	\$56.00

Period	Fixed Rent <i>per annum</i> per square foot of Area of the Eleventh Floor Premises
September 1, 2015 — August 31, 2016	\$57.40
September 1, 2016 — August 31, 2017	\$58.83
September 1, 2017 — August 31, 2018	\$60.30
September 1, 2018 — August 31, 2019	\$61.81
September 1, 2019 — August 31, 2020	\$63.36
September 1, 2020 — August 31, 2021	\$64.94
September 1, 2021 — Expiration Date	\$66.56

Twelfth Floor Premises:

Period	Fixed Rent <i>per annum</i> per square foot of Area of the Twelfth Floor Premises
If Landlord does not timely deliver the Swap Notice to Tenant under Section 2.1(b):	
July 1, 2012 — August 31, 2012	
If Landlord timely delivers the Swap Notice to Tenant under Section 2.1(b):	
May 1, 2012 — August 31, 2012	\$52.00
September 1, 2012 — August 31, 2013	\$52.00
September 1, 2013 — August 31, 2014	\$53.30
September 1, 2014 — August 31, 2015	\$54.63
September 1, 2015 — August 31, 2016	\$56.00
September 1, 2016 — August 31, 2017	\$57.40
September 1, 2017 — August 31, 2018	\$58.83
September 1, 2018 — August 31, 2019	\$60.30
September 1, 2019 — August 31, 2020	\$61.81
September 1, 2020 — August 31, 2021	\$63.36
September 1, 2021 - Expiration Date	\$64.94
	\$66.56

Thirteenth Floor Premises:

Period	Fixed Rent <i>per annum</i> per square foot of Area of the Thirteenth Floor Premises
If Landlord does not timely deliver the Swap Notice to Tenant under Section 2.1(b):	
May 1, 2012 — August 31, 2012	\$53.00
If Landlord timely delivers the Swap Notice to Tenant under Section 2.1(b):	
January 1, 2012 — August 31, 2012	\$53.00
September 1, 2012 — August 31, 2013	\$54.33
September 1, 2013 — August 31, 2014	\$55.68
September 1, 2014 — August 31, 2015	\$57.08
September 1, 2015 — August 31, 2016	\$58.50
September 1, 2016 — August 31, 2017	\$59.96
September 1, 2017 — August 31, 2018	\$61.46
September 1, 2018 — August 31, 2019	\$63.00
September 1, 2019 — August 31, 2020	\$64.58
September 1, 2020 — August 31, 2021	\$66.19
September 1, 2021 — Expiration Date	\$67.85

Fourteenth Floor Premises (If Landlord does not timely deliver the Swap Notice to Tenant under Section 2.1(b)):

Period	Fixed Rent per annum per square foot of Area of the Fourteenth Floor Premises
January 1, 2012 — August 31, 2012	\$53.00
September 1, 2012 — August 31, 2013	\$54.33
September 1, 2013 — August 31, 2014	\$55.68
September 1, 2014 — August 31, 2015	\$57.08
September 1, 2015 — August 31, 2016	\$58.50
September 1, 2016 — August 31, 2017	\$59.96
September 1, 2017 — August 31, 2018	\$61.46
September 1, 2018 — August 31, 2019	\$63.00
September 1, 2019 — August 31, 2020	\$64.58
September 1, 2020 — August 31, 2021	\$66.19
September 1, 2021 — Expiration Date	\$67.85

ADDITIONAL RENT All sums other than Fixed Rent payable by Tenant to Landlord under this Lease and any work letter, exhibits, riders or other attachments hereto, including Tenant's Tax Payment, Tenant's Operating Payment, late charges, overtime or excess service charges, supplemental water charges, damages, and interest and other costs related to Tenant's failure to perform any of its obligations under this Lease

RENT Fixed Rent and Additional Rent, collectively

INTEREST RATE The lesser of (i) four percent (4%) per annum above the then current Base Rate, and (ii) the maximum rate permitted by applicable law

PARKING ALLOCATION 1.5 parking contracts per 1,000 square feet of Area of the Premises (with such number of parking contracts being rounded to the nearest whole number) for use in the Parking Facility

TENANT'S ADDRESS FOR NOTICES Until Tenant commences business operations at the Premises:

Carlyle Investment Management L.L.C.
1001 Pennsylvania Avenue, NW
Suite 220 South
Washington, DC 20004
Attn: Chief Administrative Officer

and

Carlyle Investment Management L.L.C.
1001 Pennsylvania Avenue, NW
Suite 220 South
Washington, DC 20004
Attn: Controller

Copy to

Katten Muchin Rosenman LLP
2900 K Street, NW
North Tower — Suite 200
Washington, DC 20037
Attn: Bruce Kosub, Esq.

**TENANT'S ADDRESS FOR
NOTICES UNDER EXHIBIT C —
WORK AGREEMENT**

Copy to
Same as above

Commonwealth Tower, L.P.
c/o Tishman Speyer Properties, L.P.
45 Rockefeller Plaza, 7th Floor
New York, New York 10111
Attn: Chief Financial Officer

Copies to:

Commonwealth Tower, L.P.
c/o Tishman Speyer Properties, L.P.
1875 Eye Street, NW, Suite 300
Washington, DC 20006
Attn: Regional Manager and Property Manager

and

Commonwealth Tower, L.P.
c/o Tishman Speyer Properties, L.P.
45 Rockefeller Plaza, 7th Floor
New York, New York 10111
Attn: Chief Legal Officer

and

**LANDLORD'S ADDRESS FOR
NOTICES UNDER EXHIBIT C —
WORK AGREEMENT**

Commonwealth Tower, L.P.
c/o Tishman Speyer
1875 Eye Street, NW, Suite 300
Washington, DC 20006
Attn: Rustom A. Cowasjee

Copies to:

Commonwealth Tower, L.P.
c/o Tishman Speyer
1875 Eye Street, NW, Suite 300
Washington, DC 20006
Attn: Cynthia H. Bowden

and:

Copies to:

Commonwealth Tower, L.P.
c/o Tishman Speyer
45 Rockefeller Plaza, 7th Floor
New York, New York 10111
Attn: Chief Legal Officer

**LANDLORD'S ADDRESS
FOR PAYMENT**

Commonwealth Tower, L.P.
P.O. Box 905448
Charlotte, N.C. 28290-5448

or if by FedEx, UPS or other overnight delivery to:

JP Morgan Chase
806 Tyvola Road, Suite 108
Charlotte, N.C. 28217
Attn: Commonwealth Tower, L.P., Lockbox 905448

TENANT'S BROKER

CB Richard Ellis

LANDLORD'S AGENT

Tishman Speyer Properties, L.P. or any other person designated at any time and from time to time by Landlord as Landlord's Agent and their successors and assigns

**LANDLORD'S
CONTRIBUTION**

The product of \$75.00 multiplied by the Area of the Premises

GUARANTOR

None

All capitalized terms used in this Lease without definition are defined in Exhibit B-Definitions or in the other exhibits, riders, schedules or other attachments to this Lease.

**ARTICLE 2
PREMISES, TERM, RENT**

Section 2.1 Lease of Premises.

(a) Subject to the terms of this Lease, Landlord leases to Tenant and Tenant leases from Landlord the Premises for the Term. In addition, Landlord grants to Tenant the right to use, on a non-exclusive basis and in common with other tenants, the Common Areas. Landlord represents and warrants to Tenant that Landlord owns fee simple title to the Project as of the Effective Date.

(b) The Premises shall consist of the Twelfth Floor Premises, the Thirteenth Floor Premises and the Fourteenth Floor Premises unless Landlord delivers written notice to Tenant (the "Swap Notice") on or before January 15, 2011 that Landlord has elected to change the Premises. If Landlord timely delivers the Swap Notice, the Premises shall automatically consist of the Eleventh Floor Premises, the Twelfth Floor Premises and the Thirteenth Floor Premises. Landlord will deliver the Swap Notice to Tenant on or before January 15, 2011 if Landlord and a third-party have not executed a letter of intent on or before January 15, 2011 for such third-party to lease the Eleventh Floor Premises. If Landlord timely delivers the Swap Notice to Tenant, Landlord shall reimburse Tenant for all design fees incurred by Tenant for the Fourteenth Floor Premises prior to Tenant's receipt of the Swap Notice, not to exceed \$25,000, with such reimbursement to be made within thirty (30) days after Landlord's receipt from Tenant of invoices and any reasonably requested supporting documentation.

Section 2.2 Commencement Date.

(a) From and after the Effective Date, the terms and provisions of this Lease shall be fully binding on Landlord and Tenant, including prior to the occurrence of the Commencement Date.

(b) Tenant shall take possession of the Premises upon the Commencement Date; provided, however, that Landlord shall provide Tenant with access and use of the Premises (including, without limitation, use of the common areas, elevators and utilities in accordance with the terms of the Lease) prior to the Commencement Date for the purpose of completing the Tenant Improvements, on the later of January 1, 2011 or the date on which this Lease is fully executed and delivered. There shall be no postponement of the Commencement Date and/or the Rent Commencement Date due to any delay which results from any Tenant Delay. Notwithstanding anything to the contrary set forth herein, if Landlord fails to grant Tenant access and use of the Premises within sixty (60) days after the Effective Date ("Access Delay") through no fault of Tenant, the Rent Commencement Date and the Expiration Date shall be extended one day for each day of Access Delay through the day immediately preceding the date on which Landlord provides access and use of the Premises to Tenant. Further, notwithstanding the above to the contrary, in the event Landlord has not provided access and use of the Premises to Tenant

by June 1, 2011, Tenant shall be allowed to terminate this Lease and receive compensation for Tenant's architect and legal fees in connection with the Lease.

(c) Once the Commencement Date has been determined by Landlord, Landlord shall notify Tenant of the Commencement Date, the Rent Commencement Date, the Fixed Rent, the amount of Landlord's Contribution, Tenant's Proportionate Share, the Area of the Premises, the Area of the Building and the Expiration Date. Pending the delivery of any such notices, each of said items shall be as specified in the Basic Lease Provisions. Landlord's failure to deliver any of the foregoing notices shall not affect the determination of any of such dates or amounts. If Tenant fails to give Landlord written notice that Tenant contests Landlord's determination of any information contained in any commencement notice(s) within fifteen (15) days after Tenant receives such commencement notice, Tenant shall be deemed to have accepted such determination(s).

Section 2.3 Payment of Rent. Tenant shall pay to Landlord at Landlord's Address for Payment, or at such other place as Landlord shall designate in writing from time to time, without notice or demand, and except as may be expressly set forth in this Lease, without any set-off, counterclaim, abatement or deduction whatsoever, in lawful money of the United States (i) Fixed Rent in equal monthly installments, in advance, on the first (1st) day of each month during the Term, beginning on the Rent Commencement Date, and (ii) Additional Rent, at the times and in the manner set forth in this Lease.

Section 2.4 Area of Premises and Building. Landlord and Tenant agree that the Area of the Premises and the Area of the Building set forth in Article 1 shall be conclusive and binding on both parties regardless of any measurement of the Premises and/or of the Building after the Effective Date.

Section 2.5 Access. To the extent Landlord provides Tenant access to any portion of the Premises prior to the Commencement Date, Tenant shall be bound by and comply with all of the terms of this Lease other than the obligation to pay Fixed Rent, Tenant's Tax Payment and Tenant's Operating Payment or for Tenant's use of electricity.

Section 2.6 Deed of Lease/Landlord's Agent for Service of Process. For purposes of Section 55-2, Code of Virginia (1950), as amended, this Lease is and shall be deemed to be a deed of lease. For purposes of Section 55-218.1, Code of Virginia (1950), as amended, Landlord's resident agent for service of process is: National Registered Agents, Inc., 526 King Street, Alexandria, Virginia 22314.

ARTICLE 3 USE AND OCCUPANCY; PARKING

Section 3.1 Permitted Uses. Tenant shall not use or occupy the Premises for any purpose other than for the Permitted Uses. Tenant shall not use or occupy or permit the use or occupancy of any part of the Premises in a manner constituting a Prohibited Use. Tenant, at Tenant's expense, shall procure and at all times maintain and comply with the terms and conditions of all licenses and permits required for the lawful conduct of the Permitted Uses in the Premises that are specific to Tenant.

Section 3.2 Parking Facility.

(a) Except as set forth in this Lease to the contrary, Landlord shall arrange for and cause the Parking Allocation to be available to Tenant throughout the Term.

(b) No later than sixty (60) days before the date on which Tenant intends to commence its business operations at the Premises, Tenant shall notify Landlord in writing of Tenant's desire to obtain all or a specified number of the Parking Allocation and Tenant shall enter into parking contracts with the Parking Facility tenant or operator (as applicable, the "Operator"). If Tenant elects not to request monthly parking contracts for any portion of the Parking Allocation within such sixty (60) day period, or if Tenant subsequently elects not to continuously maintain or cause to be maintained any such parking contracts, Tenant shall nonetheless have the right to elect at any later date(s) to utilize Tenant's full Parking Allocation (or a portion thereof, if Tenant so elects) by providing Landlord and the Operator with at least sixty (60) days prior written notice of such election, which notice shall also state the number of additional contracts that Tenant desires to utilize and the date(s) on which Tenant would like such contract(s) to commence (which date(s) must be the first day of a calendar month). Landlord shall ensure that there shall at all times be a sufficient number of parking spaces available up to the amount of Tenant's Parking Allocation upon Landlord's receipt of the required notice as described above.

(c) Landlord shall provide, or shall cause the Operator to provide, 24-hour, 7 days a week, 52 weeks a year access (except for during emergencies) to the Parking Facility for each of Tenant's parking contracts.

(d) Tenant shall be directly responsible to the Operator for the payment of any and all fees or charges due in connection with the unreserved parking contracts. The unreserved parking contracts shall contain the same terms and conditions as are normally contained in such contracts with other monthly unreserved parking customers at the Building, and the monthly rate to be paid by Tenant shall be the prevailing monthly rate normally charged to other monthly unreserved parking customers, said rate to increase and decrease as the prevailing monthly parking rate for such other applicable monthly unreserved parking customers increases and decreases from time to time, but shall not increase more than once per calendar year.

(e) Tenant acknowledges that Landlord or the Operator may temporarily relocate, or specifically designate the location of, Tenant's parking spaces from time to time as a result of an emergency or casualty at the Building. Tenant agrees that it and its employees shall observe reasonable safety precautions in the use of the Parking Facility and shall at all times abide by all reasonable rules and regulations promulgated by Landlord or Operator governing the use of the Parking Facility. Landlord does not assume any responsibility for any damage or loss to any automobiles parked in the Parking Facility or to any personal property located therein, or for any injury sustained by any person in or about the Parking Facility. Except in connection with a permitted assignment of this Lease or a permitted sublease of the Premises or a portion thereof or the use of parking by Tenant's customers, clients, visitors, employees and other business invitees, neither Tenant nor any Tenant employee nor any other party claiming by, through or under Tenant shall assign, sublet, license or otherwise transfer or allow the use of any of Tenant's parking rights under this Lease.

(f) Tenant's parking rights shall be for non-reserved parking spaces; provided, however, two (2) parking spaces of Tenant's Parking Allocation shall be reserved parking spaces at no cost to Tenant (except as Operating Expense pass-throughs as set forth in Article 7). Landlord reserves the right to require that all or a portion of Tenant's Parking Allocation be for tandem, stacked, valet and such other parking arrangements as Landlord or the Operator shall from time to time deem reasonably necessary for the Parking Facility.

(g) If Landlord or Operator prevent Tenant from enjoying one or more of Tenant's parking rights (other than resulting from the occurrence of an Event of Default), (i) Tenant shall not be required to pay the fee for the applicable parking permit(s) for such day for parking in the Parking Facility; and (ii) Landlord shall make arrangements for alternative parking for Tenant at another parking facility within reasonable proximity to the Building.

ARTICLE 4 CONDITION OF THE PREMISES

Section 4.1 Condition. Subject to Landlord's obligation to provide Landlord's Contribution and to perform the Slab Repair Work (both upon the terms set forth in this Lease), Tenant has inspected the Premises and agrees (i) to accept possession of the Premises in "as is" condition as of the Commencement Date; and (ii) that Landlord has no obligation to perform any work, supply any materials, incur any expense or make any alterations or improvements to prepare the Premises for Tenant's occupancy. Tenant's occupancy of any part of the Premises for the conduct of its ordinary business shall be conclusive evidence, as against Tenant, that Tenant has accepted possession of such part of the Premises in its then-current condition and that, at the time such possession was taken, such part of the Premises and the Building were in good and satisfactory condition as required by this Lease and the Work Agreement. The foregoing notwithstanding, Landlord represents and warrants that as of the Commencement Date the Base Building Systems and Common Areas are in good working condition and repair and are in material compliance with all Legal Requirements, but if at any time during the Term it is determined that such Base Building Systems were not in good working condition and repair on the Commencement Date, such systems shall be repaired or replaced by Landlord as necessary at Landlord's cost; and nothing contained herein is intended to relieve Landlord of its obligations of maintenance and repair and replacement set forth elsewhere in this Lease.

ARTICLE 5 ALTERATIONS

Section 5.1 Tenant's Alterations.

(a) Tenant shall be permitted to make Decorative Alterations without Landlord's consent. Tenant shall be permitted to make Permitted Alterations with Landlord's prior consent, which consent shall not be unreasonably withheld, conditioned or delayed. Tenant shall not make any Major Alterations without the prior written consent of Landlord, which consent may be withheld in Landlord's sole discretion.

"**Alterations**" means any alterations or additions in or about the Premises (including the initial Tenant Improvements).

“**Decorative Alterations**” means minor decorative or cosmetic Permitted Alterations that do not require the issuance of any permit, such as painting or the installation of wall coverings or floor coverings.

“**Permitted Alterations**” means Alterations that do not consist solely of Decorative Alterations and that (i) are non-structural, (ii) do not materially and adversely affect any Base Building Systems, (iii) affect only the Premises and are not visible from outside of the Premises, and (iv) do not affect the certificate of occupancy issued for the Building or the Premises.

“**Major Alterations**” means Alterations that are neither Decorative Alterations nor Permitted Alterations.

(b) Prior to making any Alterations (other than Decorative Alterations), Tenant, at Tenant’s expense, shall (i) submit to Landlord for its approval, detailed plans and specifications (“**Plans**”) of each proposed Alteration, and with respect to any Alteration affecting any Base Building System, evidence that the Alteration has been designed by, or reviewed and approved by, Landlord’s designated engineer for the affected Base Building System, (ii) obtain all permits, approvals and certificates required by any Governmental Authorities, (iii) furnish to Landlord duplicate original policies or certificates of worker’s compensation (covering all persons to be employed by Tenant, and Tenant’s contractors and subcontractors in connection with such Alteration) and commercial general liability (including property damage coverage) insurance and Builder’s Risk coverage (as described in Article 11) all in such form, with such companies, for such periods and in such amounts as Landlord may reasonably require and naming Landlord, Landlord’s Agent, any Lessor and any Mortgagee as additional insureds. Within ten (10) days after Landlord’s receipt of the Plans, Landlord shall endeavor to notify Tenant in writing as to whether Landlord approves or disapproves such Plans. If Landlord fails to approve or disapprove such Plans within such ten (10) day period, then Tenant shall have the right to deliver to Landlord a second (2nd) request for approval of the Plans, which request must state in all capital letters in 12 point font and bold print “SECOND AND FINAL REQUEST-LANDLORD HAS THREE (3) BUSINESS DAYS TO RESPOND” at the top of the first page of the request (the “**Second Alteration Approval Request**”). If Landlord fails within three (3) Business Days of Tenant’s delivery of a Second Alteration Approval Request to notify Tenant in writing whether Landlord approves or disapproves such Plans, then such Plans shall be deemed approved by Landlord. If Landlord disapproves any Plans, Landlord will provide reasonably detailed grounds for such disapproval, except that Landlord shall not be required to state any grounds for disapproving any Major Alterations other than identifying the basis for Landlord’s determination that such Alteration is a Major Alteration. Tenant shall give Landlord not less than two (2) Business Days’ notice prior to performing any Decorative Alteration, which notice shall contain a description of such Decorative Alteration. The Plans submission and approval provisions set forth in this Section shall not apply to the initial Tenant Improvements to be made at the Premises pursuant to Exhibit C-Work Agreement.

(c) Tenant, at Tenant’s expense, shall, as and when required, promptly obtain certificates of partial and final approval of such Alterations required by any Governmental Authority and shall furnish Landlord with copies thereof, together with “as-built” drawings for such Alterations (other than Decorative Alterations) prepared on an AutoCAD Computer Assisted Drafting and Design System {or such other system or medium as Landlord may

reasonably require), using naming conventions issued by the American Institute of Architects in June, 1990 (or such other naming conventions as Landlord may reasonably accept) and magnetic computer media of such record drawings and specifications translated in DWG format or another format acceptable to Landlord. This Section 5.1(c) shall not apply to the initial Tenant Improvements to be made at the Premises pursuant to Exhibit C-Work Agreement.

Section 5.2 Manner and Quality of Alterations. All Alterations shall be performed (a) in a good and workmanlike manner and free from material defects, (b) except in connection with Decorative Alterations (for which no Plans will be required), substantially in accordance with the Plans, and by contractors reasonably approved by Landlord, and (c) in compliance with all Requirements, the terms of this Lease and all construction procedures and regulations then reasonably prescribed by Landlord. All materials and equipment shall be of first quality and at least equal to the applicable standards for the Building then reasonably established by Landlord, and no such materials or equipment (other than Tenant's Property) shall be subject to any lien or other encumbrance.

Section 5.3 Removal of Tenant's Property. On or before the Expiration Date, Tenant, at Tenant's expense, shall remove Tenant's Property from the Premises. Unless otherwise directed by Landlord, on or before the Expiration Date, Tenant, at Tenant's expense, shall (i) remove all Specialty Alterations (as defined in Exhibit B-Definitions) and close up any slab penetrations at the Premises; and (ii) remove all other Alterations (other than Decorative Alterations). The foregoing notwithstanding, Tenant shall only be required to remove Specialty Alterations and/or other Alterations if at the time that Tenant submits its plans for such Specialty Alterations and/or other Alterations, at Tenant's written request, Landlord provides written notification to Tenant that Tenant will be required to remove such Specialty Alterations and/or Alterations on or before the Expiration Date. Tenant, at Tenant's expense, shall repair and restore in a good and workmanlike manner any damage to the Premises and/or the Building caused by Tenant's removal of Tenant's Property and any Alterations. If Tenant fails to so remove any of Tenant's Property and/or any Alterations that Tenant is required to remove, the same shall be deemed abandoned and Landlord may remove and dispose of same, and repair and restore any damage caused thereby, at Tenant's expense, and without accountability to Tenant. All Alterations that Landlord does not require Tenant to remove as aforesaid shall become Landlord's property upon the expiration or earlier termination of this Lease. The foregoing notwithstanding, Tenant shall have no obligation (i) if Landlord does not timely deliver the Swap Notice to Tenant under Section 2.1(b), to reinstall the internal staircase between the fourteenth (14th) and fifteenth (15th) floors (i.e., the Slab Repair Work stairwell if Landlord does not timely deliver the Swap Notice to Tenant under Section 2.1(b)); (ii) if Landlord timely delivers the Swap Notice to Tenant under Section 2.1(b), to reinstall the internal staircase between the thirteenth (13th) and fourteenth (14th) floors (i.e., the Slab Repair Work stairwell if Landlord timely delivers the Swap Notice to Tenant under Section 2.1(b)); (iii) to close up any slab and/or stairwell penetrations or to remove any stairwells (whether now or hereafter created or installed) at the Premises, (iv) to remove any cables or wiring, (v) to remove any raised computer floors, and (vi) to remove any Supplemental HVAC Units and related equipment on any floor of the Premises so long as Tenant does not leave more than two (2) such Supplemental HVAC Units on any floor of the Premises, upon the expiration or earlier termination of this Lease.

Section 5.4 Mechanic's Liens. Tenant, at Tenant's expense, shall discharge any lien or charge recorded or filed against the Project in connection with any work done or claimed to have been done by or on behalf of, or materials furnished or claimed to have been furnished to, Tenant, within twenty-five (25) days after Tenant's receipt of notice thereof by payment, filing the bond required by law or otherwise in accordance with law.

Section 5.5 Labor Relations. [intentionally omitted].

Section 5.6 Tenant's Costs. Tenant shall pay promptly to Landlord, upon demand, for (a) all reasonable and documented out-of-pocket, third-party costs incurred by Landlord in connection with the review of any Alterations plans, and (b) the time reasonably spent by Landlord's personnel to operate elevators or otherwise to facilitate Tenant's Alterations, which time shall be charged at the hourly rate that Landlord normally charges for such personnel's services. If Tenant's Alterations (exclusive of any Decorative Alterations) cost more than \$50,000, Tenant shall pay to Landlord, upon demand, an administrative fee in an amount equal to one percent (1%) of the total cost of such Alterations. At Landlord's request, Tenant shall deliver to Landlord reasonable supporting documentation evidencing the hard and soft costs incurred by Tenant in designing and constructing any Alterations. This Section 5.6 shall not apply to the initial Tenant Improvements to be made at the Premises pursuant to Exhibit C-Work Agreement.

Section 5.7 Tenant's Equipment. Tenant shall provide notice to Landlord prior to moving any heavy machinery, heavy equipment, freight, bulky matter or fixtures (collectively, "**Equipment**") into or out of the Building and shall pay to Landlord any reasonable costs actually incurred by Landlord in connection therewith. If such Equipment requires special handling, Tenant agrees (a) to employ only persons holding all necessary licenses to perform such work, (b) all work performed in connection therewith shall comply with all applicable Requirements and (c) such work shall be done only during hours reasonably designated by Landlord. The foregoing notwithstanding, Landlord will not charge any fee under this Section 5.7 in connection with Tenant's installation of normal office equipment in the Premises (including, without limitation, Supplemental HVAC Units, photocopiers and conference room tables) in connection with the initial Tenant Improvements to be made at the Premises pursuant to Exhibit C-Work Agreement provided that such equipment reasonably can and is transported to the Premises via the Building freight elevator (and not, for example, by way of a rooftop hoist that involves the removal of a Premises window).

Section 5.8 Legal Compliance. The approval of Alteration Plans, or consent by Landlord to the making of any Alterations, does not constitute Landlord's representation that such Alteration Plans or Alterations comply with any Requirements. Landlord shall not be liable to Tenant or any other party in connection with Landlord's approval of any Alteration Plans, or Landlord's consent to Tenant's performing any Alterations. If any Alterations made by or on behalf of Tenant, require Landlord to make any alterations or improvements to any part of the Building in order to comply with any Requirements, Tenant shall pay all reasonable costs and expenses actually incurred by Landlord, without markup, in connection with such alterations or improvements.

Section 5.9 Floor Load. Tenant shall not place a load upon any floor of the Premises that exceeds eighty (80) pounds per square foot “live-load” or twenty (20) pounds per square foot “dead-load” without Landlords prior written consent, which consent shall not to be unreasonably withheld, conditioned or delayed. Landlord reserves the right to reasonably designate in consultation with a licensed structural engineer (if reasonably necessary) the position of all Equipment which Tenant wishes to place within the Premises, and to place reasonable limitations on the weight thereof.

ARTICLE 6 REPAIRS

Section 6.1 Landlord’s Repair and Maintenance. Landlord shall operate, maintain and, except as provided in Section 6.2 hereof, make all necessary repairs (both structural and nonstructural) to (i) the Base Building Systems, (ii) the Common Areas, in conformance with standards applicable to Comparable Buildings, (iii) the structural and exterior components of the Building including, without limitation, the exterior (e.g., walls {excluding interior surface drywall and related studs) and windows) of the Building, all slabs and slab penetrations {including any damage or defects in the Slab Repair Work), the common corridor surface of demising walls, exterior doors and windows, load bearing elements, foundations, Common Area stairways, roof and roof membrane, (iv) Tenant’s signage located within the Common Areas, (v) elevators, Common Area elevator lobbies and Building standard restrooms, (vi) subject to Section 11.2(b) and except to the extent caused by Tenant, any damage to the Premises, Tenant Improvements or other Alterations resulting from leaks from the Base Building Systems (including, without limitation, leaks from the roof or exterior walls), and (vi) non-Specialty Alteration lightbulbs, lamps and ballasts located in the Premises and in the Common Areas and, to the extent applicable in accordance with Article 7 below, the cost of such repairs, maintenance and replacements will be included in Operating Expenses. Landlord shall make all repairs with due diligence and due care in a good and workmanlike manner and in compliance with all applicable Requirements.

Section 6.2 Tenant’s Repair and Maintenance. Tenant shall promptly, at Tenant’s expense and in compliance with Article 5, make all nonstructural repairs to the Premises and all repairs to the fixtures, plate glass (excluding the exterior windows), Specialty Alterations, equipment and appurtenances located within or exclusively serving the Premises including all electrical and plumbing systems from the point of connection to the Base Building System and all supplemental heating, ventilation and air conditioning systems exclusively serving the Premises or, if this Lease expressly provides that the Premises will be served by the HVAC System, any alterations or improvements to the HVAC System made or caused to be made by Tenant (collectively, “**Tenant Fixtures**”) as and when needed to preserve the Premises in good working order and condition, except for reasonable wear and tear, leaks from Base Building Systems (including, without limitation, leaks from the roof or exterior walls), damage by casualty or condemnation, and damage for which Tenant is not responsible (e.g., damage caused by the actions or omissions of another tenant, Landlord, or their respective invitees). Subject to Section 11.2(b), all damage to the Building or to any portion thereof or to any Tenant Fixtures requiring structural or nonstructural repair caused by or resulting from any negligent act or omission, or improper conduct of a Tenant Party or the moving of Tenant’s Property or Equipment into, within or out of the Premises by a Tenant Party, shall be repaired at Tenant’s

expense by Tenant or by Landlord in accordance with the allocation of repair responsibilities set forth in Article 11. All Tenant repairs shall be of good quality utilizing new construction materials and in compliance with Article 5.

Section 6.3 Restorative Work. Landlord reserves the right to make all changes, alterations, additions, improvements, repairs or replacements to the Building and Base Building Systems, including changing the arrangement or location of entrances or passageways, doors and doorways, corridors, elevators, stairs, toilets or other Common Areas (collectively, "Restorative Work"), as Landlord reasonably deems necessary or desirable, and to take all materials into the Premises required for the performance of such Restorative Work, provided that (a) the level of any Building service shall not decrease in any material respect from the level required of Landlord in this Lease as a result thereof (other than temporary changes in the level of such services during the performance of any such Restorative Work) and (b) Tenant is not deprived of reasonable access to the Premises or the Parking Facility. Landlord shall use reasonable efforts to minimize interference with Tenant's use and occupancy of the Premises during the performance of such Restorative Work. Except as set forth in Section 10.13 and Section 15.6 hereof and any other applicable provision set forth in this Lease, there shall be no Rent abatement or allowance to Tenant for a diminution of rental value, no actual or constructive eviction of Tenant, in whole or in part, no relief from any of Tenant's other obligations under this Lease, and no liability on the part of Landlord by reason of inconvenience, annoyance or injury to business arising from Landlord, Tenant or others performing, or failing to perform, any Restorative Work.

ARTICLE 7 TAXES AND OPERATING EXPENSES

Section 7.1 Definitions.

- (a) "**Assessed Valuation**" shall mean the amount for which the Project is assessed by any applicable Governmental Authority for the purpose of imposition of Taxes.
- (b) "**Base Operating Expenses**" shall mean the Operating Expenses for the Base Year.
- (c) "**Base Taxes**" shall mean the Taxes payable on account of the Base Year.
- (d) "**Calendar Year**" shall mean each calendar year, all or any portion of which falls during the Term.
- (e) "**Comparison Year**" shall mean any Calendar Year commencing subsequent to the Base Year.
- (f) "**Operating Expenses**" shall mean the aggregate of all reasonable costs and expenses paid or incurred by or on behalf of Landlord in connection with the ownership, operation, repair and maintenance of the Project, including, but not limited to, the following:
 - (i) any capital improvement made after the Base Year if such capital improvement either (A) is reasonably intended to result in a reduction in Operating Expenses

(e.g., a labor-saving improvement) provided the amount included in Operating Expenses in any Comparison Year shall not exceed an amount equal to the savings reasonably determined or anticipated by Landlord to result from the installation and operation of such improvement, and/or (B) is made during any Comparison Year to comply with Requirements, exclusive of any costs incurred to remedy any Requirements violation existing on or prior to the Commencement Date. Such capital improvements shall be amortized (with interest at the Base Rate) on a straight-line basis over such period as Landlord shall reasonably determine, and the amount included in Operating Expenses in any Comparison Year shall be equal to the annual amortized amount;

(ii) costs of maintaining and operating (including the reasonable rental value thereof, but not for more than 1,500 square feet of rentable area) the management and engineering offices, if any, for the Building;

(iii) costs incurred by Landlord in establishing, equipping, maintaining, repairing and operating (including the reasonable rental value thereof) any Building amenities or services intended by Landlord for the general benefit of tenants of the Building such as any concierge service (whether located at the Building or made available to Building tenants from an off-site location) and to the extent such Building amenities or services are made available to Building tenants from an off-site location, such costs shall be proportionately shared among the applicable buildings (including the Building) based upon the rentable square footages of the applicable buildings (including the Building);

(iv) costs of maintaining the sidewalks, landscaping and other improvements adjacent to the Project including, without limitation, costs of cleaning, removing snow and spreading salt; feeding trees; removing trash from tree boxes; and adding mulch to tree boxes;

(v) electricity costs other than Premises Electricity and the equivalent of Premises Electricity provided to any other tenanted space at the Building;

(vi) water and other utility costs;

(vii) costs of all insurance (including any terrorism insurance) maintained by Landlord in connection with the Project and/or Landlord's equipment, fixtures and personal property used in connection therewith; and

(viii) a property management fee in the amount of three percent (3%) of gross rents and revenues received by Landlord from the Project (including, without limitation, Operating Expense and Tax pass-throughs and reimbursements) and all items reimbursable to the Building property manager pursuant to any management contract for the Building.

Except as might be expressly set forth in this Lease to the contrary, Operating Expenses shall be calculated in accordance with customary practices employed by other comparable owners of Comparable Buildings. Landlord shall not seek or be entitled to capture more than 100% of the actual amount incurred by Landlord for Operating Expenses. Operating Expenses shall not include any Excluded Expenses. Landlord shall at all times use reasonable efforts to operate the Building in an efficient and cost effective manner consistent with the operation of Comparable Buildings.

If during all or part of the Base Year or any Comparison Year, Landlord does not furnish any particular item of work or service to a particular leasable portion of the Building and the cost of such item would constitute an Operating Expense and the cost would vary with the Building's occupancy level or if any tenant of the Building does not normally use a specific Building area or improvement (e.g., a first (1st) floor retail tenant with an exterior premises entrance door does not normally use the Building's passenger elevators), then, for purposes of computing Operating Expenses for such period, the amount included in Operating Expenses for such period shall be increased by an amount equal to the costs that Landlord reasonably determines would have been incurred during such period if Landlord had furnished such item of work or service to such portion of the Building or if all tenants of the Building had normally used such Building area or improvement; provided, however, if the result of such computation would be for Landlord to be reimbursed for such expenditures in excess of the expenses actually incurred by Landlord for such items, then the foregoing amount shall be reduced by such excess.

In determining the amount of Operating Expenses for the Base Year or any Comparison Year, if less than ninety-five percent (95%) of the Building rentable area is occupied by tenants at any time during the Base Year or any such Comparison Year, then Operating Expenses which vary with occupancy (but not with respect to any Operating Expenses that do not vary with the occupancy level of the Building) shall be determined for the Base Year or such Comparison Year to be an amount equal to the like expenses which would normally be expected to be incurred had such occupancy been ninety-five percent (95%) throughout the Base Year or such Comparison Year; provided, however, if the result of such computation would be to have Landlord's expenditure, recoveries for such items exceed the actual cost of such items, then the foregoing amount shall be reduced by such excess. Notwithstanding the foregoing to the contrary, in the event the Building's occupancy is ninety-five percent (95%) or greater, none of the foregoing adjustments to Operating Expenses referenced in this paragraph shall be made.

To the extent that the Building shares facilities and/or services with other buildings, Operating Expenses shall include the portion of all costs, expenses and disbursements relating, to such shared facilities and services as Landlord reasonably allocates to the Building provided that if such expenses were incurred solely at or in connection with the Building, such expenses would otherwise constitute Operating Expenses hereunder. For example, if the property management office for the Building were located in another office building containing the same rentable area as the Building and such management office also serves as the property management office for such other building, Operating Expenses for the Building would include Landlord's reasonable allocation to the Building of the cost of maintaining and operating (including the reasonable rental value thereof, but not for more than the rentable area permitted above) the management offices at such other building.

(g) "**Statement**" shall mean a statement setting forth in reasonable detail a comparison of as applicable, either (i) the Base Taxes and the Taxes for an applicable Comparison Year, together with the amount of Tenant's Tax Payment for such Comparison Year, or (ii) the Base Operating Expenses and the Operating Expenses payable for any Comparison Year, together with the amount of Tenant's Operating Payment for such Comparison Year.

(h) "**Taxes**" shall mean (i) all real estate taxes, assessments, sewer and water rents, Business Improvement District assessments and charges and all other governmental levies, impositions or charges, whether general, special, ordinary, extraordinary, foreseen or unforeseen, which may be assessed, levied or imposed upon all or any part of the Project or in connection with the use thereof (including any transit, personal property, sales, rental, use, or occupancy taxes and other taxes and assessments), and (ii) all expenses (including reasonable attorneys' fees and disbursements and experts' and other witnesses' fees) incurred in contesting any of the foregoing or the Assessed Valuation of the Project (but such expenses will not be included in Base Taxes if incurred during the Base Year). Taxes shall not include (x) interest or penalties incurred by Landlord as a result of Landlord's late payment of Taxes, (y) franchise, transfer, gift, inheritance, estate, succession, excise, corporations, capital stock, net or excess profits taxes or income taxes imposed upon Landlord or Landlord's income and revenues, or (z) deed transfer, transfer of economic interests or recordation taxes. For purposes hereof, "**Taxes**" for any Calendar Year shall be deemed to be the Taxes which are assessed, levied or imposed for such Calendar Year regardless of when due or paid. If any Taxes are assessed on a fiscal year (rather than a Calendar Year), Landlord shall have the right to equitably allocate, such Taxes on a Calendar Year basis. If Landlord elects to pay any assessment in annual installments, then (i) such assessment shall be deemed to have been so divided and to be payable in the maximum number of installments permitted by law, and (ii) there shall be deemed included in Taxes for each Comparison Year the installments of such assessment becoming payable during such Comparison Year, together with interest payable during such Comparison Year on such installments and on all installments thereafter becoming due as provided by law, all as if such assessment had been so divided. If at any time the methods of taxation prevailing on the Effective Date shall be altered so that in lieu of or as an addition to the whole or any part of Taxes, there shall be assessed, levied or imposed (1) a tax, assessment, levy, imposition or charge based on the income or rents received from the Project whether or not wholly or partially as a capital levy or otherwise, (2) a tax, assessment, levy, imposition or charge measured by or based in whole or in part upon all or any part of the Project and imposed upon Landlord, (3) a license fee measured by the rents, or (4) any other tax, assessment, levy, imposition, charge or license fee however described or imposed, including business improvement district impositions and business, professional and occupational license fees, then all such taxes, assessments, levies, impositions, charges or license fees or the part thereof so measured or based shall be deemed to be Taxes.

Section 7.2 Tenant's Tax Payment.

(a) If the Taxes payable for any Comparison Year exceed the Base Taxes, Tenant shall pay to Landlord Tenant's Proportionate Share of such excess ("**Tenant's Tax Payment**"). Notwithstanding the foregoing, Tenant shall have no obligation to pay Tenant's Tax Payment until the earlier of (a) the first (1st) yearly anniversary of the date Tenant (or any party claiming by, through or under Tenant) occupies any part of the Premises for the conduct of Tenant's (or such other party's) business, or (b) September 1, 2012. For each Comparison Year, Landlord shall furnish to Tenant a written statement setting forth Landlord's reasonable estimate of Tenant's Tax Payment for such Comparison Year (the "**Tax Estimate**"). Tenant shall pay to Landlord on the first (1st) day of each month during such Comparison Year an amount equal to 1/12 of the Tax Estimate for such Comparison Year. If Landlord furnishes a Tax Estimate for a Comparison Year subsequent to the commencement thereof, then (i) until the first (1st) day of the

month following the month in which the Tax Estimate is furnished to Tenant, Tenant shall pay to Landlord on the first (1st) day of each month an amount equal to the monthly sum payable by Tenant to Landlord under this Section during the last month of the preceding Comparison Year, (ii) promptly after the Tax Estimate is furnished to Tenant or together therewith, Landlord shall give notice to Tenant stating whether the installments of Tenant's Tax Estimate previously made for such Comparison Year were greater or less than the installments of Tenant's Tax Estimate to be made for such Comparison Year in accordance with the Tax Estimate, and (x) if there shall be a deficiency, Tenant shall pay the amount thereof within fifteen (15) Business Days after demand therefor, or (y) if there shall have been an overpayment, Landlord shall credit the amount thereof against subsequent payments of Rent due hereunder, and (iii) on the first (1st) day of the month following the month in which the Tax Estimate is furnished to Tenant, and on the first (1st) day of each month thereafter throughout the remainder of such Comparison Year, Tenant shall pay to Landlord an amount equal to 1/12 of the Tax Estimate.

(b) As soon as reasonably practicable after Landlord has determined the Taxes for a Comparison Year, Landlord shall furnish to Tenant a Statement for such Comparison Year. If the Statement shows that the sums paid by Tenant under Section 7.2(a) exceeded the actual amount of Tenant's Tax Payment for such Comparison Year, Landlord shall credit the amount of such excess against subsequent payments of Rent due hereunder or, if the Term has expired, Landlord shall promptly pay within fifteen (15) Business Days after receipt of such Statement such amount to Tenant (net of any sums then owed by Tenant to Landlord). If the Statement for such Comparison Year shows that the sums so paid by Tenant were less than Tenant's Tax Payment for such Comparison Year, Tenant shall pay the amount of such deficiency within fifteen (15) Business Days after delivery of the Statement to Tenant.

(c) Only Landlord may institute proceedings to reduce the Assessed Valuation of the Project and the filings of any such proceeding by Tenant without Landlord's consent shall constitute an Event of Default. If the Taxes payable for the Base Year are reduced, the Base Taxes shall be correspondingly revised, the Additional Rent previously paid or payable on account of Tenant's Tax Payment hereunder for all Comparison Years shall be recomputed on the basis of such reduction, and Tenant shall pay to Landlord within fifteen (15) Business Days after being billed therefor, any deficiency between the amount of such Additional Rent previously computed and paid by Tenant to Landlord, and the amount due as a result of such recomputations. If Landlord receives a refund of Taxes for any Comparison Year, Landlord shall credit against subsequent payments of Rent due hereunder, an amount equal to Tenant's Proportionate Share of the refund, net of any expenses incurred by Landlord in achieving such refund, which amount shall not exceed Tenant's Tax Payment paid for such Comparison Year or, if the Term has expired, Landlord shall promptly pay within fifteen (15) Business Days after receipt of such refund of Taxes such amount to Tenant (net of any sums then owed by Tenant to Landlord). Landlord shall not be obligated to file any application or institute any proceeding seeking a reduction in Taxes or the Assessed Valuation. If Landlord secures an abatement or refund of any Taxes for any Comparison Year, Tenant shall receive Tenant's Proportionate Share of the amount of such abatement or refund (net of reasonable costs incurred not passed through as Operating Expenses) as a credit to be applied by Landlord against the next monthly rental payment(s) (unless no further Rent is due by Tenant hereunder and then Landlord shall pay Tenant's Proportionate Share of the amount of any abatement or refund to Tenant within fifteen (15) Business Days of Landlord's receipt of any such abatement or refund), and any expenses

incurred by Landlord in connection with obtaining such reduction shall be included in Operating Expenses.

(d) Tenant shall be responsible for any applicable occupancy or rent tax now in effect or hereafter enacted and, if such tax is payable by Landlord, Tenant shall promptly pay such amounts to Landlord, upon Landlord's demand.

(e) Tenant shall be obligated to make Tenant's Tax Payment regardless of whether Tenant may be exempt from the payment of any Taxes as the result of any reduction, abatement or exemption from Taxes granted or agreed to by any Governmental Authority, or by reason of Tenant's diplomatic or other tax-exempt status.

Section 7.3 Tenant's Operating Payment.

(a) If the Operating Expenses payable for any Comparison Year exceed the Base Operating Expenses, Tenant shall pay to Landlord Tenant's Proportionate Share of such excess ("**Tenant's Operating Payment**"). Notwithstanding the foregoing, Tenant shall have no obligation to pay Tenant's Operating Payment until the earlier of (a) the first (1st) yearly anniversary of the date Tenant (or any party claiming by, through or under Tenant) occupies any part of the Premises for the conduct of Tenant's (or such other party's) business, or (b) September 1, 2012. For each Comparison Year, Landlord shall furnish to Tenant a written statement setting forth Landlord's reasonable estimate of Tenant's Operating Payment for such Comparison Year (the "**Expense Estimate**"). Tenant shall pay to Landlord on the first (1st) day of each month during such Comparison Year an amount equal to 1/12 of the Expense Estimate. If Landlord furnishes an Expense Estimate for a Comparison Year subsequent to the commencement thereof, then (i) until the first (1st) day of the month following the month in which the Expense Estimate is furnished to Tenant, Tenant shall pay to Landlord on the first (1st) day of each month an amount equal to the monthly sum payable by Tenant to Landlord under this Section during the last month of the preceding Comparison Year, (ii) promptly after the Expense Estimate is furnished to Tenant or together therewith, Landlord shall give notice to Tenant stating whether the installments of Tenant's Operating Payment previously made for such Comparison Year were greater or less than the installments, of Tenant's Operating Payment to be made for such Comparison Year in accordance with the Expense Estimate, and (x) if there shall be a deficiency, Tenant shall pay the amount thereof within ten (10) Business Days after demand therefor, or (y) if there shall have been an overpayment, Landlord shall credit the amount thereof against subsequent payments of Rent due hereunder, and (iii) on the first (1st) day of the month following the month in which the Expense Estimate is furnished to Tenant, and on the first (1st) day of each month thereafter throughout the remainder of such Comparison Year, Tenant shall pay to Landlord an amount equal to 1/12 of Tenant's Operating Payment shown on the Expense Estimate.

(b) On or before May 1st of each Comparison Year, Landlord shall furnish to Tenant a Statement for the immediately preceding Comparison Year. If the Statement shows that the sums paid by Tenant under Section 7.3(a) exceeded the actual amount of Tenant's Operating Payment for such Comparison Year, Landlord shall credit the amount of such excess against subsequent payments of Rent due hereunder or, if the Term has expired, Landlord shall promptly pay such amount to Tenant (net of any sums then owed by Tenant to Landlord). If the

Statement shows that the sums so paid by Tenant were less than Tenant's Operating Payment for such Comparison Year, Tenant shall pay the amount of such deficiency within ten (10) Business Days after Tenant's receipt of the Statement.

Section 7.4 Non-Waiver; Disputes.

(a) Landlord's failure to render any Statement on a timely basis with respect to any Comparison Year shall not prejudice Landlord's right to thereafter render a Statement with respect to such Comparison Year or any subsequent Comparison Year, nor shall the rendering of a Statement prejudice Landlord's right to thereafter render a corrected Statement for that Comparison Year; provided that in all events Landlord shall provide a Statement to Tenant no later than eighteen (18) months after the end of the Calendar Year for which such Statement is rendered. The foregoing notwithstanding, there shall be no limit on the time during which Landlord must provide Tenant with written notice of a supplemental invoice with respect to any Contested Cost; provided, however, that Landlord shall use commercially reasonable efforts to diligently pursue the resolution of any such Contested Cost. A "Contested Cost" means any Operating Expenses, Taxes and charges for Excess Electrical Usage: (i) that Landlord contests during such eighteen (18) month period and/or (ii) for which Landlord did not receive an invoice prior to the expiration of such eighteen (18) month period.

(b) Each Statement sent to Tenant shall be conclusively binding upon Tenant unless (i) Tenant pays to Landlord when due the amount set forth in such Statement, without prejudice to Tenant's right to dispute such Statement, and (ii) within ninety (90) days after such Statement is sent, Tenant sends a notice to Landlord requesting a review of Landlord's books and records applicable to such Statement, in which case Tenant and its accountants shall have the right to review Landlord's books and records applicable to such Statement; provided, however, that if an error in excess of four percent (4%) is found to exist with respect to a particular Operating Expense category, then with regard to such expense category Tenant shall also have the ability to review and dispute such expense categories in the Statements issued for the then one (1) preceding Calendar Year (but not for any Calendar Year preceding such one (1) Calendar Year regardless of the results of the review of such Statement). With respect to each Statement, Landlord will maintain its applicable books and records for a period of at least three (3) years after such Statement is delivered to Tenant and thereafter during the pendency of any review thereof by Tenant pursuant to the terms of this Lease. Tenant agrees that Tenant will not employ, in connection with any dispute under this Lease with respect to a Statement, any person or entity who is to be compensated in whole or in part, on a contingency fee basis. If Tenant timely objects to a Statement and the parties do not resolve any dispute as to the correctness of such Statement within thirty (30) days following such notice of objection, either party may refer the issues raised to a nationally recognized public accounting firm selected by Landlord and reasonably acceptable to Tenant, and the decision of such accountants shall be conclusively binding upon Landlord and Tenant. In connection therewith, Tenant, such accountants and all other persons to whom Tenant gives any of the information obtained in connection with such review shall execute and deliver to Landlord a confidentiality agreement, in form and substance reasonably satisfactory to Landlord, whereby such parties agree not to disclose to any third party any of the information obtained in connection with such review. Tenant shall pay the fees and expenses relating to such procedure, unless such accountants determine that Landlord overstated Operating Expenses by more than four percent (4%) for such Comparison Year, in which case

Landlord shall pay such fees and expenses of the accounting firm selected by Landlord and Tenant as set forth above, and shall pay the reasonable fees and expenses of Tenant's accountants, within thirty (30) days following the decision of such accounting firm after receipt of written request.

Section 7.5 Proration. Tenant's Tax Payment and Tenant's Operating Payment for the applicable Calendar Year shall be apportioned on the basis of the number of days in the year from the date on which Tenant first becomes obligated to make such payments until December 31st of such calendar year. If the Expiration Date occurs on a date other than December 31st, Tenant's Tax Payment and Tenant's Operating Payment for the Calendar Year in which such Expiration Date occurs shall be apportioned on the basis of the number of days in the period from January 1st to the Expiration Date. Upon the expiration or earlier termination of this Lease, any Additional Rent under this Article shall be adjusted or paid within thirty (30) days after submission of the Statement for the last Calendar Year.

Section 7.6 No Reduction in Rent. If Operating Expenses or Taxes for any Comparison Year are less than the Base Operating Expenses or the Base Taxes (as applicable), such occurrence shall not entitle Tenant to a refund or any other payment nor shall it result in a reduction in the Rent payable under this Lease.

ARTICLE 8 REQUIREMENTS OF LAW

Section 8.1 Compliance with Requirements.

(a) Subject to the provisions of Section 6.2 regarding repairs, Tenant, at Tenant's expense, shall comply with all Requirements applicable to the Premises; provided, however, that Tenant shall not be obligated to comply with any Requirements requiring any structural alterations to the Building or any alterations to the Base Building Systems unless the application of such Requirements arises from (i) the specific manner and nature of Tenant's use or occupancy of the Premises, as distinct from general office use, (ii) Alterations made by Tenant, or (iii) a breach by Tenant of any provisions of this Lease. Any such repairs or alterations shall be made at Tenant's expense (1) by Tenant in compliance with Article 5 if such repairs or alterations are nonstructural and do not affect any Base Building System, or (2) by Landlord if such repairs or alterations are structural or affect any Base Building System. If Tenant obtains knowledge of any failure to comply with any Requirements applicable to the Premises, Tenant shall give Landlord prompt notice thereof.

(b) Tenant shall not cause or permit (i) any Hazardous Materials to be brought onto the Project by any Tenant Party, (ii) the storage or use of Hazardous Materials by a Tenant Party in any manner other than in full compliance with any Requirements, or (iii) the escape, disposal or release of any Hazardous Materials within or in the vicinity of the Building by any Tenant Party. Nothing herein shall be deemed to prevent Tenant's use of any Hazardous Materials customarily used in the ordinary course of office work or in the construction of leasehold improvements, but only during the period of Tenant's performance of the initial Tenant Improvements and any Alterations; provided that, in either such case, such use is in accordance with all Requirements. Tenant shall be responsible, at Tenant's expense, for all matters directly

or indirectly based on, or arising or resulting from the presence of Hazardous Materials at the Project which is caused or permitted by a Tenant Party. Tenant shall provide to Landlord copies of all communications received by Tenant with respect to any Requirements relating to Hazardous Materials, and/or any claims made in connection therewith. Landlord or its agents may perform environmental inspections of the Premises at any time upon reasonable prior notice (or without notice if Landlord believes an emergency exists).

(c) Landlord shall comply with (or cause to be complied with) all Requirements applicable to the Project which are not the obligation of Tenant as expressly set forth herein and which are not the obligation of any other tenant of the Building (except to the extent such non-compliance by such other tenants materially and adversely affects Tenant or its rights under this Lease).

(d) Tenant shall not cause or permit (to the extent within Tenant's control and obligations under the terms of the Lease) any action or condition that would (i) invalidate or conflict with Landlord's insurance policies, (ii) violate applicable rules, regulations and guidelines of the Fire Department or be inconsistent with the recommendations of any of the issuers of such policies or any other authority having jurisdiction over the Building, (iii) cause an increase in the premiums of fire insurance for the Building over that payable with respect to Comparable Buildings, or (iv) result in Landlord's insurance companies' refusing to insure the Building or any property therein in amounts and against risks as reasonably determined by Landlord. If fire insurance premiums increase as a result of Tenant's failure to comply with the provisions of this Section, Tenant shall promptly cure such failure and shall reimburse Landlord for the increased fire insurance premiums paid by Landlord as a result of such failure by Tenant.

Section 8.2 Fire and Life Safety. Any modifications to the Building fire alarm and life safety systems required by Tenant or completed as part of any Alterations shall be at Tenant's expense, subject to the application of Landlord's Contribution pursuant to the terms of the Exhibit C-Work Agreement. If the Fire Insurance Rating Organization or any Governmental Authority or any of Landlord's insurers requires or recommends any modifications and/or alterations be made or any additional equipment be supplied in connection with the sprinkler system or fire alarm and life-safety system serving the Building by reason of Tenant's use of the Premises or any portion thereof for purposes other than for the Permitted Use, any Alterations performed by Tenant or the location of the partitions, Tenant's Property, or other contents of the Premises, Landlord (to the extent outside of the Premises) or Tenant (to the extent within the Premises) shall make such modifications and/or Alterations, and supply such additional equipment, in either case at Tenant's expense.

ARTICLE 9 SUBORDINATION

Section 9.1 Subordination and Attornment.

(a) This Lease is subject and subordinate to all Mortgages and Superior Leases, and, at the request of any Mortgagee or Lessor, Tenant shall attorn to such Mortgagee or Lessor, its successors in interest or any purchaser in a foreclosure sale. Landlord shall use commercially reasonable efforts to deliver to Tenant a subordination, nondisturbance and

attornment agreement from Landlord's current and all future Mortgagees and Lessors on each such Mortgagee's or Lessor's standard form (an "SNDA"), which form shall be in a commercially reasonable form and which form shall be modified to address any Lease-specific provisions as such Mortgagee or Lessor might reasonably require; provided, however, with respect to any future Mortgagee(s), such subordination shall not be effective until a commercially reasonable SNDA modified as set forth above has been executed by the Mortgagee and delivered to Tenant. If Landlord fails to deliver to Tenant an SNDA from Landlord's current Mortgagee within thirty (30) days after the Effective Date (the "SNDA Period"), Tenant, as Tenant's sole remedy, shall have the right to terminate this Lease during the fifteen (15) day period immediately following the SNDA Period by delivering written notice to Landlord of such termination. If Tenant fails to terminate this Lease during such fifteen (15) day period, then Landlord's obligation to obtain an SNDA from Landlord's current Mortgagee as set forth herein shall be deemed null and void and Landlord shall have no further obligation to obtain an SNDA from Landlord's current Mortgagee. Landlord represents to Tenant that there is no Superior Lease as of the Effective Date.

(b) If a Lessor or Mortgagee or any purchaser at a foreclosure sale under the Mortgage, any transferee which acquires the Project by deed in lieu of foreclosure, and the successors and assigns of such purchaser(s) shall succeed to the rights of Landlord under this Lease, then at the request of the successor landlord and upon such successor landlord's written agreement to accept Tenant's attornment and to recognize Tenant's interest under this Lease, Tenant shall be deemed to have attorned to and recognized such successor landlord as Landlord under this Lease. The provisions of this Section are self-operative and require no further instruments to give effect hereto; provided, however, that Tenant shall promptly execute and deliver any instrument that such successor landlord may reasonably request (i) evidencing such attornment, (ii) setting forth the terms and conditions of Tenant's tenancy, and (iii) containing such other terms and conditions as may be required by such Mortgagee or Lessor, provided such terms and conditions do not increase the Rent, materially increase Tenant's obligations or materially and adversely affect Tenant's rights under this Lease. Upon such attornment this Lease shall continue in full force and effect as a direct lease between such successor landlord and Tenant upon all of the terms, conditions and covenants set forth in this Lease except that such successor landlord shall not be:

(i) liable for any act or omission of Landlord (except to the extent such act or omission continues beyond the date when such successor landlord succeeds to Landlord's interest and Tenant gives notice of such act or omission);

(ii) subject to any then existing monetary claim or counterclaim which Tenant may have against Landlord (except with respect to any unfunded amounts due and payable as part of Landlord's Contribution); provided, however, that Tenant shall retain any right to offset or abate its rental obligations to the extent previously exercised and/or available to Tenant under the terms of this Lease;

(iii) bound by any prepayment of more than one month's Rent to any prior landlord;

(iv) bound by any obligation to make any payment to Tenant which was required to be made prior to the time such successor landlord succeeded to Landlord's interest (except with respect to any unfunded amounts due and payable as part of Landlord's Contribution); provided, however, that Tenant shall retain any right to offset or abate its rental obligations to the extent previously exercised and/or available to Tenant under the terms of this Lease;

(v) bound by any obligation to perform any work or to make improvements to the Premises except for (x) repairs and maintenance required to be made by Landlord under this Lease, and (y) repairs to the Premises as a result of damage by fire or other casualty or a partial condemnation pursuant to the provisions of this Lease, but with respect to repairs referenced in clause (y) only to the extent that such repairs can reasonably be made from the net proceeds of any insurance or condemnation awards, respectively, actually made available to such successor landlord; provided, however, that Tenant shall retain any right to offset or abate its rental obligations to the extent previously exercised and/or available to Tenant under the terms of this Lease;

(vi) bound by any modification, amendment, or renewal of this Lease made without successor landlord's consent (but only to the extent such consent was required under the terms of the Mortgage and Tenant was notified in writing as to the existence of such Mortgage); or

(vii) liable for the repayment of any security deposit or surrender of any letter of credit, unless and until such security deposit actually is paid or such letter of credit is actually delivered to such successor landlord.

(c) Tenant shall from time to time within ten (10) days of request from Landlord execute and deliver any documents or instruments that may be reasonably required by any Mortgagee or Lessor to confirm any subordination.

(d) The foregoing notwithstanding, if a Lessor or Mortgagee or any other person or entity shall succeed to the rights of Landlord under this Lease, whether through possession or foreclosure action or the delivery of a new lease or deed and such Lessor, Mortgagee, person or entity is the beneficiary under an SNDA with Tenant, clauses (i) — (vii) of Section 9.1(b) shall not apply and such SNDA shall govern.

Section 9.2 Mortgage or Superior Lease Defaults. Any Mortgagee may elect that this Lease shall have priority over the Mortgage and, upon notification to Tenant by such Mortgagee, this Lease shall be deemed to have priority over such Mortgage, regardless of the date of this Lease. In connection with any financing of the Project, Tenant shall consent to any reasonable modifications of this Lease requested by any lending institution, provided such modifications do not increase the Rent, materially increase the obligations, or materially and adversely affect the rights, of Tenant under this Lease.

Section 9.3 Tenant's Termination Right. In the event Landlord defaults in the performance or observance of any of the terms, conditions or agreements in this Lease, Tenant shall give written notice thereof to Mortgagee and Mortgagee shall have the right (but not the

obligation) to cure such default. Tenant shall not take any action with respect to such default under this Lease (except for self-help and cure rights and rent abatement and offset rights available to Tenant under the terms of this Lease, including without limitation, Sections 10.13 and 15.6), including, without limitation, any action in order to terminate, rescind or void this Lease, for a period of forty-five (45) days after receipt of such written notice by Mortgagee with respect to any such default capable of being cured by the payment of money and for a period of thirty (30) days after receipt of such written notice by Mortgagee with respect to any other such default (provided, that in the case of any default which cannot be cured by the payment of money and cannot with diligence be cured with such thirty (30) day period because of the nature of such default or because Mortgagee requires time to obtain possession of the Premises in order to cure the default, if Mortgagee proceeds promptly to attempt to obtain possession of the Premises, where possession is required, and to cure the default and thereafter prosecutes the curing of such default with diligence and continuity, then the time within which such default may be cured shall be extended for such period as may be necessary to complete the curing of the default with diligence and continuity).

Section 9.4 Provisions. The provisions of this Article shall (a) inure to the benefit of Landlord, any future owner of the Building or the Project, Lessor or Mortgagee and any sublessor thereof and (b) apply notwithstanding that, as a matter of law, this Lease may terminate upon the termination of any such Superior Lease or Mortgage.

Section 9.5 Future Condominium Declaration. [intentionally omitted].

ARTICLE 10 SERVICES

Section 10.1 Electricity. Subject to any Requirements or any public utility rules or regulations governing energy consumption, Landlord shall make or cause to be made, customary arrangements with utility companies and/or other suppliers of electricity to furnish electric current to the Premises for Tenant's use in accordance with the standards to which the Base Building Systems have been designed. If not presently installed, Landlord shall install a separate electric current meter, submeter or check meter in the Premises (a "**Meter**") to measure the amount of electric current consumed at the Premises (the "**Premises Electricity**"). Commencing on the applicable Rent Commencement Date, Tenant shall pay to Landlord the costs actually incurred by Landlord for the Premises Electricity costs within thirty (30) days after receipt of an invoice therefor. If the Meter has not been installed as of the Effective Date, the cost of such Meter, special conduits, wiring and panels needed in connection therewith and the installation and maintenance thereof shall be paid by Landlord. If the Meter has been installed as of the Effective Date, the cost of any additional special conduits, wiring and panels needed by Tenant and the repair thereof and of such Meter shall be paid by Tenant. The rate to be paid by Tenant for the Premises Electricity shall include any taxes or other charges actually incurred and paid directly by Landlord in connection therewith.

Section 10.2 Excess Electricity. Tenant shall at all times comply with the rules and regulations of the utility company supplying electricity to the Building. Tenant shall not use any electrical equipment which, in Landlord's reasonable judgment, would exceed the capacity of the

electrical equipment serving the Premises or which interferes with the electrical service to other tenants of the Building.

Section 10.3 Elevators. Landlord shall provide passenger and freight elevator service for the Premises 24 hours per day, 7 days per week; provided, however, Landlord may limit passenger and freight elevator service during non-Business Hours to one (1) operational passenger elevator and one (1) operational freight elevator except during emergencies. Landlord shall provide at least one freight elevator service for the Premises upon Tenant's prior request, on a non-exclusive "first come, first serve" basis with other Building tenants, on all Business Days during such reasonable hours at no charge.

Section 10.4 Heating, Ventilation and Air Conditioning. Landlord shall furnish to the Premises during Business Hours heating, ventilation and air-conditioning ("HVAC") in accordance with the standards to which the Base Building Systems have been designed as set forth on Exhibit H-Base Building HVAC attached hereto. Landlord shall have access to all air-cooling, fan, ventilating and machine rooms and electrical closets and all other mechanical installations of Landlord (collectively, "Mechanical Installations"), and Tenant shall not construct partitions or other obstructions which may interfere with Landlord's access thereto or the moving of Landlord's equipment to and from the Mechanical Installations. No Tenant Party shall at any time enter the Mechanical Installations or tamper with, adjust, or otherwise affect such Mechanical Installations. Landlord shall not be responsible if the HVAC System fails to provide cooled or heated air, as the case may be, to the Premises in accordance with the standards to which the Base Building Systems have been designed by reason of (i) any equipment installed by, for or on behalf of Tenant, which has an electrical load in excess of the average electrical load and human occupancy factors for the HVAC System as designed, or (ii) any rearrangement of partitioning or other Alterations made or performed by, for or on behalf of Tenant Landlord shall install, if missing or broken, new Building Standard blinds or shades on all windows within thirty (30) days following the date on which Tenant Substantially Completes the Tenant Improvements and thereafter promptly upon Landlord's receipt of written notice from Tenant if such blinds or shades are defective or need replacement from ordinary wear and tear; provided, however, if Tenant breaks such blinds or shades, Tenant shall install new Building Standard blinds or shades on such damaged windows. Tenant shall keep operable windows in the Premises closed whenever the HVAC System is in operation or as and when required by any Requirement. Tenant shall cooperate with Landlord and shall abide by the rules and regulations which Landlord may reasonably prescribe for the proper functioning and protection of the HVAC System. Landlord shall provide reasonable notice to Tenant of any repairs or replacements in order for Tenant to make arrangements to move furniture, files and other miscellaneous items in the Premises.

Section 10.5 Supplemental Heating, Ventilation and Air Conditioning. If the Premises or any portion thereof is at any time served by any supplemental heating, ventilation and air conditioning unit(s) that taps into the base Building HVAC System condenser water loop (whether one or more, but exclusive of any units that are part of the base Building HVAC System, the "Supplemental HVAC Units"), (a) Tenant shall pay Landlord within thirty (30) days after Landlord gives Tenant an invoice therefor, (i) [intentionally omitted]; and (ii) on a monthly basis, a charge of \$50.00 per ton for each Supplemental HVAC Unit; (b) Tenant, at Tenant's expense, shall install an electric submeter for the Supplemental HVAC Unit(s)

concurrently with Tenant's installation of such Supplemental HVAC Unit(s) (c) Landlord shall read the submeter (with Tenant providing Landlord with reasonable access thereto) and Tenant shall pay to Landlord all electricity charges (including any taxes and other fees associated with such electricity charges) measured on such submeter within thirty (30) days after receipt of an invoice therefor; (d) Tenant, at Tenant's expense, shall at all times maintain a Supplemental HVAC Unit(s) service contract with a firm and upon such terms as may be reasonably satisfactory to Landlord and (e) Tenant shall provide Landlord with such documentation and other evidence as Landlord might reasonably request from time to time to demonstrate Tenant's proper maintenance of the Supplemental HVAC Unit(s) including, without limitation, Tenant's compliance with all of equipment manufacturer's warranties, rules and requirements with respect to the Supplemental HVAC Unit(s).

Section 10.6 Overtime HVAC. The Fixed Rent does not include any charge to Tenant for the furnishing of HVAC to the Premises during non-Business Hours ("**Overtime Periods**"). If Tenant desires HVAC services during Overtime Periods, Tenant shall be able to request such overtime as needed by accessing the Building Management Control System and automatically requesting Overtime HVAC by zone and for a specified time period. An access code will be required and Tenant will be charged for all requests authorized by their specific access code. If Landlord furnishes HVAC service during Overtime Periods, Tenant shall pay to Landlord \$60.00 per hour per zone. Landlord shall limit future increases to actual increases tied to costs of delivery such service including but not limited to electricity, administration and reasonable wear and tear on equipment.

Section 10.7 Cleaning. Landlord shall cause the Premises (excluding any portions thereof used for the storage, preparation, service or consumption of food or beverages (except for pantries, which Landlord shall clean in accordance with the applicable provisions of Exhibit D-Cleaning Specifications); as an exhibition area or classroom; for storage; as a shipping room, mail room or for similar purposes; for private bathrooms, showers or exercise facilities; as a trading floor; primarily for operation of computer, data processing, reproduction, duplicating or similar equipment; and portions of the Premises that include any improvements or property that require non-standard office cleaning supplies, materials, procedures, labor or service, such as paintings and other works of art) to be cleaned, substantially in accordance with the standards set forth in Exhibit D-Cleaning Specifications. Landlord reserves the right to modify such standards from time-to-time provided that Landlord's cleaning standards shall be reasonably consistent with those provided in Comparable Buildings. Any areas of the Premises which Landlord is not required to clean hereunder or which require additional cleaning shall be cleaned, at Tenant's expense, by Landlord's cleaning contractor for such additional charge as Landlord's cleaning contractor might require from time to time. Landlord's cleaning contractor and its employees shall have access to the Premises at all times except between 7:00 a.m. and 6:00 p.m. on weekdays which are not Holidays.

Section 10.8 Water. Landlord shall provide hot and cold water in the core lavatories, drinking fountains and janitor's closets on each floor of the Building. If Tenant requires water in excess of that used by a normal office building tenant of similar size using its premises for normal office use, Tenant shall pay for the cost of bringing water to the Premises and Landlord may install a meter to measure the water. Tenant shall pay the cost of such installation, and for

all maintenance, repairs and replacements thereto, and for the reasonable charges of Landlord for the water consumed.

Section 10.9 Refuse Removal. Landlord shall provide refuse removal services at the Building for ordinary office refuse and rubbish. Tenant shall pay to Landlord, Landlord's reasonable charge for such removal to the extent that the refuse generated by Tenant exceeds the refuse customarily generated by general office tenants. Tenant shall not dispose of any refuse in the Common Areas, and if Tenant does so, Tenant shall be liable for Landlord's reasonable charge for such removal. Tenant shall, at Tenant's expense, comply with all present and future Requirements regarding the collection, sorting, separation, and recycling of trash. Each separately sorted category of trash shall be placed in separate receptacles as directed by Landlord.

Section 10.10 Directory and Suite Entry Signage. Landlord, at Landlord's expense, shall list Tenant on at least one of the Building directories located in the first (1st) floor lobbies of the Building. The Building directory listing Tenant's name will be shared with other Building tenants and space on the directory shall be equitably apportioned amongst the tenants. Landlord shall, at Landlord's expense, install Building standard suite entry signage at the principal suite entry location at the Premises, unless Tenant, at Tenant's expense, desires its own unique signage on any of the full floors leased by Tenant.

Section 10.11 Tenant Access to Premises. Tenant shall have access to the Premises 24 hours a day, 7 days a week. Outside of Business Hours, Building and floor access will be monitored by an electronic card or key security and access system or any such successor system installed and maintained by Landlord. Tenant shall be responsible for access control to the Premises at Tenant's expense. Landlord shall provide Tenant with one (1) Building access card (or equivalent) per 200 rentable square feet of the Premises at no cost to Tenant.

Section 10.12 Telecommunications. If Tenant requests that Landlord grant access to the Building to a telecommunications service provider designated by Tenant for purposes of providing telecommunications services to Tenant, Landlord shall use its good faith efforts to respond to such request within thirty (30) days. Tenant acknowledges that nothing set forth in this Section shall impose any affirmative obligation on Landlord to grant such request and that Landlord, in its reasonable discretion, shall have the right to determine which telecommunications service providers shall have access to Building facilities.

Section 10.13 Service Interruptions. Landlord reserves the right to suspend any service when necessary, by reason of Unavoidable Delays, accidents or emergencies, or for Restorative Work which, in Landlord's reasonable judgment, are necessary or appropriate until such Unavoidable Delay, accident or emergency shall cease or such Restorative Work is completed and Landlord shall not be liable for any interruption, curtailment or failure to supply services. Landlord shall use reasonable efforts to minimize interference with Tenant's use and occupancy of the Premises as a result of any such interruption, curtailment or failure or defect in any such service, or change in the supply, character and/or quantity of, electrical service, and to restore any such services, remedy such situation and minimize any interference with Tenant's business. The exercise of any such right or the occurrence of any such failure by Landlord shall not constitute an actual or constructive eviction, in whole or in part, entitle Tenant to any

compensation, abatement or diminution of Rent, relieve Tenant from any of its obligations under this Lease, or impose any liability upon Landlord or any Indemnified Party by reason of inconvenience to Tenant, or interruption of Tenant's business, or otherwise. Landlord shall not be liable in any way to Tenant for any failure, defect or interruption of, or change in the supply, character and/or quantity of electrical service furnished to the Premises for any reason except if attributable to the gross negligence or willful misconduct of Landlord. In the event of a casualty or a Taking, the applicable provisions of this Lease shall prevail over the rent abatement provisions of this Section. The foregoing notwithstanding (but subject to the last sentence of this Section 10.13), if (i) Tenant is precluded from having reasonable access to the Premises or any portion thereof and Tenant has ceased using the affected portion of the Premises for a period longer than three (3) consecutive Business Days or (ii) any failure or stoppage of any Essential Service (as defined in Section 15.6(b)) to be provided by Landlord under this Lease (a) precludes Tenant from having reasonable access to the Premises or any portion thereof or renders the Premises or any portion thereof untenable for the normal conduct of Tenant's business in all or a portion of the Premises and, in either such case, Tenant has ceased using the Premises or the affected portion thereof; (b) was not caused by Tenant, its employees, invitees or agents; and (c) extends for a period longer than three (3) consecutive Business Days, Tenant's obligation to pay Fixed Rent, Tenant's Tax Payment and Tenant's Operating Payment for the affected portion of the Premises shall be abated beginning on the fourth (4th) Business Day following the date the aforementioned conditions are met and shall continue with respect to the Premises or the affected portion thereof (as applicable) until the conditions described in clause (a) no longer exist. In the event of a casualty or a Taking, the applicable provisions of this Lease shall prevail over the rent abatement provisions of this Section.

Section 10.14 Service Additions and Omissions. Except with respect to the services that Landlord otherwise expressly agrees to provide under this Lease, Landlord shall have the right to add, modify and/or curtail any Building services as Landlord determines appropriate from time to time in Landlord's sole discretion. All of the services to be provided to Tenant pursuant to this Article are only to be provided from and after the date Tenant takes occupancy of the Premises for the conduct of its business. Any services to be provided by Landlord to Tenant prior to such occupancy shall be governed by the Work Agreement.

Section 10.15 Fitness Center. During the Term, Landlord shall provide a fitness or health center (the "Fitness Center") at the Building which Fitness Center shall be available for use only by Building tenants and representatives of Landlord free of direct charge (other than through Operating Expense payments) on a non-exclusive first-come, first-served basis. The foregoing notwithstanding, Landlord's obligation to provide the Fitness Center at the Building and Tenant's right to use the Fitness Center shall be subject to (i) closings during emergencies and repairs, (ii) compliance with any applicable Requirements and (iii) such rules and regulations as Landlord might reasonably require (including Landlord's requirement that each Fitness Center user execute a liability waiver reasonably satisfactory to Landlord). Landlord recently updated the locker rooms at the Fitness Center. Prior to July 1, 2011, Landlord shall replace the existing Fitness Center exercise equipment with new equipment.

ARTICLE 11
INSURANCE; PROPERTY LOSS OR DAMAGE

Section 11.1 Tenant's Insurance.

(a) Tenant, at Tenant's expense, shall obtain and keep in full force and effect during the Term:

(i) a policy of commercial general liability insurance on an occurrence basis (utilizing then current ISO forms or equivalent) against claims for contractual liability, personal injury, bodily injury, death and/or property damage occurring in or about the Building, under which Tenant is named as the insured and Landlord, Landlord's Agent and any Lessors and any Mortgagees whose names have been furnished to Tenant are named as additional insureds (the "**Insured Parties**"). Such insurance shall provide primary coverage without contribution from any other insurance carried by or for the benefit of the Insured Parties. The minimum limits of liability provided in any combination by a commercial general liability policy and excess liability or umbrella policy applying exclusively to the Premises shall be a combined single limit with respect to each occurrence and in the aggregate in an amount of not less than \$4,000,000; provided, however, that Landlord shall retain the right to require Tenant to increase such coverage from time to time to that amount of insurance which in Landlord's reasonable judgment is then being customarily required by landlords for similar office space in Comparable Buildings. The deductible or self insured retention for such policy shall not exceed \$10,000;

(ii) insurance against loss or damage by fire, and such other risks and hazards as are insurable under then available standard forms of "Special Form Causes of Loss" or "All Risk" property insurance policies, insuring Tenant's Property and all Alterations and improvements to the Premises (including the initial Tenant Improvements) to the extent such Alterations and improvements exceed the cost of the improvements typically performed in connection with the initial occupancy of tenants in the Building ("**Building Standard Installations**"), for the full insurable value thereof or replacement cost thereof, having a deductible amount, if any, not in excess of \$25,000;

(iii) prior to and during the performance of any Alterations (other than Decorative Alterations), until completion thereof, Builder's Risk insurance on an "all risk" basis and on a completed value basis including a Permission to Complete and Occupy endorsement, for full replacement value covering the interest of Landlord and Tenant (and their respective contractors and subcontractors) in all work incorporated in the Building and all materials and equipment in or about the Premises, Workers' Compensation and Employer's Liability Insurance (covering all persons to be employed by Tenant, and Tenant's contractors and subcontractors in connection with such Alterations) and commercial general liability (including property damage coverage) insurance, all in such form, for such periods, in such amounts and with such companies as Landlord may reasonably require, naming Landlord, Landlord's Agent and any Mortgagee (of which Tenant has been given notice) as additional insureds to all policies except the Workers' Compensation and Employer's Liability Insurance policy;

(iv) Workers' Compensation Insurance, as required by law and Employers Liability Insurance in the amount of not less than \$500,000;

(v) Business Interruption/Rental Insurance; and

(vi) such other insurance in such amounts as the Insured Parties may reasonably require from time to time.

(b) All insurance required to be carried by Tenant (i) shall contain a provision that (x) no act or omission of Tenant shall affect or limit the obligation of the insurance company to pay the amount of any loss sustained, and (y) shall be noncancellable and/or no material change in coverage shall be made thereto unless the Insured Parties receive thirty (30) days' prior notice of the same, by certified mail, return receipt requested, and (ii) shall be effected under valid and enforceable policies issued by reputable insurers permitted to do business in the State and rated in Best's Key Rating Guide, or any successor thereto as having a "Best's Rating" of "A-" or better and a "Financial Size Category" of at least "X" or better or, if such ratings are not then in effect, the equivalent thereof or such other financial rating as Landlord may at any time reasonably consider appropriate.

(c) On or prior to the Commencement Date, Tenant shall deliver to Landlord appropriate policies of insurance, including evidence of waivers of subrogation required to be carried pursuant to this Article and that the Insured Parties are named as additional insureds (the "**Policies**"). Evidence of each renewal or replacement of the Policies shall be delivered by Tenant to Landlord at least ten (10) days prior to the expiration of the Policies. In lieu of the Policies, Tenant may deliver to Landlord a certification from Tenant's insurance company (on the form currently designated "ACORD 27" (Evidence of Property Insurance) and "ACORD 25-S" (Certificate of Liability Insurance), or the equivalent, provided that attached thereto is an endorsement to Tenant's commercial general liability policy naming the Insured Parties as additional insureds) which shall be binding on Tenant's insurance company, and which shall expressly provide that such certification (i) conveys to the Insured Parties all the rights and privileges afforded under the Policies as primary insurance, and (ii) contains an unconditional obligation of the insurance company to advise all Insured Parties in writing by certified mail, return receipt requested, at least thirty (30) days in advance of any termination or change to the Policies that would affect the interest of any of the Insured Parties.

Section 11.2 Waiver of Subrogation.

(a) Landlord and Tenant shall each procure an appropriate clause in or endorsement to any property insurance covering the Project and personal property, fixtures and equipment located therein, wherein the insurer waives subrogation or consents to a waiver of right of recovery.

(b) Landlord and Tenant agree not to make any claim against, or seek to recover from, the other for any loss or damage to its property or the property of others resulting from fire or other hazards to the extent covered (or would have been covered if the party had obtained and maintained the insurance it was required to carry under this Lease) by the property insurance that was required to be carried by that party under the terms of this Lease.

(c) Tenant acknowledges that Landlord shall not carry insurance on, and shall not be responsible for, (i) damage to any Above Building Standard Installations, (ii) Tenant's Property, and (iii) any loss suffered by Tenant due to interruption of Tenant's business.

Section 11.3 Restoration.

(a) If the Premises are damaged by fire or other casualty, or if the Building is damaged such that Tenant is deprived of reasonable access to the Premises, the damage shall be repaired by Landlord, to substantially the condition of the Premises prior to the damage, subject to the provisions of any Mortgage or Superior Lease and only to the extent that such repairs can reasonably be made from the net proceeds of any insurance actually received by Landlord, but Landlord shall have no obligation to repair or restore (i) Tenant's Property or (ii) except as provided in Section 11.3(b), any Alterations or improvements to the Premises, to the extent such Alterations or improvements exceed Building Standard Installations ("**Above Building Standard Installations**"). So long as Tenant is not in default beyond applicable grace or notice provisions in the payment or performance of its obligations under this Section, and provided Tenant timely delivers to Landlord either Tenant's Restoration Payment (as hereinafter defined) or the Restoration Security (as hereinafter defined) or Tenant expressly waives any obligation of Landlord to repair or restore any of Tenant's Above Building Standard Installations, then until the restoration of the Premises is Substantially Completed or would have been Substantially Completed but for Tenant Delay, Fixed Rent, Tenant's Tax Payment and Tenant's Operating Payment shall be reduced in the proportion by which the area of the part of the Premises which is not usable (or accessible) and is not used by Tenant bears to the total area of the Premises.

(b) As a condition precedent to Landlord's obligations to repair or restore any Above Building Standard Installations, Tenant shall (i) pay to Landlord upon demand a sum ("**Tenant's Restoration Payment**") equal to the amount, if any, by which (A) the cost, as reasonably estimated by a reputable independent contractor designated by Landlord, of repairing and restoring all Alterations and Tenant Improvements in the Premises to their condition prior to the damage, exceeds (B) the cost of restoring the Premises with Building Standard Installations, or (ii) furnish to Landlord security (the "**Restoration Security**") in form and amount reasonably acceptable to Landlord to secure Tenant's obligation to pay all costs in excess of restoring the Premises with Building Standard Installations. If Tenant fails to deliver to Landlord either (1) Tenant's Restoration Payment or the Restoration Security, as applicable, or (2) a waiver by Tenant, in form reasonably satisfactory to Landlord, of all of Landlord's obligations to repair or restore any of the Above Building Standard Installations, in either case within thirty (30) days after Landlord's demand therefor, Landlord shall have no obligation to restore any Above Building Standard Installations and Tenant's abatement of Fixed Rent, Tenant's Tax Payment and Tenant's Operating Payment shall cease when the restoration of the Premises (other than any Above Building Standard Installations) is Substantially Complete.

Section 11.4 Landlord's Termination Right. Notwithstanding anything to the contrary contained in Section 11.3, if the Premises are totally damaged or are rendered wholly untenable, or if the Building shall be so damaged that, in Landlord's reasonable opinion, substantial alteration, demolition, or reconstruction of the Building shall be required (whether or not the Premises are so damaged or rendered untenable) and cannot be substantially completed within nine (9) months of the casualty or Landlord lacks insurance proceeds (after

application under any Mortgage, sufficient to restore the Building), then in either of such events, Landlord may, not later than sixty (60) days following the date of the damage, terminate this Lease by notice to Tenant, provided that if the Premises are not materially damaged, Landlord may not terminate this Lease unless Landlord similarly terminates the leases of other tenants in the Building aggregating at least fifty percent (50%) of the portion of the Building occupied for office purposes immediately prior to such damage. If this Lease is so terminated, (a) the Term shall expire upon the sixtieth (60th) day after such notice is given, (b) Tenant shall vacate the Premises and surrender the same to Landlord, (c) Tenant's liability for Rent shall cease as of the date of the damage, and (d) any prepaid Rent for any period after the date of the damage shall be promptly refunded by Landlord to Tenant.

Section 11.5 Tenant's Termination Right. If the Premises are totally damaged and are thereby rendered wholly untenantable, or if the Building shall be so damaged that Tenant is deprived of reasonable access to the Premises, and if Landlord elects to restore the Premises, Landlord shall, within sixty (60) days following the date of the damage, cause a contractor or architect selected by Landlord to give notice (the "**Restoration Notice**") to Tenant of the date by which such contractor or architect estimates the restoration of the Premises (excluding any Above Building Standard Installations) shall be Substantially Completed. If such date, as set forth in the Restoration Notice, is more than nine (9) months from the date of such damage, then Tenant shall have the right to terminate this Lease by giving notice (the "**Termination Notice**") to Landlord not later than thirty (30) days following delivery of the Restoration Notice to Tenant; provided, however, if the Restoration Notice estimated that the Premises (excluding any Above Building Standard Installations) would be Substantially Completed within nine (9) months after the date of such damage and Landlord does not Substantially Complete the repairs within nine (9) months after the date of such damage for any reason other than a Tenant delay or an Unavoidable Delay, Tenant shall have the right to terminate this Lease by delivering a thirty (30) day prior written notice to Landlord after the end of such nine (9) month period (the "**Damage Termination Notice**") and thereafter during the first five (5) Business Days after each calendar month following the end of such period until such time as the repairs are Substantially Completed; provided, further, however, that if Landlord Substantially Completes the repairs within the thirty (30) day period after Tenant delivers the Damage Termination Notice, Tenant's Damage Termination Notice shall be deemed null and void. If Tenant delivers a Termination Notice or a Damage Termination Notice, this Lease shall be deemed to have terminated as of the sixtieth (60th) day after the giving of such notice, in the manner set forth in the second sentence of Section 11.4.

Section 11.6 Final 24 Months. Notwithstanding anything to the contrary in this Article, if any damage during the final twenty-four (24) months of the Term renders the Premises wholly untenantable, either Landlord or Tenant may terminate this Lease by notice to the other party within thirty (30) days after the occurrence of such damage and this Lease shall expire on the sixtieth (60th) day after the date of such notice. For purposes of this Section, the Premises shall be deemed wholly untenantable if Tenant cannot use more than fifty percent (50%) of the Premises for the conduct of its business and Tenant's inability to so use the Premises is reasonably expected to continue for more than ninety (90) days.

Section 11.7 Landlord's Liability. Any Building employee to whom any property shall be entrusted by or on behalf of Tenant shall be deemed to be acting as Tenant's agent with

respect to such property and neither Landlord nor its agents shall be liable for any damage to such property, or for the loss of or damage to any property of Tenant by theft or otherwise. None of the Insured Parties shall be liable for any injury or damage to persons or property or interruption of Tenant's business resulting from fire or other casualty, any damage caused by other tenants or persons in the Building or Parking Facility or by construction of any private, public or quasi-public work, or any latent defect in the Premises or in the Building or Parking Facility (except that Landlord shall be required to repair the same to the extent provided in Article 6 and this Article 11). No penalty shall accrue for delays which may arise by reason of adjustment of fire insurance on the part of Landlord or Tenant, or for any Unavoidable Delays arising from any repair or restoration of any portion of the Building, provided that Landlord shall use reasonable efforts to minimize interference with Tenant's use and occupancy of the Premises during the performance of any such repair or restoration.

Section 11.8 Landlord's Insurance. Beginning on the Commencement Date and thereafter during the Term, Landlord shall maintain at least the following insurance:

- (a) standard all-risk fire and casualty insurance for the replacement cost of the Building (exclusive of any Above Building Standard Installations and any Specialty Alterations), having a commercially reasonable deductible amount;
- (b) comprehensive public liability insurance with minimum limits of \$2,000,000 for injury to or death of one or more persons in any one occurrence and third-party property damage, and \$5,000,000 for third-party property damage (all such coverage may be through primary and/or excess umbrella policies);
- (c) employer's liability insurance with a minimum limit of \$1,000,000 for bodily injury;
- (d) workmen's compensation insurance in statutory limits; and
- (e) such other insurance coverage as is customarily carried in respect of Comparable Buildings.

ARTICLE 12 EMINENT DOMAIN

Section 12.1 Taking.

(a) **Total Taking.** If all or substantially all of the Project, the Building or the Premises shall be acquired or condemned for any public or quasi-public purpose (a "**Taking**"), this Lease shall terminate and the Term shall end as of the date of the vesting of title and Rent shall be prorated and adjusted as of such date.

(b) **Partial Taking.** Upon a Taking of only a part (*i.e.*, less than substantially all) of the Project, the Building or the Premises then, except as hereinafter provided in this Article, this Lease shall continue in full force and effect, provided that from and after the date of the vesting of title, Fixed Rent and Tenant's Proportionate Share shall be modified to reflect the reduction of the Premises and/or the Building as a result of such Taking.

(c) **Landlord's Termination Right.** Whether or not the Premises are affected, Landlord may, by notice to Tenant, within sixty (60) days following the date upon which Landlord receives notice of the Taking of all or a portion of the Project, the Building or the Premises, terminate this Lease, provided that Landlord elects to terminate leases (including this Lease) affecting at least fifty percent (50%) of the portion of the Building occupied for office purposes immediately prior to such taking.

(d) **Tenant's Termination Right.** If the part of the Project so Taken contains more than twenty percent (20%) of the total area of the Premises occupied by Tenant immediately prior to such Taking, or if, by reason of such Taking, Tenant no longer has reasonable means of access to the Premises, Tenant may terminate this Lease by notice to Landlord given within sixty (60) days following the date upon which Tenant is given notice of such Taking. If Tenant so notifies Landlord, this Lease shall end and expire upon the sixtieth (60th) day following the giving of such notice. If a part of the Premises shall be so Taken and this Lease is not terminated in accordance with this Section, Landlord, without being required to spend more than it collects as an award, shall, subject to the provisions of any Mortgage or Superior Lease, restore that part of the Premises not so Taken to a self-contained rental unit substantially equivalent (with respect to character, quality, appearance and services) to that which existed immediately prior to such Taking, excluding Tenant's Property and Above Building Standard Installations.

(e) **Apportionment of Rent.** Upon any termination of this Lease pursuant to the provisions of this Article, Rent shall be apportioned as of, and shall be paid or refunded up to and including, the date of such termination.

Section 12.2 Awards. Upon any Taking, Landlord shall receive the entire award for any such Taking, and Tenant shall have no claim against Landlord or the condemning authority for the value of any unexpired portion of the Term or Tenant's Alterations; and Tenant hereby assigns to Landlord all of its right in and to such award. Nothing contained in this Article shall be deemed to prevent Tenant from making a separate claim in any condemnation proceedings for the then value of any Tenant's Property or Above Building Standard Installations included in such Taking and for any moving expenses, provided any such award is in addition to, and does not result in a reduction of, the award made to Landlord.

Section 12.3 Temporary Taking. If all or any part of the Premises is Taken temporarily during the Term for any public or quasi-public use or purpose, Tenant shall give prompt notice to Landlord and the Term shall not be reduced or affected in any way and Tenant shall continue to pay all Rent payable by Tenant without reduction or abatement and to perform all of its other obligations under this Lease, except to the extent prevented from doing so by the condemning authority, and Tenant shall be entitled to receive any award or payment from the condemning authority for such use.

ARTICLE 13
ASSIGNMENT AND SUBLETTING

Section 13.1 Consent Requirements.

(a) Except as expressly set forth herein, Tenant shall not assign, mortgage, pledge, encumber, or otherwise transfer this Lease, whether by operation of law or otherwise, and shall not sublet, or permit, or suffer the Premises or any part thereof to be used or occupied by others (whether for desk space, mailing privileges or otherwise), without Landlord's prior consent in each instance, which consent shall not be unreasonably withheld or delayed as provided in Section 13.3.

Any assignment, sublease, mortgage, pledge, encumbrance or transfer in contravention of the provisions of this Article shall be void and shall constitute an Event of Default.

(b) If, without Landlord's consent, this Lease is assigned, or any part of the Premises is sublet or occupied by anyone other than Tenant or this Lease is encumbered (by operation of law or otherwise), Landlord may collect rent from the assignee, subtenant or occupant, and apply the net amount collected to the Rent herein reserved. No such collection shall be deemed a waiver of the provisions of this Article, an acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the performance of Tenant's covenants hereunder, and in all cases Tenant shall remain fully liable for its obligations under this Lease.

(c) Landlord's consent to any assignment or subletting shall not relieve Tenant from the obligation to obtain Landlord's consent to any further assignment or subletting. In no event shall any permitted subtenant assign or encumber its sublease or further sublet any portion of its sublet space, or otherwise suffer or permit any portion of the sublet space to be used or occupied by others.

Section 13.2 Tenant's Notice. If Tenant desires to assign this Lease or sublet all or any portion of the Premises and Landlord's consent thereto is required under this Lease, Tenant shall give notice thereof to Landlord, which shall be accompanied by (a) with respect to an assignment of this Lease, the date Tenant desires the assignment to be effective, and (b) with respect to a sublet of all or a part of the Premises, a description of the portion of the Premises to be sublet and the commencement date of such sublease. Such notice shall be deemed a twenty (20) day offer (which may be revoked by Tenant by delivering written notice to Landlord of such revocation ("**Tenant's Revocation Right**") at any time for a period of up to five (5) Business Days after Landlord's acceptance of the recapture offer, if applicable) from Tenant to Landlord of the right, at Landlord's option, (1) if the proposed transaction is an assignment of this Lease to a non-Related Entity, to terminate this Lease with respect to the entire Premises, or (2) if the proposed transaction is a sublease of twenty-five percent (25%) or more of the rentable square footage of the Premises (inclusive of any then subleased space at the Premises and any proposed sublease space) to a non-Related Entity or the term of such sublease to a non-Related Entity (including any extension options provided for under the sublease) would expire during the last twelve (12) months of the Term of this Lease (without regard to any then unexercised extension options under this Lease), to terminate this Lease with respect to the space that Tenant proposes

to sublease (the "**Partial Space**"). Such option may be exercised by notice from Landlord to Tenant within twenty (20) days after delivery of Tenant's notice subject to Tenant's Revocation Right. If Landlord exercises its option to terminate all or a portion of this Lease, (a) this Lease shall end and expire with respect to all or a portion of the Premises, as the case may be, on the date that such assignment or sublease was to commence, provided that such date is in no event earlier than ninety (90) days after the date Landlord receives the above notice unless Landlord agrees to such earlier date, (b) Rent shall be apportioned, paid or refunded as of such date, (c) Tenant, upon Landlord's request, shall enter into an amendment of this Lease ratifying and confirming such total or partial termination, and setting forth any appropriate modifications to the terms and provisions hereof, (d) Landlord shall be free to lease the Premises (in the case of an assignment) or the applicable part thereof (in the case of a sublease), as the case may be, to Tenant's prospective assignee or subtenant and (e) Tenant and Landlord shall pay equally pay all costs to make the Partial Space a self-contained rental unit and to install any required Building corridors.

Section 13.3 Conditions to Assignment/Subletting.

(a) If Landlord does not exercise its termination option under Section 13.2 or if Landlord otherwise does not have a termination option, then provided that no Event of Default then exists, Landlord's consent to the proposed assignment or subletting shall not be unreasonably withheld or delayed. Such consent shall be granted or denied within thirty (30) days after delivery to Landlord of (i) a true and complete statement reasonably detailing the identity of the proposed assignee or subtenant ("**Transferee**"), the nature of its business and its proposed use of the Premises, (ii) current financial information with respect to the Transferee, including its most recent financial statements, and (iii) any other information Landlord may reasonably request, provided that:

(i) in Landlord's reasonable judgment, the Transferee is engaged in a business or activity, and the Premises will be used in a manner, which (1) is in keeping with the then standards of the Building, (2) is for the Permitted Uses, and (3) does not violate any restrictions set forth in this Lease, any Mortgage or Superior Lease or any negative covenant as to use of the Premises required by any other lease in the Building;

(ii) with respect to any assignment or subletting for which Landlord's consent is required under this Lease, Tenant shall, upon demand, reimburse Landlord for all reasonable expenses incurred by Landlord in connection with such proposed assignment or sublease, including any investigations as to the acceptability of the Transferee and all legal costs reasonably incurred in connection with the granting of any requested consent (not to exceed, through December 31, 2014, \$2,000 per proposed assignment or sublease, but without limitation on such fees (other than that the legal fees must be reasonable) if the proposed assignment or sublease includes unusual issues (such as a request that Landlord modify or release a Lease guaranty or that Landlord amend this Lease); and

(iii) the Transferee shall not be entitled, directly or indirectly, to diplomatic or sovereign immunity, regardless of whether the Transferee agrees to waive such diplomatic or sovereign immunity, and shall be subject to the service of process in, and the jurisdiction of the courts of, the State.

(b) with respect to each and every subletting and/or assignment approved by Landlord under the provisions of this Lease:

(i) the form of the proposed assignment or sublease shall be reasonably satisfactory to Landlord;

(ii) no sublease shall be for a term ending later than one day prior to the Expiration Date;

(iii) no Transferee shall take possession of any part of the Premises, until an executed counterpart of such sublease or assignment has been delivered to Landlord and approved by Landlord as provided in Section 13.3;

(iv) if an Event of Default occurs prior to the effective date of such assignment or subletting, then Landlord's consent thereto, if previously granted, shall be immediately deemed revoked without further notice to Tenant, and if such assignment or subletting would have been permitted without Landlord's consent pursuant to Section 13.7, such permission shall be void and without force and effect, and in either such case, any such assignment or subletting shall constitute a further Event of Default hereunder; and

(v) each sublease shall be subject and subordinate to this Lease and to the matters to which this Lease is or shall be subordinate; and Tenant and each Transferee shall be deemed to have agreed that upon the occurrence and during the continuation of an Event of Default hereunder, Tenant has hereby assigned to Landlord, and Landlord may, at its option, accept such assignment of, all right, title and interest of Tenant as sublandlord under such sublease, together with all modifications, extensions and renewals thereof then in effect and such Transferee shall, at Landlord's option, attorn to Landlord pursuant to the then executory provisions of such sublease, except that Landlord shall not be (A) liable for any previous act or omission of Tenant under such sublease, (B) subject to any counterclaim, offset or defense not expressly provided in such sublease, which theretofore accrued to such Transferee against Tenant, (C) bound by any previous modification of such sublease not consented to by Landlord or by any prepayment of more than one month's rent, (D) bound to return such Transferee's security deposit, if any, except to the extent Landlord shall receive actual possession of such deposit and such Transferee shall be entitled to the return of all or any portion of such deposit under the terms of its sublease, or (E) obligated to make any payment to or on behalf of such Transferee, or to perform any work in the subleased space or the Building, or in any way to prepare the sublet space for occupancy, beyond Landlord's obligations under this Lease. The provisions of this Section shall be self-operative, and no further instrument shall be required to give effect to this provision, provided that the Transferee shall execute and deliver to Landlord any instruments Landlord may reasonably request to evidence and confirm such subordination and attornment.

Section 13.4 Binding on Tenant; Indemnification of Landlord. Notwithstanding any assignment or subletting or any acceptance of rent by Landlord from any Transferee, Tenant shall remain fully liable for the payment of all Rent due and for the performance of all the covenants, terms and conditions contained in this Lease on Tenant's part to be observed and performed, and any default under any term, covenant or condition of this Lease by any

Transferee or anyone claiming under or through any Transferee shall be deemed to be a default under this Lease by Tenant except to the extent Landlord exercises Landlord's recapture right pursuant to Section 13.2 and enters into a lease directly with the Transferee for the Premises or an applicable portion thereof. Tenant shall indemnify, defend, protect and hold harmless Landlord from and against any and all Losses resulting from any claims that may be made against Landlord by the Transferee or anyone claiming under or through any Transferee or by any brokers or other persons claiming a commission or similar compensation in connection with the proposed assignment or sublease, irrespective of whether Landlord shall give or decline to give its consent to any proposed assignment or sublease, or if Landlord shall exercise any of its options under this Article.

Section 13.5 Tenant's Failure to Complete. If Landlord consents to a proposed assignment or sublease and Tenant fails to execute and deliver to Landlord such assignment or sublease within ninety (90) days after the giving of such consent or the amount of space subject to such sublease varies by more than ten percent (10%) from that specified in the notice given by Tenant to Landlord pursuant to Section 13.2, then Tenant shall again comply with all of the provisions and conditions of Sections 13.2, 13.3 and 13.4 before assigning this Lease or subletting all or part of the Premises.

Section 13.6 Profits. If Tenant enters into any assignment or sublease permitted hereunder or consented to by Landlord, Tenant shall, within sixty (60) days of Landlord's consent to such assignment or sublease, deliver to Landlord a list of Tenant's reasonable third-party expenses incurred in connection with such transaction including, without limitation, brokerage fees and legal fees paid in connection with such transaction, marketing costs, cash inducements, construction costs, furniture, construction and moving allowances, rent abatement and any lease assumption costs (collectively, "**Transaction Costs**"), together with a list of all of Tenant's Property to be transferred to such Transferee. Tenant shall deliver to Landlord evidence of the payment of such Transaction Costs promptly after the same are paid. In consideration of such assignment or subletting, Tenant shall pay to Landlord:

(a) In the case of an assignment, on the effective date of the assignment, fifty percent (50%) of all sums and other consideration paid to Tenant by the Transferee for or by reason of such assignment (including sums paid for the sale or rental of Tenant's Property, less, the then fair market or rental value of such Tenant's Property) after first deducting the Transaction Costs; or

(b) In the case of a sublease, fifty percent (50%) of any consideration paid under the sublease to Tenant by the Transferee which exceeds on a per square foot basis the Fixed Rent and Additional Rent accruing during the term of the sublease in respect of the subleased space (together with any sums paid for the sale or rental of Tenant's Property, less, the then fair market or rental value of such Tenant's Property) after first deducting the Transaction Costs. The sums payable under this clause shall be paid by Tenant to Landlord monthly as and when paid by the subtenant to Tenant. The foregoing notwithstanding, this Section shall not apply with respect to any transfer to a Related Entity in accordance with the terms and provisions of Section 13.7.

Section 13.7 Transfers.

(a) If Tenant is a legal entity, the transfer (by one or more transfers), directly or indirectly, by operation of law or otherwise, of a majority of the stock or other beneficial ownership interest in Tenant or of all or substantially all of the assets of Tenant (collectively, "**Ownership Interests**") shall be deemed a voluntary assignment of this Lease; provided, however, that the provisions of this Article shall not apply to: (i) the transfer of Ownership Interests in Tenant if and so long as Tenant is publicly traded on a nationally recognized stock exchange; (ii) any transfers of equity interests in Tenant or a Related Entity on a nationally recognized stock exchange in connection with an initial public offering or private placement, recapitalization or merger of interests in the original Tenant or a Related Entity; or (iii) a change or series of transfers of Ownership Interests which would result in direct or indirect change in ownership of less than fifty percent (50%) of the outstanding Ownership Interests in Tenant as of the Effective Date. For purposes of this Article the term "transfers" shall be deemed to include (x) the issuance of new Ownership Interests which results in a majority of the Ownership Interests in Tenant being held by a person or entity which does not hold a majority of the Ownership Interests in Tenant on the Effective Date and (y) except as provided below, the sale or transfer of all or substantially all of the assets of Tenant in one or more transactions and the merger or consolidation of Tenant into or with another business entity. The provisions of Section 13.1 shall not apply to transactions with a business entity into or with which Tenant is merged or consolidated or to which all or substantially all of Tenant's assets are transferred so long as (i) such transfer was made for a legitimate independent business purpose and not for the purpose of transferring this Lease, (ii) the successor to Tenant has a net worth computed in accordance with generally accepted accounting principles at least equal to the net worth of Tenant immediately prior to such merger, consolidation or transfer, and (iii) proof satisfactory to Landlord of such net worth is delivered to Landlord at least ten (10) days prior to the effective date of any such transaction. Tenant may also, upon prior notice to Landlord, assign this Lease or sublet all or a portion of the Premises for any Permitted Uses to any business entity which controls, is controlled by, or is under common control with the original Tenant (a "**Related Entity**"), for so long as such entity remains a Related Entity. Such sublease shall not be deemed to vest in any such Related Entity any right or interest in this Lease nor shall it relieve, release, impair or discharge any of Tenant's obligations hereunder. For the purposes hereof, "**control**" shall be deemed to mean ownership of not less than fifty percent (50%) of all of the Ownership Interests of such corporation or other business entity or the power to directly or indirectly direct or cause the direction of the management or policies of Tenant or the entity in question.

(b) The limitations set forth in this Section shall apply to Transferee(s) and guarantor(s) of this Lease, if any, and any transfer by any such entity in violation of this Section shall be a transfer in violation of Section 13.1.

(c) Any modification, amendment or extension of a sublease and/or any other agreement by which a landlord (or any affiliate thereof) of a building other than the Building agrees to assume the obligations of Tenant under this Lease shall be deemed a sublease for the purposes of Section 13.1 hereof

Section 13.8 Assumption of Obligations. No assignment or transfer shall be effective unless and until the Transferee executes, acknowledges and delivers to Landlord an agreement in form and substance reasonably satisfactory to Landlord whereby the assignee (a) assumes Tenant's obligations under this Lease arising from and after the effective date of the assignment

and (b) agrees that, notwithstanding such assignment or transfer, the provisions of Section 13.1 hereof shall be binding upon it in respect of all future assignments and transfers.

Section 13.9 Tenant's Liability. The joint and several liability of Tenant and any successors-in-interest of Tenant and the due performance of Tenant's obligations under this Lease shall not be discharged, released or impaired by any agreement or stipulation made by Landlord, or any grantee or assignee of Landlord, extending the time, or modifying any of the terms and provisions of this Lease, or by any waiver or failure of Landlord, or any grantee or assignee of Landlord, to enforce any of the terms and provisions of this Lease.

Section 13.10 Listings in Building Directory. The listing of any name other than that of Tenant on the doors of the Premises, the Building directory or elsewhere shall not vest any right or interest in this Lease or in the Premises, nor be deemed to constitute Landlord's consent to any assignment or transfer of this Lease or to any sublease of the Premises or to the use or occupancy thereof by others. Any such listing shall constitute a privilege revocable in Landlord's discretion by notice to Tenant.

ARTICLE 14 ACCESS TO PREMISES

Section 14.1 Landlord's Access.

(a) Landlord, Landlord's agents and utility service providers servicing the Building may erect, use and maintain concealed ducts, pipes and conduits in and through the Premises provided such use does not cause the usable area of the Premises to be reduced beyond a *de minimis* amount. Landlord shall promptly repair any damage to the Premises caused by any work performed pursuant to this Article.

(b) Landlord and any other party designated by Landlord shall have the right to enter the Premises at any time in the case of an emergency. Landlord, any Lessor or Mortgagee and any other party designated by Landlord and their respective agents shall have the right to enter the Premises at all reasonable times, upon reasonable notice (which notice may be oral) to examine the Premises, to perform Restorative Work to the Premises or the Building, to show the Premises to prospective purchasers, Mortgagees or Lessors and during the eighteen (18) month period preceding the Expiration Date, prospective tenants, and their respective agents and representatives or others. The foregoing notwithstanding, Landlord shall use commercially reasonable efforts to (i) provide Tenant with a minimum of twenty-four (24) hours prior notice, except in the event of an emergency, and (ii) minimize disruption to Tenant's business operations and use of the Premises.

(c) All parts (except surfaces facing the interior of the Premises) of all walls, and windows bounding the Premises, all balconies, terraces and roofs adjacent to the Premises, all space in or adjacent to the Premises used for shafts, stacks, stairways, mail chutes, conduits and other mechanical facilities, Base Building Systems, Building facilities and Common Areas are not part of the Premises, and Landlord shall have the use thereof and access thereto through the Premises for the purposes of Building operation, maintenance, alteration and repair.

Section 14.2 Building Name. Landlord has the right at any time to change the name, street address or designation by which the Building is commonly known. If Landlord changes the name, street address or designation by which the Building is commonly known, Landlord shall provide Tenant with fifteen (15) Business Days prior notice in order to provide Tenant with a reasonable period of time to appropriately modify Tenant's business stationery and other related documents and Landlord shall reimburse Tenant promptly for any expenditures reasonably incurred by or on behalf of Tenant as a result thereof such as, but not limited to, replacement of letterhead on hand and business cards, cancellation and replacement of Tenant's phone and address listings in any telephone or professional directories or electronic postings such as the Internet, and the mailing of change-of-address announcements and postage thereon. Notwithstanding, in no event will Landlord name the Building (which shall not include Landlord granting exterior signage rights to any party) after a Building tenant.

Section 14.3 Light and Air. If at any time any windows of the Premises are temporarily (not to exceed twenty (20) consecutive days) darkened or covered over by reason of any Restorative Work, any of such windows are permanently darkened or covered over due to any Requirement or there is otherwise a diminution of light, air or view by another structure which may hereafter be erected (whether or not by Landlord), Landlord shall not be liable for any damages and Tenant shall not be entitled to any compensation or abatement of any Rent, nor shall the same release Tenant from its obligations hereunder or constitute an actual or constructive eviction.

ARTICLE 15 DEFAULT

Section 15.1 Tenant's Defaults. Each of the following events shall be an "Event of Default" hereunder:

(a) Tenant fails to pay when due any installment of Rent and such default shall continue for ten (10) days after notice of such default is given to Tenant except that if Landlord shall have given two such notices of default in the payment of any Rent in any twelve (12) month period, Tenant shall not be entitled to any further notice of its delinquency in the payment of any Rent or an extended period in which to make payment until such time as twelve (12) consecutive months shall have elapsed without Tenant having failed to make any such payment when due at which time Tenant's right to receive notice shall be reinstated as set forth above, and the occurrence of any default in the payment of any Rent within such twelve (12) month period after the giving of two (2) such notices shall constitute an Event of Default; or

(b) Tenant fails to observe or perform any other term, covenant or condition of this Lease and such failure continues for more than thirty (30) days after notice by Landlord to Tenant of such default, or if such default is of a nature that it cannot be completely remedied within thirty (30) days, failure by Tenant to commence to remedy such failure within said thirty (30) days, and thereafter diligently take all steps necessary to remedy such default to completion; or

(c) [intentionally omitted]; or

(d) Tenant files a voluntary petition in bankruptcy or insolvency, or is adjudicated a bankrupt or insolvent, or files any petition or answer seeking any reorganization, liquidation, dissolution or similar relief under any present or future federal bankruptcy act or any other present or future applicable federal, state or other statute or law, or makes an assignment for the benefit of creditors or seeks or consents to or acquiesces in the appointment of any trustee, receiver, liquidator or other similar official for Tenant or for all or any part of Tenant's property; or

(e) a court of competent jurisdiction shall enter an order, judgment or decree adjudicating Tenant bankrupt, or appointing a trustee, receiver or liquidator of Tenant, or of the whole or any substantial part of its property, without the consent of Tenant, or approving a petition filed against Tenant seeking reorganization or arrangement of Tenant under the bankruptcy laws of the United States, as now in effect or hereafter amended, or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of entry thereof; or

(f) Guarantor generally does not, or is unable to pay its debts as they become due or is subject to the filing of a petition, case or proceeding in bankruptcy; or

(g) the occurrence of a default under any guaranty of all or any portion of Tenant's liabilities under this Lease, which default continues beyond the expiration of any applicable notice and/or cure period(s) (if any) set forth in such guaranty.

Section 15.2 Landlord's Remedies.

(a) Upon the occurrence of an Event of Default, Landlord, at its option, and without limiting the exercise of any other right or remedy Landlord may have on account of such Event of Default, and without any further demand or notice, may give to Tenant notice of (i) the termination of this Lease, in which event this Lease and the Term shall come to an end and expire (whether or not the Term shall have commenced) upon the termination date set forth in such notice with the same force and effect as if the date set forth in the notice was the Expiration Date stated herein, and/or (ii) the termination of Tenant's right of possession of the Premises, in which event Tenant's right of possession of the Premises shall come to an end and expire (whether or not the Term shall have commenced) upon the termination date set forth in such notice; and Tenant shall then quit and surrender the Premises to Landlord, but Tenant shall remain liable for damages as provided in this Article and/or, to the extent permitted by law, Landlord may remove all persons and property from the Premises, which property shall be stored by Landlord at a warehouse or elsewhere at the risk, expense and for the account of Tenant. Any termination notice may be given simultaneously with any notice of default given to Tenant.

(b) If this Lease and the Term, or Tenant's right to possession of the Premises, terminate as provided in Section 15.2(a):

(i) Tenant shall quit and surrender the Premises to Landlord, and Landlord and its agents may immediately, or at any time after such termination, re-enter the Premises or any part thereof, without notice, either by summary proceedings, or by any other applicable action or proceeding, or by force (to the extent permitted by law) or otherwise in

accordance with applicable legal proceedings (without being liable to indictment, prosecution or damages therefor), and may repossess the Premises and dispossess Tenant and any other persons from the Premises and remove any and all of their property and effects from the Premises.

(ii) Landlord, at Landlord's option, may relet all or any part of the Premises from time to time, either in the name of Landlord or otherwise, to such tenant or tenants, for any term ending before, on or after the Expiration Date, at such rental and upon such other conditions (which may include concessions and free rent periods) as Landlord, in its sole discretion, may determine. Landlord shall have no obligation to accept any tenant offered by Tenant and shall not be liable for failure to relet or, in the event of any such reletting, for failure to collect any rent due upon any such reletting; and no such failure shall relieve Tenant of, or otherwise affect, any liability under this Lease. Landlord shall, however, use reasonable efforts to mitigate its damages but shall not be required to divert prospective tenants from any other portions of the Building. Landlord, at Landlord's option, may make such alterations, decorations and other physical changes in and to the Premises as Landlord, in its sole discretion, considers advisable or necessary in connection with such reletting or proposed reletting, without relieving Tenant of any liability under this Lease or otherwise affecting any such liability.

(c) Tenant, on its own behalf and on behalf of all persons claiming through or under Tenant, including all creditors, hereby waives all rights which Tenant and all such persons might otherwise have under any Requirement (i) to the service of any notice of intention to re enter or to institute legal proceedings, (ii) to redeem, or to re-enter or repossess the Premises, (iii) to restore the operation of this Lease, after (A) Tenant shall have been dispossessed by judgment or by warrant of any court or judge, (B) any re-entry by Landlord, or (C) any expiration or early termination of the term of this Lease, whether such dispossession, re-entry, expiration or termination shall be by operation of law or pursuant to the provisions of this Lease, and (iv) to any notice to quit the Premises. The words "redeem," "redemption," "re-enter," "re-entry" and "re-entered" as used in this Lease shall not be deemed to be restricted to their technical legal meanings.

(d) Upon the breach or threatened breach by Tenant, or any persons claiming through or under Tenant, of any term, covenant or condition of this Lease, Landlord shall have the right to enjoin such breach and to invoke any other remedy allowed by law or in equity as if re-entry, summary proceedings and other special remedies were not provided in this Lease for such breach. The rights to invoke the remedies set forth above are cumulative and shall not preclude Landlord from invoking any other remedy allowed at law or in equity.

Section 15.3 Landlord's Damages.

(a) If this Lease and the Term, or Tenant's right to possession of the Premises, terminate as provided in Section 15.2, then:

(i) Tenant shall pay to Landlord all items of Rent payable under this Lease by Tenant to Landlord prior to the date of termination;

(ii) Landlord may retain all monies, if any, paid by Tenant to Landlord, whether as prepaid Rent, a security deposit or otherwise, which monies, to the extent

not otherwise applied to amounts due and owing to Landlord, shall be credited by Landlord against any damages payable by Tenant to Landlord;

(iii) Tenant shall pay to Landlord, in monthly installments, on the days specified in this Lease for payment of installments of Fixed Rent, any Deficiency; it being understood that Landlord shall be entitled to recover the Deficiency from Tenant each month as the same shall arise, and no suit to collect the amount of the Deficiency for any month, shall prejudice Landlord's right to collect the Deficiency for any subsequent month by a similar proceeding; and

(iv) whether or not Landlord shall have collected any monthly Deficiency, Tenant shall pay to Landlord, on demand, in lieu of any further Deficiency and as liquidated and agreed final damages, a sum equal to the amount by which the Rent for the period which otherwise would have constituted the unexpired portion of the Term (assuming the Additional Rent during such period to be the same as was payable for the year immediately preceding such termination or re-entry, increased in each succeeding year by three percent (3%) (on a compounded basis)) exceeds the then fair and reasonable rental value of the Premises, for the same period (with both amounts being discounted to present value at a rate of interest equal to two percent (2%) below the then Base Rate) less the aggregate amount of Deficiencies theretofore collected by Landlord pursuant to the provisions of Section 15.3(a)(iii) for the same period. If, before presentation of proof of such liquidated damages to any court, commission or tribunal, the Premises, or any part thereof, shall have been relet by Landlord for the period which otherwise would have constituted the unexpired portion of the Term, or any part thereof.

(b) If the Premises, or any part thereof, shall be relet together with other space in the Building, the rents collected or reserved under any such reletting and the expenses of any such reletting shall be equitably apportioned for the purposes of this Section. Tenant shall not be entitled to any rents collected or payable under any reletting, whether or not such rents exceeds the Fixed Rent reserved in this Lease, however, said excess shall be credited against amounts due and owing by Tenant to Landlord. Nothing contained in this Article shall be deemed to limit or preclude the recovery by Landlord from Tenant of the maximum amount allowed to be obtained as damages by any Requirement, or of any sums or damages to which Landlord may be entitled in addition to the damages set forth in this Section.

Section 15.4 Interest. If any payment of Rent is not paid when due, interest shall accrue on such payment, from the date such payment became due until paid at the Interest Rate. Tenant acknowledges that late payment by Tenant of Rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to fix. Such costs include, without limitation, processing and accounting charges, and late charges that may be imposed on Landlord by the terms of any note secured by a Mortgage covering the Premises. Therefore, in addition to interest, if any amount is not paid when due, a late charge equal to five percent (5%) of such amount shall be assessed; provided, however, that on one (1) occasion during any Calendar Year of the Term, Landlord shall give Tenant notice of such late payment and Tenant shall have a period of ten (10) days thereafter in which to make such payment before any late charge is assessed. Such interest and late charges are separate and cumulative and are in addition to and shall not diminish or represent a substitute for any of Landlord's rights or remedies under any other provision of this Lease.

Section 15.5 Other Rights of Landlord. If Tenant fails to pay any Additional Rent when due, Landlord, in addition to any other right or remedy, shall have the same rights and remedies as in the case of a default by Tenant in the payment of Fixed Rent. If Tenant is in arrears in the payment of Rent, Tenant waives Tenant's right, if any, to designate the items against which any payments made by Tenant are to be credited, and Landlord may apply any payments made by Tenant to any items Landlord sees fit, regardless of any request by Tenant. Landlord reserves the right, without liability to Tenant and without constituting any claim of constructive eviction, to suspend furnishing or rendering to Tenant any property, material, labor, utility or other service, whenever Landlord is obligated to furnish or render the same at the expense of Tenant, if (but only for so long as) Tenant is in arrears in paying Landlord for such items for more than ten (10) days after notice from Landlord to Tenant demanding the payment of such arrears. If Tenant fails to pay any Rent when due or Tenant otherwise fails to fully and timely perform its obligations under this Lease and Landlord engages an attorney in connection with such failure, Tenant shall pay upon demand the reasonable attorneys' fees incurred by Landlord regardless of whether Landlord initiates legal action in connection with such failure.

Section 15.6 Default by Landlord.

(a) Landlord shall be in default hereunder if Landlord should fail to perform or observe any covenant, term, provision or condition of this Lease and such default should continue beyond a period of twenty (20) days after written notice from Tenant as to a monetary default or thirty (30) days after written notice from Tenant for any other default (provided, however, that if such default cannot, by its nature, be cured within such period, Landlord shall not be deemed in default if Landlord shall within such period commence to cure such default and shall diligently prosecute the same to completion). Except to the extent Tenant has expressly waived Tenant's rights under this Lease, in the event of an uncured default by Landlord, Tenant may, in addition to any other rights of Tenant which are expressly set forth in this Lease, exercise any and all remedies available to it at law or in equity. Any amounts due and payable to Tenant under the terms of this Lease which are not paid by Landlord within twenty (20) days of such sums becoming due and payable shall accrue interest at the Interest Rate, except interest on any portion of Landlord's Contribution that Landlord wrongfully fails to fund shall bear interest at ten percent (10%) per annum, in either case, until paid by Landlord or offset by Tenant.

(b) If (i) Tenant gives Landlord written notice that an Essential Service has been suspended or interrupted or otherwise not provided and such notice expressly states that Tenant intends to exercise its self-help remedy in accordance with this Section, (ii) Landlord fails to commence to remedy such suspension within fifteen (15) days following receipt of such Tenant notice and to thereafter diligently pursue such remedy to completion, (iii) Tenant gives Landlord an additional written notice which notice states in bold print in 12 font or larger "**SECOND AND FINAL REQUEST**" at the top of the first page and Landlord fails to commence to remedy such suspension within five (5) days following receipt of such second notice and to thereafter diligently pursue such remedy to completion and (iv) the curing of such Essential Service suspension does not require work to be performed (or otherwise affect any space) outside of the Premises, Tenant shall have the right to remedy such suspended Essential Service; provided, however, if an emergency exists that threatens immediate harm to any persons or immediate material damage to any property due to such suspended Essential Service, Tenant shall have the right to remedy such suspended Essential Service immediately upon notifying

Landlord of such emergency. In such case, Landlord shall pay to Tenant within thirty (30) days after receipt of an invoice therefor (with reasonable back-up documentation) or, absent such payment, Tenant shall have the right to credit the amount due against Tenant's next succeeding installment(s) of Fixed Rent and/or Additional Rent, all of Tenant's actual and reasonable third-party out-of-pocket costs incurred in connection with such remedy. Landlord's reimbursement or credit shall be treated as an Operating Expense. If, however, Landlord disputes in good faith the need for the remedy in question or the cost of such remedy, or whether Landlord used reasonable efforts to remedy such suspension, Tenant shall not exercise any rights under this Section until the parties agree in writing on the resolution of the dispute and/or a court of competent jurisdiction issues an order resolving such dispute beyond any applicable appeal periods. If such cure by Tenant will affect any Base Building System, Tenant shall use only those contractors used by Landlord for such work. Tenant shall indemnify, defend, protect and hold Landlord harmless from and against any and all loss, cost, damage or liability incurred by Landlord to the extent arising as a result of Tenant's performance of any such cure, including, without limitation, claims made by other occupants of the Building that Tenant's performance of such work interfered with their occupancy of space in the Building. "Essential Service" shall mean any service or obligation (including, without limitation, failure to provide electricity, water or HVAC service or to maintain the Common Areas and Base Building Systems as required of Landlord under this Lease) to be provided or performed by Landlord under this Lease to or for Tenant which if not provided or performed shall (1) effectively deny access to the Premises (or the affected portion thereof), (2) threaten the health or safety of any occupants of or threaten to materially damage any personal property or Alterations located within the Premises, or the affected portion thereof, or (3) prevent or materially impair the usage of the Premises or any portion thereof for the ordinary conduct of Tenant's business.

(c) If Landlord fails to make any payment of Landlord's Contribution required to be made by Landlord under this Lease prior to delinquency ("**Landlord Payment Failure**") and such Landlord Payment Failure continues for a period of twenty (20) days after written notice thereof from Tenant to Landlord and any Mortgagee of which Tenant has previously been provided written notice together with its address, then Tenant shall deliver to Landlord a second (2nd) request for Landlord to cure such Landlord Payment Failure, which request must state in all capital letters in 12 point font and bold print "**SECOND AND FINAL REQUEST- LANDLORD HAS THREE (3) BUSINESS DAYS TO CURE**" at the top of the first page of the request (the "**Second Payment Request**"). If Landlord fails within three (3) Business Days of Tenant's delivery of the Second Payment Request to cure such Landlord Payment Failure, Tenant shall have the right, but not the obligation, to pay such unpaid amounts itself to Tenant's contractor or other vendor to which such payment is overdue, and offset such amount(s) unpaid by Landlord in full against the next payment(s) of Rent payable by Tenant hereunder until Tenant shall have reimbursed itself for the amounts so expended. If Landlord cures such Landlord Payment Failure prior to Tenant offsetting the full amount of the Landlord Payment Failure, Tenant shall have no further offset rights with respect to such Landlord Payment Failure but shall continue to have such offset rights with respect to any other Landlord Payment Failures.

ARTICLE 16
LANDLORD'S RIGHT TO CURE; FEES AND EXPENSES

If Tenant defaults in the performance of its obligations under this Lease, Landlord, without waiving such default, may perform such obligations at Tenant's expense: (a) immediately, and without notice, in the case of emergency or if the default (i) materially interferes with the use by any other tenant of the Building, (ii) materially interferes with the efficient operation of the Building, (iii) results in a violation of any Requirement, or (iv) results or will result in a cancellation of any insurance policy maintained by Landlord, and (b) in any other case if such default continues after thirty (30) days from the date Landlord gives notice of the defaulted obligation. All reasonable costs and expenses incurred by Landlord in connection with any such performance by it and all reasonable costs and expenses, including reasonable counsel fees and disbursements, incurred by Landlord in any action or proceeding (including any unlawful detainer proceeding) brought by Landlord or in which Landlord is a party to enforce any obligation of Tenant under this Lease and/or right of Landlord in or to the Premises, shall be paid by Tenant to Landlord within ten (10) Business Days after receipt of Landlord's invoice for such amount (accompanied by copies of invoice(s) evidencing such costs), with interest thereon at the Interest Rate from the date paid by Landlord. Except as expressly provided to the contrary in this Lease, all costs and expenses which, pursuant to this Lease are incurred by Landlord and payable to Landlord by Tenant, and all charges, amounts and sums payable to Landlord by Tenant for any property, material, labor, utility or other services which, pursuant to this Lease, attributable directly to Tenant's use or occupancy of the Premises or presence at the Building, or at the request and for the account of Tenant, are provided, furnished or rendered by Landlord, shall become due and payable by Tenant to Landlord within ten (10) Business Days after receipt of Landlord's invoice for such amount (accompanied by copies of invoice(s) evidencing such costs).

ARTICLE 17
NO REPRESENTATIONS BY LANDLORD; LANDLORD'S APPROVAL

Section 17.1 No Representations. Except as expressly set forth in this Lease, Landlord and Landlord's agents have made no warranties, representations, statements or promises with respect to the Building, the Project or the Premises and no rights, easements or licenses are acquired by Tenant by implication or otherwise. Tenant is entering into this Lease after full investigation and is not relying upon any statement or representation made by Landlord not embodied in this Lease.

Section 17.2 No Money Damages. In no event shall Landlord be liable for, and Tenant, on behalf of itself and all other Tenant Parties, hereby waives any claim for, any indirect, consequential or punitive damages, including loss of profits or business opportunity, arising under or in connection with this Lease. Except as set forth in Section 18.2, in no event shall Tenant be liable for, and Landlord, on behalf of itself and all other Landlord Parties, hereby waives any claim for, any indirect, consequential or punitive damages, including loss of profits or business opportunity, arising under or in connection with this Lease.

Section 17.3 Reasonable Efforts. For purposes of this Lease, “reasonable efforts” by Landlord shall not include an obligation to employ contractors or labor at overtime or other premium pay rates or to incur any other overtime costs or additional expenses whatsoever.

**ARTICLE 18
END OF TERM**

Section 18.1 Expiration. Upon the expiration or earlier termination of this Lease, Tenant shall quit and surrender the Premises to Landlord vacant, broom clean and in good order and condition, ordinary wear and tear and damage for which Tenant is not responsible under the terms of this Lease excepted, and Tenant shall have satisfied Tenant’s removal obligations under Article 5.

Section 18.2 Holdover Rent. Landlord and Tenant recognize that Landlord’s damages resulting from Tenant’s failure to timely surrender possession of the Premises may be substantial, may exceed the amount of the Rent payable hereunder, and will be impossible to accurately measure. Accordingly, if possession of the Premises is not surrendered to Landlord on the Expiration Date or sooner termination of this Lease, in addition to any other rights or remedies Landlord may have hereunder or at law, Tenant shall (a) pay to Landlord for each month (or any portion thereof) during which Tenant holds over in the Premises after the Expiration Date or sooner termination of this Lease, a sum equal to (i) for the first month of such holdover, one hundred twenty-five percent (125%) of the monthly Rent payable under this Lease for the last full calendar month of the Term and (ii) for each holdover month thereafter, one hundred fifty percent (150%) of the monthly Rent payable under this Lease for the last full calendar month of the Term, (b) if Tenant holds over for more than thirty (30) days, be liable to Landlord for (1) any payment or rent concession which Landlord may be required to make to any tenant obtained by Landlord for all or any part of the Premises (a “**New Tenant**”) in order to induce such New Tenant not to terminate its lease by reason of the holding-over by Tenant, and (2) the loss of the benefit of the bargain if any New Tenant shall terminate its lease by reason of the holding-over by Tenant, and (c) if Tenant holds over for more than thirty (30) days, indemnify Landlord against all claims for damages by any New Tenant. In connection with the foregoing, Landlord shall notify Tenant that it has executed a lease with a New Tenant for the Premises or a portion thereof and the delivery date of the Premises (or the applicable portion thereof) under such lease. No holding-over by Tenant, nor the payment to Landlord of the amounts specified above, shall operate to extend the Term hereof or to establish a month to month or any other tenancy. Nothing herein contained shall be deemed to permit Tenant to retain possession of the Premises after the Expiration Date or sooner termination of this Lease, and no acceptance by Landlord of payments from Tenant after the Expiration Date or sooner termination of this, Lease shall be deemed to be other than on account of the amount to be paid by Tenant in accordance with the provisions of this Section.

**ARTICLE 19
QUIET ENJOYMENT**

Provided this Lease is in full force and effect, Tenant may peaceably and quietly enjoy the Premises without hindrance by Landlord or any person lawfully claiming through or under

Landlord, subject to the terms and conditions of this Lease and to all Superior Leases and Mortgages.

**ARTICLE 20
NO SURRENDER; NO WAIVER**

Section 20.1 No Surrender or Release. No act or thing done by Landlord or Landlord's agents or employees during the Term shall be deemed an acceptance of a surrender of the Premises, and no provision of this Lease shall be deemed to have been waived by Landlord or Tenant, unless such waiver is in writing and is signed by Landlord or Tenant as applicable, except to the extent expressly provided otherwise in this Lease.

Section 20.2 No Waiver. The failure of either party to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Lease, or any of the Rules and Regulations, shall not be construed as a waiver or relinquishment for the future performance of such obligations of this Lease or the Rules and Regulations, or of the right to exercise such election but the same shall continue and remain in full force and effect with respect to any subsequent breach, act or omission. The receipt by Landlord of any Rent payable pursuant to this Lease or any other sums with knowledge of the breach of any covenant of this Lease shall not be deemed a waiver of such breach. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly Rent herein stipulated shall be deemed to be other than a payment on account of the earliest stipulated Rent, or as Landlord may elect to apply such payment, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other remedy provided in this Lease.

**ARTICLE 21
WAIVER OF TRIAL BY JURY; COUNTERCLAIM**

Section 21.1 Jury Trial Waiver. Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either party against the other in connection with any matters in any way arising out of or connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, any guaranty of all or any portion of Tenant's liabilities under this Lease or the enforcement of any remedy under any statute, emergency or otherwise.

**ARTICLE 22
NOTICES**

Except as otherwise expressly provided in this Lease, all consents, notices, demands, requests, approvals or other communications given under this Lease shall be in writing and shall be deemed sufficiently given or rendered only if delivered by hand (provided a signed receipt is obtained) or if sent by registered or certified mail (return receipt requested) or by a nationally recognized overnight delivery service making receipted deliveries, addressed to Landlord and Tenant as set forth in Article 1, and to any Mortgagee or Lessor who shall require copies of notices and whose address is provided to Tenant, or to such other address(es) as Landlord,

Tenant or any Mortgagee or Lessor may designate as its new address(es) for such purpose by notice given to the other in accordance with the provisions of this Article. Any such consent, notice, demand, request, approval or other communication shall be deemed to have been given on the date of receipted delivery, refusal to accept delivery or when delivery is first (1st) attempted but cannot be made due to a change of address for which no notice is given or three (3) Business Days after it shall have been mailed as provided in this Article, whichever is earlier. Either party may change its address by giving reasonable advance written notice of its new address in accordance with the provisions of this Article; provided, however, such notice of a party's change of address shall not be effective until fifteen (15) days after the other party's actual receipt of such notice.

**ARTICLE 23
RULES AND REGULATIONS**

Tenant shall observe and comply with and shall cause all Tenant Parties to observe and comply with the Rules and Regulations, as reasonably supplemented or amended from time to time. Landlord reserves the right, from time to time, to adopt additional reasonable Rules and Regulations and to reasonably amend the Rules and Regulations then in effect. Nothing contained in this Lease shall impose upon Landlord any obligation to enforce the Rules and Regulations or terms, covenants or conditions in any other lease against any other Building tenant, and Landlord shall not be liable to Tenant for violation of the same by any other tenant, its employees, agents, visitors or licensees, provided that Landlord shall enforce the Rules or Regulations against Tenant in a non-discriminatory fashion. To the extent that any Rules or Regulations conflict with the express terms of this Lease, the terms of this Lease shall control.

**ARTICLE 24
BROKER**

Landlord has retained Landlord's Agent as leasing agent in connection with this Lease and Landlord will be solely responsible for any fee that may be payable to Landlord's Agent. Landlord agrees to pay a commission to Tenant's Broker pursuant to a separate agreement. Each of Landlord and Tenant represents and warrants to the other that neither it nor its agents have dealt with any broker in connection with this Lease other than Landlord's Agent and Tenant's Broker and that no other broker, finder or like entity procured or negotiated this Lease or is entitled to any fee or commission in connection herewith. Each of Landlord and Tenant shall indemnify, defend, protect and hold the other party harmless from and against any and all Losses which the indemnified party may incur by reason of any claim of or liability to any broker, finder or like agent (other than Landlord's Agent and Tenant's Broker) arising out of any dealings claimed to have occurred between the indemnifying party and the claimant in connection with this Lease, and/or the above representation being false.

**ARTICLE 25
INDEMNITY**

Section 25.1 Tenant's Indemnity. Tenant shall not do or permit to be done any act or thing upon the Premises and Tenant will not do any act or thing in the Building which may subject Landlord to any liability or responsibility for injury, damages to persons or property or to

any liability by reason of any violation of any Requirement, and shall exercise such control over the Premises as to fully protect Landlord against any such liability. Subject to the provisions of Section 11.2(b), except to the extent of any such injury or damage resulting from the negligence or willful misconduct of Landlord or Landlord's agents or employees or any breach, violation or nonperformance of any covenant, condition or agreement of this Lease on the part of Landlord to be fulfilled, kept, observed or performed, Tenant shall indemnify, defend, protect and hold harmless each of the Landlord Parties from and against any and all Losses, resulting from any claims (i) against the Landlord Parties arising from any act, omission or negligence of all Tenant Parties, (ii) against the Landlord Parties arising from any accident, injury or damage to any person or to the property of any person and occurring in or about the Premises, and (iii) against the Landlord Parties resulting from any breach, violation or nonperformance of any covenant, condition or agreement of this Lease on the part of Tenant to be fulfilled, kept, observed or performed.

Section 25.2 Landlord's Indemnity. Subject to the provisions of Section 11.2(b), Landlord shall indemnify, defend and hold harmless Tenant and each of the Tenant Parties from and against all Losses incurred by Tenant and any Tenant Party arising from any accident, injury or death to any person or damage to any property of any person in or about the Project (but specifically excluding the Premises and any other tenanted space) to the extent attributable to the negligence or willful misconduct of Landlord or Landlord Parties.

Section 25.3 Defense and Settlement.

(a) If any claim, action or proceeding set forth in Section 25.1 is made or brought against any Landlord Party, then upon demand by a Landlord Party, Tenant, at Tenant's sole cost and expense, shall resist or defend such claim, action or proceeding in the Landlord Party's name (if necessary), by attorneys approved by the Landlord Party, which approval shall not be unreasonably withheld (attorneys for Tenant's insurer shall be deemed approved for purposes of this Section 25.3). Notwithstanding the foregoing, a Landlord Party may retain its own attorneys to participate or assist in defending any claim, action or proceeding involving potential liability in excess of the amount available under Tenant's liability insurance carried under Section 11.1 for such claim and Tenant shall pay the reasonable fees and disbursements of such attorneys. If Tenant fails to diligently defend or if there is a legal conflict or other conflict of interest, then Landlord may retain separate counsel at Tenant's expense. The obligations of Tenant under any indemnity herein shall be conditioned upon the Landlord Parties being reasonable in approving a settlement of any indemnified claim. Notwithstanding anything herein contained to the contrary, Tenant may direct the Landlord Party to settle any claim, suit or other proceeding provided that (a) such settlement shall involve no obligation on the part of the Landlord Party other than the payment of money, (b) any payments to be made pursuant to such settlement shall be paid in full exclusively by Tenant (or any other Person other than Landlord) at the time such settlement is reached, (c) such settlement shall not require the Landlord Party to admit any liability, and (d) the Landlord Party shall have received an unconditional release from the other parties to such claim, suit or other proceeding.

(b) If any claim, action or proceeding set forth in Section 25.2 is made or brought against any Tenant Party, then upon demand by a Tenant Party, Landlord, at Landlord's sole cost and expense, shall resist or defend such claim, action or proceeding in the Tenant

Party's name (if necessary), by attorneys approved by the Tenant Party, which approval shall not be unreasonably withheld (attorneys for Landlord's insurer shall be deemed approved for purposes of this Section 25.3). Notwithstanding the foregoing, a Tenant Party may retain its own attorneys to participate or assist in defending any claim, action or proceeding involving potential liability in excess of the amount available under Landlord's liability insurance carried under Section 11.8 for such claim and Landlord shall pay the reasonable fees and disbursements of such attorneys. If Landlord fails to diligently defend or if there is a legal conflict or other conflict of interest, then Tenant may retain separate counsel at Landlord's expense. The obligations of Landlord under any indemnity herein shall be conditioned upon the Tenant Parties being reasonable in approving a settlement of any indemnified claim. Notwithstanding anything herein contained to the contrary, Landlord may direct the Tenant Party to settle any claim, suit or other proceeding provided that (a) such settlement shall involve no obligation on the part of the Tenant Party other than the payment of money, (b) any payments to be made pursuant to such settlement shall be paid in full exclusively by Landlord (or any other Person other than Tenant) at the time such settlement is reached, (c) such settlement shall not require the Tenant Party to admit any liability, and (d) the Tenant Party shall have received an unconditional release from the other parties to such claim, suit or other proceeding.

ARTICLE 26
MISCELLANEOUS

Section 26.1 Delivery. This Lease shall not be binding upon Landlord or Tenant unless and until Landlord and Tenant shall have executed and delivered this Lease to the other.

Section 26.2 Transfer of Real Property. Landlord's obligations under this Lease arising from and after the date of Transfer shall not be binding upon the Landlord named herein after the sale, conveyance, assignment or transfer (collectively, a "Transfer") by such Landlord (or upon any subsequent landlord after the Transfer by such subsequent landlord) of its interest in the Building or the Project, as the case may be, and in the event of any such Transfer, Landlord (and any such subsequent Landlord) shall be entirely freed and relieved of all covenants and obligations of Landlord hereunder arising from the and after the date of Transfer and the transferee of Landlord's interest (or that of such subsequent Landlord) in the Building or the Project, as the case may be, but only to the extent such obligations are assumed by the successor owner of the Project.

Section 26.3 Limitation on Liability. The liability of Landlord for Landlord's obligations under this Lease shall be limited to Landlord's interest in the Project (and any insurance proceeds received by Landlord after application pursuant to the terms of any Mortgage) and Tenant shall not look to any other property or assets of Landlord or any Landlord Party in seeking either to enforce Landlord's obligations under this Lease or to satisfy a judgment for Landlord's failure to perform such obligations; and none of the Landlord Parties shall be personally liable for the performance of Landlord's obligations under this Lease.

Section 26.4 Rent. All amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated Fixed Rent, Tenant's Tax Payment, Tenant's Operating Payment, Additional Rent or Rent, shall constitute rent for the purposes of Section 502(b)(6) of the United States Bankruptcy Code.

Section 26.5 Entire Document. This Lease includes all riders, exhibits, schedules and other attachments hereto and all supplemental agreements provided for herein (each of which is incorporated herein by this reference) and constitutes the entire agreement between the parties and all prior negotiations and agreements are merged into this Lease. In the event of any inconsistency between the terms and provisions of this Lease and the terms and provisions of the riders, exhibits, schedules and other attachments hereto and all supplemental agreements provided for herein, the Willis and provisions of this Lease shall control; provided, however, Exhibit B-Definitions shall control with respect to the definitions contained in such exhibit and with respect to the initial Tenant Improvements, in the event of any inconsistency between the terms and provisions of this Lease and Exhibit C-Work Agreement, Exhibit C — Work Agreement shall control.

Section 26.6 Governing Law. This Lease shall be governed in all respects by the laws of the State (but not including the choice of law rules thereof).

Section 26.7 Unenforceability. If any provision of this Lease, or its application to any person or circumstance, shall ever be held to be invalid or unenforceable, then in each such event the remainder of this Lease or the application of such provision to any other person or any other circumstance (other than those as to which it shall be invalid or unenforceable) shall not be thereby affected, and each provision hereof shall remain valid and enforceable to the fullest extent permitted by law.

Section 26.8 Lease Disputes.

(a) Landlord and Tenant agree that all disputes arising, directly or indirectly, out of or relating to this Lease, and all actions to enforce this Lease, shall be dealt with and adjudicated in the courts of the State or the United States District Court for the State and for that purpose hereby expressly and irrevocably submits itself to the jurisdiction of such courts. Landlord and Tenant agree that so far as is permitted under applicable law, this consent to personal jurisdiction shall be self-operative and no further instrument or action, other than service of process in one of the manners specified in this Lease, or as otherwise permitted by law, shall be necessary in order to confer jurisdiction upon it in any such court.

(b) To the extent that Tenant has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, Tenant irrevocably waives such immunity in respect of its obligations under this Lease.

Section 26.9 Landlord's Agent. Unless Landlord delivers written notice to Tenant to the contrary, Landlord's Agent is authorized to act as Landlord's agent in connection with the performance of this Lease, and Tenant shall be entitled to rely upon correspondence received from Landlord's Agent. Tenant acknowledges that Landlord's Agent is acting solely as agent for Landlord in connection with the foregoing; and neither Landlord's Agent nor any of its direct or indirect partners, members, managers, officers, shareholders, directors, employees, principals, agents or representatives shall have any liability to Tenant in connection with the performance of this Lease, and Tenant waives any and all claims against any and all of such parties arising out

of, or in any way connected with Landlord's Agent's performance of Landlord's obligations under this Lease.

Section 26.10 Estoppel.

(a) Within ten (10) days following written request from Landlord, any Mortgagee or any Lessor, Tenant shall deliver to Landlord a statement executed and acknowledged by Tenant, in form reasonably satisfactory to Landlord, (a) stating, to Tenant's knowledge, the Commencement Date, the Rent Commencement Date and the Expiration Date, and that this Lease is then in full force and effect and has not been modified (or if modified, setting forth all modifications), (b) setting forth the date to which the Fixed Rent and any Additional Rent have been paid, together with the amount of monthly Fixed Rent and Additional Rent then payable, (c) stating whether or not, to Tenant's knowledge, Landlord is in default under this Lease, and, if Landlord is in default, setting forth the specific nature of all such defaults, (d) stating the amount of the security, if any, under this Lease, (e) stating whether there are any subleases or assignments affecting the Premises, (f) stating the address of Tenant to which all notices and communications under this Lease shall be sent, and (g) responding to any other matters reasonably requested by Landlord, such Mortgagee or such Lessor. Tenant acknowledges that any statement delivered pursuant to this Section may be relied upon by any purchaser or owner of the Project or the Building or all or any portion of Landlord's interest in the Project or the Building or any Superior Lease, or by any Mortgagee, or assignee thereof or by any Lessor, or assignee thereof.

(b) Within ten (10) days following written request from Tenant, Landlord shall deliver to Tenant a statement executed and acknowledged by Landlord, in form reasonably satisfactory to Tenant, (a) stating, to Landlord's knowledge, the Commencement Date, the Rent Commencement Date and the Expiration Date, and that this Lease is then in full force and effect and has not been modified (or if modified, setting forth all modifications), (b) setting forth the date to which the Fixed Rent and any Additional Rent have been paid, together with the amount of monthly Fixed Rent and Additional Rent then payable, (c) stating whether or not, to Landlord's knowledge, Tenant is in default under this Lease, and, if Tenant is in default, setting forth the specific nature of all such defaults, (d) stating the amount of the security, if any, under this Lease, (e) stating the address of Landlord to which all notices and communications under this Lease shall be sent, and (f) responding to any other matters reasonably requested by Tenant. Landlord acknowledges that any statement delivered pursuant to this Section may be relied upon by any purchaser, investor, successor assignee or lender of Tenant or any Related Entity or by a sublessee or assignee of all or any portion of the Premises.

Section 26.11 Certain Interpretational Rules. For purposes of this Lease, whenever the words "include", "includes", or "including" are used, they shall be deemed to be followed by the words "without limitation" and, whenever the circumstances or the context requires, the singular shall be construed as the plural, the masculine shall be construed as the feminine and/or the neuter and vice versa. This Lease shall be interpreted and enforced without the aid of any canon, custom or rule of law requiring or suggesting construction against the party drafting or causing the drafting of the provision in question.

The captions in this Lease are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Lease or the intent of any provision hereof.

Section 26.12 Parties Bound. The terms, covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of Landlord and Tenant and, except as otherwise provided in this Lease, to their respective successors, and assigns.

Section 26.13 Memorandum of Lease. This Lease shall not be recorded; however, at Landlord's request, Landlord and Tenant shall promptly execute, acknowledge and deliver a memorandum with respect to this Lease sufficient for recording and Landlord may record the memorandum. Within ten (10) days after the end of the Term, Tenant shall enter into such documentation as is reasonably required by Landlord to remove the memorandum of record.

Section 26.14 Counterparts. This Lease may be executed in two (2) or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.

Section 26.15 Survival. Except as otherwise expressly provided in this Lease, all obligations and liabilities of Landlord or Tenant to the other which accrued before the expiration or other termination of this Lease, and all such obligations and liabilities which by their nature or under the circumstances can only be, or by the provisions of this Lease may be, performed after such expiration or other termination, shall survive the expiration or other termination of this Lease. Without limiting the generality of the foregoing, the rights and obligations of the parties with respect to any indemnity under this Lease, and with respect to any Rent and any other amounts payable under this Lease, shall survive the expiration or other termination of this Lease for any period expressly provided for in this Lease or the applicable statute of limitation if no time period is specified herein.

Section 26.16 Inability to Perform. Landlord's performance of Landlord's obligations under this Lease (except for Landlord's payment obligations hereunder, which shall not be excused or postponed hereunder by reason of an Unavoidable Delay nor shall any rent abatement provisions be affected by any Unavoidable Delay) and Tenant's performance of Tenant's obligations under this Lease (except that neither the obligation to pay Rent when due, the obligation to maintain insurance pursuant to Section 11.1, Tenant's obligation to timely vacate and surrender possession of the Premises, any storage space, any antenna space, any temporary space and/or any other space leased by Tenant under this Lease in accordance with the terms of this Lease nor the Rent Commencement Date shall be excused or postponed hereunder by reason of an Unavoidable Delay), shall be excused to the extent that such performance is delayed due to any Unavoidable Delay(s). Landlord and Tenant shall use reasonable efforts to promptly notify the other party of any Unavoidable Delay which prevents such notifying party from fulfilling any of its obligations under this Lease.

Section 26.17 Substitute Premises. [intentionally omitted].

Section 26.18 Lien for Payment of Rent. Landlord hereby waives its statutory lien and distress for Rent.

Section 26.19 Financial Statements. In connection with any proposed sale or financing of the Building but in no event more than once per Calendar Year, Tenant agrees that within fifteen (15) Business Days after Landlord's written request, Tenant shall provide Landlord and the potential purchaser and/or lender with the opportunity to review Tenant's financial statements for Tenant's prior fiscal years and financial statements for Tenant's then current fiscal year (collectively, the "**Financial Information**") at Tenant's offices in the Washington, DC metropolitan area; provided however that all persons reviewing such Financial Information must execute and deliver to Tenant a confidentiality agreement substantially in the form attached as Exhibit S. If the requested Financial Information has been prepared on an audited basis, then such audited Financial Information provided to Landlord; otherwise, the Financial Information provided to Landlord will be unaudited.

Section 26.20 Changes to Project. Landlord shall have the following rights (a) to rearrange, change, expand or contract the Common Areas; (b) to use Common Areas while engaged in making improvements, repairs or alterations to the Project; and (c) to do and perform such other acts and make such other changes to the interior of the Building (including, without limitation, the lobbies, entrances, passageways, doors, doorways, atriums, corridors, elevators, stairs, Common Area restrooms, loading docks and parking garage) and the exterior of the Building (including, without limitation, the facade, roof, sidewalks, exterior windows and arcade), all as Landlord may from time to time in its sole judgment deem to be appropriate, provided in each instance that: (i) except to the extent required by applicable Requirements, the level of any Building service shall not decrease in any material respect from the level required of Landlord in this Lease as a result thereof (other than temporary changes in the level of such services during the performance of any such work or improvement); (ii) Tenant is not deprived of reasonable access to the Premises or to the Parking Facility in the Building; (iii) Tenant's use of the Premises for the operation of its business is not materially adversely affected; and (iv) except to the extent required by applicable Requirements the size of the main lobby and atrium, if any, is not materially reduced. Landlord shall use reasonable efforts to minimize interference with Tenant's use and occupancy of the Premises and Tenant's use of the Parking Facility during the performance of such work or improvement. Provided that Landlord complies with the terms of this Section 26.20: (y) Landlord may exercise any or all of the foregoing rights without being deemed to be guilty of an eviction, actual or constructive, or a disturbance of Tenant's business or use or occupancy of the Premises; and (z) Tenant shall have no claim for damages, indemnification or eviction (whether actual or constructive) against Landlord nor shall Tenant be entitled to any diminution or abatement of Rent arising from Landlord's exercise of any or all of the foregoing rights except as provided, in Sections 10.13 and 15.6(b) and Article 11 of this Lease. Tenant acknowledges that it has no rights to any development rights, air rights or comparable rights appurtenant to the Project and Tenant consents, without further consideration, to any utilization of such rights by Landlord.

Section 26.21 Tax Status of Beneficial Owner. Tenant recognizes and acknowledges that Landlord and/or certain beneficial owners of Landlord may from time to time qualify as real estate investment trusts pursuant to Sections 856 *et seq.* of the Internal Revenue Code of 1986 as amended (the "**Code**") and that avoiding (a) the loss of such status, (b) the receipt of any income derived under any provision of this Lease that does not constitute "rents from real property" (in the case of real estate investment trusts), and (c) the imposition of income, penalty or similar taxes (each an "**Adverse Event**") is of material concern to Landlord and such beneficial owners.

In the event that this Lease or any document contemplated hereby could, in the opinion of counsel to Landlord, result in or cause an Adverse Event, Tenant agrees to cooperate with Landlord in negotiating an amendment or modification thereof and shall at the request of Landlord execute and deliver such documents reasonably required to effect such amendment or modification. Any amendment or modification pursuant to this Article shall be structured so that the economic results to Landlord and Tenant shall be substantially similar to those set forth in this Lease without regard to such amendment or modification. Without limiting any of Landlord's other rights under this Section, Landlord may waive the receipt of any amount payable to Landlord hereunder and such waiver shall constitute an amendment or modification of this Lease with respect to such payment. Tenant expressly covenants and agrees not to enter into any sublease or assignment which provides for rental or other payment for such use, occupancy, or utilization based in whole or in part on the net income or profits derived by any person from the property leased, used, occupied, or utilized (other than an amount based on a fixed percentage or percentages of receipts or sales), and that any such purported sublease or assignment shall be absolutely void and ineffective as a conveyance of any right or interest in the possession, use, occupancy, or utilization of any part of the Premises.

Section 26.22 Time is of the Essence. Time is of the essence under this Lease.

Section 26.23 OFAC. Tenant represents and warrants to Landlord that Tenant is not and shall not become a person or entity with whom Landlord is restricted from doing business under any regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including, but not limited to, those named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive order (including, but not limited to, the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and shall not engage in any dealings or transaction or be otherwise associated with such persons or entities.

Section 26.24 Authority. Tenant hereby covenants (i) Tenant is a duly authorized and existing limited liability company, (ii) Tenant has and is qualified to do business in the State, (iii) Tenant has full right and authority to enter into this Lease, and (iv) that each person signing on behalf of Tenant is authorized to do so. Landlord hereby covenants (i) Landlord is a duly authorized and existing corporation, (ii) Landlord has and is qualified to do business in the State, (iii) Landlord has full right and authority to enter into this Lease, and (iv) each person signing on behalf of Landlord is authorized to do so. Landlord and Tenant agree that this Lease shall not be construed to create a partnership, joint venture or similar relationship or arrangement between Landlord and Tenant hereunder.

ARTICLE 27
[INTENTIONALLY OMITTED]

ARTICLE 28
EXTENSION OPTION

Section 28.1 Extension Term. Tenant shall have the right to extend the Term for all of the Premises for one (1) extension term of five (5) years (the "Extension Term")

commencing on May 1, 2022 (the “**Extension Term Commencement Date**”) and ending at 11:59 p.m. on April 30, 2027, unless the Extension Term shall sooner terminate pursuant to any of the terms of this Lease or otherwise. The Extension Term shall commence only if Tenant notifies Landlord (the “**Extension Notice**”) of Tenant’s exercise of such extension right not earlier than November 1, 2020 and not later than January 31, 2021. The Extension Term shall be upon all of the agreements, terms, covenants and conditions of this Lease, except that (y) the Fixed Rent shall be determined as provided in Section 28.3, and (z) Tenant shall have no further right to extend the Term beyond the Extension Term. Upon the commencement of the Extension Term, any reference to the “Term,” the “term of this Lease” or any similar expression shall be deemed to include the Extension Term and the expiration of the Extension Term shall become the Expiration Date. Any termination, cancellation or surrender of the entire interest of Tenant under this Lease at any time during the Term shall terminate any right of extension of Tenant hereunder.

Section 28.2 Conditions to Exercise. Tenant’s exercise of any right to extend the Term for any Extension Term shall be subject to the following conditions at the time of such exercise: (i) this Lease is in full force and effect; (ii) no Event of Default then exists; (iii) Tenant has timely exercised the extension option, with time being of the essence; (iv) this Lease has not been assigned to a non-Related Entity; and (v) Tenant is not subleasing to a non-Related Entity more than one-third (1/3) of the Area of the Premises. If Tenant exercises an extension option, Tenant may not thereafter revoke such exercise.

Section 28.3 Extension Term Rent. The annual Fixed Rent payable during the Extension Term shall be the annual Extension Rate for the Premises as of the commencement of the Extension Term (the “**Extension Calculation Date**”), with such Extension Rate being escalated annually on each anniversary of the Extension Calculation Date by the market escalation rate that shall be determined as part of the determination of the Extension Rate. “**Extension Rate**” shall mean the fair market annual full service, net of electric rental value of the Premises as of the Extension Calculation Date for a lease extension term equal to the Extension Term; based on comparable space in the Building or on comparable space in Comparable Buildings; including all of Landlord’s services provided for in this Lease; with the Premises considered as vacant and in “as is” condition as of the Extension Term Commencement Date (but excluding the cost of Tenant’s Alterations, including without limitation, the Tenant Improvements, in excess of Landlord’s Contribution); with Tenant being required to make Tenant’s Tax Payment and Tenant’s Operating Payment pursuant to the terms of the Lease, but with the Base Year being the calendar year in which the Extension Term commences; assuming the extension term rent is not set forth in the lease between the parties; and assuming that the leased premises is unencumbered (*e.g.*, the leased premises is not subject to another party’s superior expansion right) and is leased under a prime lease and not a sublease. In determining Extension Rate, the parties shall not take into account or give credit to Tenant for any savings to Landlord that may be attributable to the avoidance of “downtime” for marketing and/or construction. Subject to the provisions of this Article, the calculation of the Extension Rate shall take into account all relevant factors. If the Extension Rate includes any out-of-pocket monetary concession (such as a tenant improvement allowance) to be provided by Landlord, Landlord shall have the option to either directly provide such monetary concession or indirectly provide such monetary concession by equitably reducing the Extension Rate by the economic value of such

concession over the then remaining Term. In no event shall the Extension Rate be determined more than fifteen (15) months prior to the Extension Term.

Section 28.4 Procedure for Determining Fixed Rent.

(a) Landlord shall advise Tenant (the "**Extension Rent Notice**") of Landlord's determination of the Extension Rate upon the later of (i) ten (10) days after receiving the Extension Notice or (ii) fifteen (15) months prior to the Extension Term. If Tenant does not accept Landlord's determination of the Extension Rate, the parties shall meet and seek to reach agreement on the Extension Rate during the sixty (60) day period that begins when Tenant receives the Extension Rent Notice (the "**Extension Negotiation Period**").

(b) If Landlord and Tenant do not agree upon the Extension Rate in writing within the Extension Negotiation Period, Tenant shall within five (5) days after the expiration of the Extension Negotiation Period notify Landlord in writing that Tenant elects to either (and in the absence of such notice from Tenant, Tenant shall be deemed to have elected to proceed under clause (x)) (x) withdraw Tenant's Extension Notice or (y) request that such disagreement be resolved by arbitration in accordance with the then prevailing Expedited Procedures of the American Arbitration Association or its successor for arbitration of commercial disputes, except that the Expedited Procedures shall be modified as follows:

(i) Either party may start the arbitration process by notifying the other party that the notifying party desires that the Extension Rate be resolved by arbitration, which notice shall include the name and address of the person to act as the arbitrator on the notifying party's behalf. The arbitrator shall be a real estate broker with at least ten (10) years full-time commercial brokerage experience who is familiar with the fair market rental value of comparable space in Comparable Buildings. Within ten (10) Business Days after the service of the demand for arbitration, the receiving party shall give notice to the party demanding arbitration specifying the name and address of the person designated by the receiving party to act as arbitrator on its behalf, which arbitrator shall be similarly qualified. If the receiving party fails to notify the party demanding arbitration of the appointment of the receiving party's arbitrator within such ten (10) Business Day period, and such failure continues for three (3) Business Days after the demanding party delivers a second notice to the receiving party, then the arbitrator appointed by the demanding party shall be the arbitrator to determine the Extension Rate for the Premises.

(ii) If two (2) arbitrators are chosen pursuant to Subsection 28.4(b)(i), the arbitrators so chosen shall meet within ten (10) Business Days after the second arbitrator is appointed and shall seek to reach agreement on Extension Rate. If within twenty (20) Business Days after the second arbitrator is appointed the two (2) arbitrators do not reach agreement on Extension Rate then the two (2) arbitrators shall appoint a third arbitrator, who shall be a competent and impartial person with qualifications similar to those required of the first two (2) arbitrators. If they do not agree upon such appointment within five (5) Business Days after expiration of such twenty (20) Business Day period, the third arbitrator shall be selected by the parties themselves. If the parties do not agree on the third arbitrator within five (5) Business Days after expiration of the foregoing five (5) Business Day period, then either party, on behalf of both, may request appointment of such a qualified person by the then president of the Greater Washington Commercial Association of REALTORS®, or the successor organization thereto.

The third arbitrator shall decide the dispute, if it has not been previously resolved, by following the procedures set forth in Subsection 28.4(b)(iii). Each party shall pay the fees and expenses of its respective arbitrator and both shall share the fees and expenses of the third arbitrator. Attorneys' fees and expenses of counsel and of witnesses for the respective parties shall be paid by the respective party engaging such counsel or calling such witnesses.

(iii) The Extension Rate shall be fixed by the third arbitrator in accordance with the following procedures. Concurrently with the appointment of the third arbitrator, each of the arbitrators selected by the parties shall state, in writing, his or her determination of the Extension Rate supported by the reasons therefor. The third arbitrator shall have the right to consult experts and competent authorities for factual information or evidence pertaining to a determination of the Extension Rate, but any such determination shall be made in the presence of both parties with full right on their part to cross-examine. The third arbitrator shall conduct such hearings and investigations as he or she deems appropriate and shall, within thirty (30) days after being appointed, select which of the two (2) proposed determinations most closely approximates his or her determination of the Extension Rate. The third arbitrator shall have no right to propose a middle ground or any modification of either of the two proposed determinations. The determination he or she chooses as that most closely approximating his or her determination of the Extension Rate shall constitute the decision of the third arbitrator and shall be final and binding upon the parties. The third arbitrator shall render the decision in writing with counterpart copies to each party. The third arbitrator shall have no power to add to or modify the provisions of this Lease. Promptly following receipt of the third arbitrator's decision, the parties shall enter into an amendment to this Lease confirming the Extension Rate, but the failure of the parties to do so shall not affect the effectiveness of the third arbitrator's determination.

(iv) In the event of a failure, refusal or inability of any arbitrator to act, his or her successor shall be appointed by him or her, but in the case of the third arbitrator, his or her successor shall be appointed in the same manner as that set forth herein with respect to the appointment of the original third arbitrator.

(v) If the Fixed Rent payable during the Extension Term is not determined prior to the Extension Term Commencement Date, Tenant shall continue to pay Fixed Rent in an amount equal to the rentable square foot rate payable for the period beginning on May 1, 2021 and continuing through the Expiration Date (the "**Extension Interim Rent**"). Upon final determination of the Fixed Rent for the Extension Term, Tenant shall commence paying such Fixed Rent as so determined, and within ten (10) days after such determination Tenant shall pay any deficiency in prior payments of Fixed Rent or, if the Fixed Rent as so determined shall be less than the Extension Interim Rent, Tenant shall be entitled to a credit against the next succeeding installments of Fixed Rent in an amount equal to the difference between each installment of Extension Interim Rent and the Fixed Rent as so determined which should have been paid for such installment until the total amount of the over payment has been recouped.

Section 28.5 Rent for Ancillary Space. Any provision of this Lease to the contrary notwithstanding, if Tenant leases any storage, rooftop, antenna, generator or other space under this Lease and Tenant's lease of such space will continue during the Extension Term, then,

unless this Lease expressly sets forth the means for determining the rent or other charges for such space during the Extension Term, the rent or such other charges for such space during the Extension Term shall be the Extension Rate for such space and shall be determined by the same parties, using the same procedures and at the same time that such parties are determining the Extension Rate of the Premises.

ARTICLE 29
RIGHT OF OPPORTUNITY

Section 29.1 Right of Opportunity.

(a) Subject to the provisions of this Article, if, during the Term of this Lease, office space located on the eighth (8th) and/or, (i) if Landlord does not timely deliver the Swap Notice to Tenant under Section 2.1(b), the eleventh (11th) floor of the Building or (ii) if Landlord timely delivers the Swap Notice to Tenant under Section 2.1(b), the tenth (10th) floor of the Building, becomes available for lease from Landlord (or Landlord reasonably anticipates that such space will become available for lease from Landlord) prior to the last fifteen (15) months of the initial Term (or, if Tenant has theretofore extended the Term in accordance with the provisions of Article 28, then prior to the last thirty-six (36) months of such Extension Term) (the "**ROFO Space**"), Landlord shall so notify Tenant (the "**Landlord's ROFO Notice**") of the anticipated availability date (the "**ROFO Commencement Date**") and, Tenant shall have the right to lease all (but not less than all) of the ROFO Space (the "**Right of Opportunity**") by delivering Tenant's notice of such election to Landlord ("**Tenant's ROFO Notice**") within seven (7) Business Days after Landlord gives Landlord's ROFO Notice to Tenant. If Tenant exercises Tenant's Right of Opportunity less than thirty-six (36) months prior to the Expiration Date for the initial Term, Tenant shall concurrently exercise Tenant's Extension Option for the Extension Term as set forth under Article 28, and Tenant shall have the right to exercise its Extension Option at such time notwithstanding anything to the contrary set forth in Article 28.

(b) Any provision of this Lease to the contrary notwithstanding, Tenant's Right of Opportunity shall be subject to the following:

(i) With respect to any ROFO Space available for lease as of the Effective Date, Tenant's Right of Opportunity shall not apply to such ROFO Space until Landlord has hereafter entered into a lease with a third-party tenant for such ROFO Space containing such terms as Landlord deems acceptable in Landlord's sole discretion (including, without limitation, any fixed expansion or extension rights that Landlord might grant such tenant(s) for such ROFO Space) with a third-party tenant and the term of such lease has expired with respect to such ROFO Space (including, without limitation, the expiration of any lease term extension period(s), regardless of whether the extension right or agreement is contained in such lease or is agreed to at any time by Landlord and the tenant under such lease or otherwise) or otherwise been terminated.

(ii) If Tenant notifies Landlord that Tenant elects not to lease a ROFO Space or if Tenant fails to timely deliver Tenant's ROFO Notice to Landlord with respect thereto, Tenant's Right of Opportunity shall not apply to such ROFO Space until Landlord has thereafter entered into a lease for such ROFO Space with a third-party tenant under one or more

leases containing such terms as Landlord deems acceptable in Landlord's sole discretion (including, without limitation, any right of opportunity or other expansion rights that Landlord might grant such tenant(s) for such ROFO Space) and Tenant's Right of Opportunity shall not apply to such space until the term of such lease has expired with respect to such ROFO Space (including, without limitation, the expiration of any lease term extension period(s), regardless of whether the extension right or agreement is contained in such lease or is agreed to at any time by Landlord and the tenant under such lease or otherwise) or otherwise been terminated.

Section 29.2 Conditions to Exercise. Tenant's exercise of its Right of Opportunity shall be subject to the following conditions at the time of such exercise: (i) this Lease is in full force and effect; (ii) no Event of Default then exists; (iii) Tenant has timely exercised the Right of Opportunity, with time being of the essence; (iv) this Lease had not been assigned to a non-Related Entity; (v) Tenant shall have not exercised Tenant's Acceleration Option and (vi) Tenant is not subleasing to a non-Related Entity more than one-third (1/3) of the Area of the Premises. If Tenant exercises its Right of Opportunity, Tenant may not thereafter revoke such exercise.

Section 29.3 Condition of ROFO Space. Tenant shall take the ROFO Space in "as is" condition.

Section 29.4 ROFO Space Rent. The annual Fixed Rent payable for an applicable ROFO Space shall be the annual ROFO Rate for the ROFO Space as of the ROFO Commencement Date (the "**ROFO Calculation Date**"), with such ROFO Rate being escalated annually on each anniversary of the ROFO Calculation Date by the market escalation rate that shall be determined as part of the determination of the ROFO Rate. The "**ROFO Rate**" shall mean the fair market annual full service, net of electric rental value of the applicable ROFO Space as of the ROFO Calculation Date for a tenant-requested term equal to the then remainder of the Term; based on comparable space in the Building or on comparable space in Comparable Buildings; including all of Landlord's services provided for in this Lease; with the ROFO Space considered as vacant and in "as is" condition existing on the ROFO Calculation Date; with Tenant being required to make Tenant's Tax Payment and Tenant's Operating Payment pursuant to the terms of this Lease, but with the Base Year being the calendar year in which the ROFO Commencement Date occurs; assuming the rent for the space is not set forth in the lease between the parties; and assuming that the leased premises is unencumbered (*e.g.*, the leased premises is not subject to another party's superior expansion right) and is leased under a prime lease and not a sublease. Subject to the provisions of this Article, the calculation of ROFO Rate shall take into account all relevant factors. If the ROFO Rate includes any out-of-pocket monetary concession (such as a tenant improvement allowance) to be provided by Landlord, Landlord shall have the option to either directly provide such monetary concession or indirectly provide such monetary concession by equitably reducing the ROFO Rate by the economic value of such concession over the then remaining Term.

Section 29.5 Procedure for Determining Fixed Rent.

(a) Landlord shall advise Tenant (the "**ROFO Rent Notice**") of Landlord's determination of ROFO Rate within ten (10) days after receiving Tenant's ROFO Notice. If Tenant does not accept Landlord's determination of ROFO Rate, the parties shall meet and seek

to reach agreement on the ROFO Rate during the thirty (30) day period that begins when Landlord receives Tenant's ROFO Notice (the "**ROFO Negotiation Period**").

(b) If Landlord and Tenant do not agree upon the ROFO Rate in writing within the ROFO Negotiation Period, the provisions of Section 28.4(b) shall govern the determination of the ROFO Rate, except that all references in Section 28.4(b) to:

the "Extension Rate" shall mean the "ROFO Rate,"

the "Extension Negotiation Period" shall mean the "ROFO Negotiation Period;" and

the "Extension Rent Notice" shall mean the "ROFO Rent Notice."

If the Fixed Rent payable for a ROFO Space is not determined prior to the day on which Tenant commences to lease the ROFO Space, Tenant shall pay Fixed Rent for the ROFO Space in an amount equal to the rentable square foot rate then payable for the original Premises (the "**ROFO Interim Rent**"). Upon final determination of the Fixed Rent for the ROFO Space, Tenant shall commence paying such Fixed Rent as so determined, and within ten (10) days after such determination Tenant shall pay any deficiency in prior payments of Fixed Rent or, if the Fixed Rent as so determined shall be less than the ROFO Interim Rent, Tenant shall be entitled to a credit against the next succeeding installments of Fixed Rent in an amount equal to the difference between each installment of ROFO Interim Rent and the Fixed Rent as so determined which should have been paid for such installment until the total amount of the over payment has been recouped.

Section 29.6 Terms of Lease. Except to the extent expressly set forth in this Article to the contrary, if Tenant elects to lease ROFO Space, such space shall become subject to this Lease upon the same terms and conditions as are then applicable to the original Premises. The foregoing notwithstanding, except as to any concessions or allowances determined as part of the ROFO Rate, any tenant improvement allowances, free rent periods, moving allowances or other special concessions granted to Tenant with respect to the original Premises shall not apply to the ROFO Space.

Section 29.7 Term. If Tenant exercises its right to lease ROFO Space, the term of Tenant's lease of the ROFO Space shall commence upon the later of: (i) the date of availability specified in Landlord's ROFO Notice, or (ii) the date Landlord tenders possession of the ROFO Space in the condition required under Section 29.3, and expire upon the expiration of the Term of this Lease (and any extension hereof). Provided Landlord has complied with the terms of the following sentence, Landlord will have no liability to Tenant if Landlord does not deliver the ROFO Space to Tenant on the date of availability specified in Landlord's ROFO Notice. Landlord will promptly commence and diligently pursue obtaining possession of the ROFO Space (including, if necessary, by initiating legal proceedings) so that Landlord can tender the ROFO Space to Tenant; provided, however, if Landlord has not tendered possession of the ROFO Space to Tenant within six (6) months after the date of availability specified in Landlord's ROFO Notice (which date shall not be extended by Unavoidable Delays), Tenant's sole remedy shall be to terminate its election to lease the ROFO Space by notifying Landlord in writing within thirty (30) days after the expiration of said six month period. Landlord shall have

no obligation to make any payment to the occupant or to give any other concession to such occupant in order to induce such occupant to vacate and surrender possession of any ROFO Space.

Section 29.8 Recomputation. Except to the extent expressly set forth in this Lease to the contrary, upon Tenant's leasing of ROFO Space, the terms "Area of the Premises" and the "Premises" shall be deemed amended to include such ROFO Space and Tenant's Share and all other computations made under this Lease based upon or affected by the rentable area of the Premises shall be recomputed to include such ROFO Space.

ARTICLE 30
ACCELERATION OPTION

Section 30.1 Acceleration Option Any provision of this Lease to the contrary notwithstanding, Tenant shall have the right to accelerate the Expiration Date (the "**Acceleration Option**") with respect to the entire Premises to December 31, 2019 (the "**Accelerated Expiration Date**") upon the terms and conditions set forth in this Section.

Section 30.2 Acceleration Notice. If Tenant elects to exercise its Acceleration Option, Tenant shall deliver written notice of such election (the "**Acceleration Notice**") to Landlord on or before January 1, 2019 and Tenant shall deliver the Acceleration Payment to Landlord no later than thirty (30) days prior to the Accelerated Expiration Date. The "**Acceleration Payment**" means the sum of the unamortized portion (determined as of the Accelerated Expiration Date) of, with respect to the original Premises leased hereunder (i) all brokerage fees paid by Landlord in connection with this Lease, (ii) the Improvement Allowance and any other cash allowance given to Tenant under this Lease, and (iii) any free or abated rent to which is entitled under this Lease for the period from the date on which Tenant first conducts business at the Premises or any portion thereof to the Rent Commencement Date, when such sum is amortized with interest at eight percent (8%) per annum in equal monthly payments from applicable Rent Commencement Date through the original Expiration Date under this Lease. In addition, if the Premises is expanded after the date hereof, the Acceleration Payment shall be increased to reflect the sum of, with respect to the expansion space, the unamortized portion (determined as of the Accelerated Expiration Date) of the costs described in clauses (i), (ii), (iii) above and any applicable Fixed Rent abatement (determined as set forth above but amortized from the date Tenant begins paying rent for the expansion space) incurred by Landlord in connection with the expansion space.

Section 30.3 Exercise of Acceleration Option. If Tenant properly exercises its Acceleration Option and fully and timely pays the Acceleration Payment to Landlord, this Lease and the Term shall expire and the Expiration Date shall be at 11:59 p.m. on the Accelerated Expiration Date; provided, however, the obligations set forth in this Lease that are to survive the termination or expiration of this Lease, shall so survive.

Section 30.4 Obligations. If Tenant exercises its Acceleration Option, Landlord and Tenant shall continue to fully and timely observe and perform their respective obligations under this Lease through the Accelerated Expiration Date and thereafter with respect to any obligations that are to survive the expiration or termination of this Lease. For example, Tenant would

continue to be obligated to make all Fixed Rent and Additional Rent payments as and when due under this Lease through the Accelerated Expiration Date.

Section 30.5 No Revocation. Once Tenant exercises its Acceleration Option, Tenant may not thereafter revoke such exercise.

Section 30.6 Conditions to Exercise. Tenant's exercise of its Acceleration Option shall be subject to the existence of the following conditions at the time of such exercise: (i) Tenant has not exercised Tenant's Right of Opportunity on or after January 1, 2017; and (ii) Tenant has timely exercised its Acceleration Option and delivered the Acceleration Payment to Landlord, with time being of the essence.

ARTICLE 31 STORAGE SPACE

Section 31.1 Storage Space. Tenant hereby leases approximately 931 square feet of storage space on B-2 level of the Building (the "**Storage Space**"), which Storage Space is approximately as shown on Exhibit 1-Storage Space attached to this Lease.

Section 31.2 Rent. During the initial Term of this Lease, Tenant shall pay Landlord annual rent for the Storage Space in an amount equal to \$15.00 per square foot multiplied by the number of square feet contained in the Storage Space, which rent shall increase on each anniversary of the applicable Rent Commencement Date by three percent (3%) of the Storage Space rent payable for the then immediately preceding year. The Storage Space rent shall be deemed a part of the Rent owed by Tenant under this Lease and Tenant shall make monthly rental payments for the Storage Space at the same time, in the same form and otherwise in accordance with the terms set forth in this Lease for the payment of Rent.

Section 31.3 Storage Space Lease Terms. Except as set forth in this Article to the contrary, Tenant shall lease the Storage Space upon the same terms and conditions as Tenant leases the Premises; provided, however, Tenant's Proportionate Share of Operating Expenses and Taxes and other charges under this Lease shall not be increased by virtue of Tenant's leasing of the Storage Space and the square footage of the Storage Space shall not be added to or included in the square footage of the Premises.

Section 31.4 Condition of Storage Space. Tenant accepts the Storage Space in "as is" condition and Landlord shall have no obligation to provide any services in connection with the Storage Space, except for providing electricity, replacement lightbulbs and keys and access to the Storage Space, and except that the Storage Space will be tendered to Tenant broom clean condition (the "**Storage Condition**"). Upon delivering the Storage Space to Tenant in Storage Condition, Landlord will have no obligation to make any improvements, repairs or alterations to the Storage Space. Tenant shall maintain the Storage Space at Tenant's sole cost and expense. At the end of the Term, Tenant shall surrender the Storage Space to Landlord in broom clean condition, normal wear and tear excepted. Tenant will not operate any equipment (electrical or otherwise) in the Storage Space.

Section 31.5 Term of Lease for Storage Space. Tenant's leasing of the Storage Space shall commence on the date Landlord tenders possession of the Storage Space to Tenant in

the Storage Condition and shall be co-terminus with the Term of this Lease and any extension thereof; provided, however, Tenant shall have the right to terminate its lease of all or a portion of the Storage Space at any time upon thirty (30) days prior written notice. Tenant shall have the right to rent additional storage space from time to time (to the extent storage space is available) on the same terms as set forth herein by delivering written notice to Landlord requesting additional storage space and Landlord shall promptly notify Tenant in writing of additional storage space to the extent storage space becomes available during the six (6) month period after Landlord's receipt of Tenant's notice requesting additional storage space.

Section 31.6 Assignment. Tenant shall not assign or sublet all or any portion of the Storage Space except in connection with any assignment of this Lease or sublease of the Premises permitted under this Lease.

Section 31.7 Insurance. Tenant's insurance requirements set forth in this Lease shall also apply with respect to the Storage Space.

Section 31.8 Use of Storage Space. Tenant shall use the Storage Space for storing such personal property of Tenant as Tenant is permitted to have in the Premises and for no other purpose.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Deed of Lease as of the day and year first above written.

LANDLORD:

COMMONWEALTH TOWER, L.P.,
a Delaware limited partnership

By: /s/ Russell Makowsky
Name: Russell Makowsky
Title: Vice President and Treasurer

TENANT:

CARLYLE INVESTMENT MANAGEMENT LLC,
a Delaware limited liability company

By: /s/ Daniel A. D'Aniello
Name: Daniel D'Aniello
Title: Managing Director

OFFICE LEASE

by and between

**TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA
for the benefit of its Real Estate Account**

("Landlord")

and

CARLYLE INVESTMENT MANAGEMENT L.L.C.

("Tenant")

Dated as of

April 16, 2010

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LIST OF EXHIBITS

Exhibit A-1	Floor Plans of the Premises and the Expansion Space
Exhibit A-2	Floor Plan of the Storage Space
Exhibit A-3	Legal Description of the Project
Exhibit B	Building Enhancements
Exhibit C	Building Rules and Regulations
Exhibit D	Form Tenant Estoppel Certificate
Exhibit E	Cleaning Specifications
Exhibit F	Form of Subordination, Non-Disturbance and Attornment Agreement
Exhibit G	Central Heat and Air Conditioning Standards
Exhibit H	Form of Guaranty
Exhibit I	List of Existing Rights

OFFICE LEASE

THIS OFFICE LEASE (this "Lease") is made as of April 16, 2010 ("Effective Date") between **TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA**, a New York corporation, for the benefit of its Real Estate Account ("Landlord"), and the Tenant described in Item 1 of the Basic Lease Provisions.

LEASE OF PREMISES

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, subject to all of the terms and conditions set forth herein, those certain premises (the "Premises") described in *Item 3* of the Basic Lease Provisions and as shown in the drawing attached hereto as Exhibit A-1. The Premises are located in the Building described in *Item 2* of the Basic Lease Provisions. The Building is located on that certain land (the "Land") more particularly described on Exhibit A-2 attached hereto, which is also improved with landscaping, parking facilities and other improvements, fixtures and common areas and appurtenances now or hereafter placed, constructed or erected on the Land (sometimes referred to herein as the "Project").

BASIC LEASE PROVISIONS

- | | | |
|----|--------------------------------------|--|
| 1. | Tenant: | CARLYLE INVESTMENT MANAGEMENT L.L.C. (" <u>Tenant</u> ") |
| 2. | Building: | 1001 Pennsylvania Avenue, N.W.
Washington, D.C. (" <u>Building</u> ") |
| 3. | Description of Premises: | The entirety of the 2 nd and 3 rd floors of the Building |
| | Rentable Area: | approximately 129,724 square feet of Rentable Area, consisting of approximately 58,236 square feet of Rentable Area on the second (2 nd) floor of the Building, and approximately 71,488 square feet of Rentable Area on the third (3 rd) floor of the Building. |
| | Building Size: | approximately 756,499 total square feet of Rentable Area (subject to <u>Paragraph 18</u>) consisting of approximately 713,574 square feet of Rentable Area of office space and approximately 42,925 square feet of rentable area of retail space |
| 4. | Tenant's Proportionate Share: | Tenant's Proportionate Share Building: approximately 17.15% (129,724 rsf / 756,499 rsf) (See <u>Paragraph 3</u>)

Tenant's Proportionate Share Office: approximately 18.18% (129,724 rsf / 713,574 rsf) (See Paragraph 3) |
| 5. | Base Rent: | (See <u>Paragraph 2</u>) |
-

<u>August 1, 2011 to July 31, 2012, inclusive:</u>	(\$31.88/square foot of Rentable Area/annum)
Monthly Installment:	\$344,633.43
Each Lease Year:	\$4,135,601.12
<u>August 1, 2012 to July 31, 2013, inclusive:</u>	(\$32.67/square foot of Rentable Area/annum)
Monthly Installment:	\$353,173.59
Each Lease Year:	\$4,238,083.08
<u>August 1, 2013 to July 31, 2014, inclusive:</u>	(\$44.65/square foot of Rentable Area/annum)
Monthly Installment:	\$482,681.38
Each Lease Year:	\$5,792,176.60
<u>August 1, 2014 to July 31, 2015, inclusive:</u>	(\$45.77/square foot of Rentable Area/annum)
Monthly Installment:	\$494,788.96
Each Lease Year:	\$5,937,467.48
<u>August 1, 2015 to July 31, 2016, inclusive:</u>	(\$46.91/square foot of Rentable Area/annum)
Monthly Installment:	\$507,112.74
Each Lease Year:	\$6,085,352.84
<u>August 1, 2016 to July 31, 2017, inclusive:</u>	(\$49.41/square foot of Rentable Area/annum)
Monthly Installment:	\$534,138.57
Each Lease Year:	\$6,409,662.84
<u>August 1, 2017 to July 31, 2018, inclusive:</u>	(\$50.65/square foot of Rentable Area/annum)
Monthly Installment:	\$547,543.38
Each Lease Year:	\$6,570,520.60
<u>August 1, 2018 to July 31, 2019, inclusive:</u>	(\$51.91/square foot of Rentable Area/annum)
Monthly Installment:	\$561,164.40
Each Lease Year:	\$6,733,972.84
<u>August 1, 2019 to July 31, 2020, inclusive:</u>	(\$53.21/square foot of Rentable Area/annum)
Monthly Installment:	\$575,217.84
Each Lease Year:	\$6,902,614.04
<u>August 1, 2020 to July 31, 2021, inclusive:</u>	(\$54.54/square foot of Rentable Area/annum)
Monthly Installment:	\$589,595.58
Each Lease Year:	\$7,075,146.96

August, 2021 to July 31, 2022 inclusive: (\$57.04/square foot of Rentable Area/annum)
Monthly Installment: \$616,621.41
Each Lease Year: \$7,399,456.96

August 1, 2022 to July 31, 2023, inclusive: (\$58.47/square foot of Rentable Area/annum)
Monthly Installment: \$632,080.19
Each Lease Year: \$7,584,962.28

August 1, 2023 to July 31, 2024, inclusive: (\$59.93/square foot of Rentable Area/annum)
Monthly Installment: \$647,863.28
Each Lease Year: \$7,774,359.32

August 1, 2024 to July 31, 2025, inclusive: (\$61.43/square foot of Rentable Area/annum)
Monthly Installment: \$664,078.78
Each Lease Year: \$7,968,945.32

August 1, 2025 to July 31, 2026, inclusive: (\$62.96/square foot of Rentable Area/annum)
Monthly Installment: \$680,618.59
Each Lease Year: \$8,167,423.08

6. **Installment Payable Upon Execution:** N/A
7. **Security Deposit:** None
8. **Initial Estimated Amount of Tenant's Proportionate Share of Operating Expenses for the Project:** N/A
9. **Initial Term:** Fifteen (15) Lease Years, commencing on the Commencement Date and ending on the last day of the fifteenth (15th) Lease Year (See Paragraph 1)
10. **Commencement Date:** August 1, 2011
11. **Expiration Date:** July 31, 2026
12. **Tenant's Broker (See Paragraph 24(1)):** CB Richard Ellis, Inc.
750 9th Street, NW
Suite 900
Washington, DC 20001

13. **Number of Parking Permits:**

Tenant shall have the right to contract for one hundred ten (110) parking permits for the Premises and up to one monthly parking permit per 1,250 square feet of Rentable Area of any Expansion Space leased by Tenant. Each such parking permit shall be for unreserved parking in the Project's garage at the prevailing market rate, pursuant to the provisions of Paragraph 18(a) below.

14. **Addresses for Notices:**

To: TENANT:

Carlyle Group
1001 Pennsylvania Avenue, NW
Suite 220 South
Washington, DC 20004
Attn: Chief Administrative Officer

and to:

Carlyle Group
1001 Pennsylvania Avenue, NW
Suite 220
Washington, DC 20004
Attn: General Counsel

With a copy to:

Katten Muchin Rosenman LLP
2900 K Street, NW
Suite 200
Washington, DC 20007
Attn: Bruce Kosub, Esq.

To: LANDLORD:

Property Management Office:

Teachers Insurance and Annuity Association of America
c/o Hines Interests Limited Partnership
1001 Pennsylvania Avenue, NW
Suite 100
Washington, DC 20004
Attn: Property Manager

With a copy to:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, NY 10017-3206
Attn: Managing Director-Real Estate Portfolio,
Investment Management-Mortgage and Real Estate

and to:

Teachers Insurance and Annuity Association of America
8500 Andrew Carnegie Blvd.
Charlotte, NC 28262
Attn: Vice-President and General Counsel-Investment
Management Law

and to:

Greenberg Traurig, LLP
2101 L Street, NW
Suite 1000
Washington, DC 20037
Attn: Nelson F. Migdal, Esq.

15. **Address for Payment of Rent:** All payments payable under this Lease shall be sent to Landlord at:

TIAA-CREF, Hines
Property Management 1001 Pennsylvania Avenue
PO Box 405352
Atlanta, GA 30384-5302

or to such other address as Landlord hereafter may designate in a written notice to Tenant given at least twenty (20) days' prior to the date such payment is due.
16. **Guarantor:** TC Group, L.L.C., a Delaware limited liability company
17. **Effective Date:** The effective date of this Lease shall be the date set forth in the introductory paragraph above.
18. **Tenant Improvement Allowance:** \$9,080,680.00 (based upon Seventy Dollars (\$70.00) per square foot of Rentable Area of the Premises). See Paragraph 4(b).
19. **The "State" is the state, commonwealth, district or jurisdiction in which the Building is located.** Washington, D.C.
20. **Storage Space:** See Paragraph 19. Note: Storage Space rent is payable monthly in addition to Base Rent.
21. **Option to Extend:** Two (2) five (5)-year options. See Paragraph 20.
22. **Right of First Offer:** See Paragraph 21.
23. **Telecommunications Equipment:** See Paragraph 22.
24. **Lease Year:** The 12-month period beginning on the first day of the month in which the Commencement Date falls and each anniversary thereof.

This Lease consists of the foregoing introductory paragraphs and Basic Lease Provisions, the provisions of the Standard Lease Provisions (the "Standard Lease Provisions") (consisting of Paragraph 1 through Paragraph 24 which follow) and Exhibits A-1 through Exhibit A-3 and Exhibit B through Exhibit C, all of which are incorporated herein by this reference. In the event of any conflict between the provisions of the Basic Lease Provisions and the provisions of the Standard Lease Provisions, the Standard Lease Provisions shall control.

STANDARD LEASE PROVISIONS

1. TERM

(a) The Initial Term of this Lease and the Rent (defined below) shall commence on August 1, 2011 (the "Commencement Date"). Unless earlier terminated in accordance with the provisions hereof, the Initial Term of this Lease shall be the period shown in *Item 9* of the Basic Lease Provisions. As used herein, "Lease Term" shall mean the Initial Term referred to in *Item 9* of the Basic Lease Provisions, subject to any extension of the Initial Term hereof exercised in accordance with the terms and conditions expressly set forth herein, the Initial Term shall end on July 31, 2026 (the "Expiration Date"). Unless Landlord is terminating this Lease prior to the Expiration Date in accordance with the provisions hereof, Landlord shall not be required to provide notice to Tenant of the Expiration Date. This Lease shall be a binding contractual obligation effective upon execution hereof by Landlord and Tenant, notwithstanding the later commencement of the Initial Term of this Lease.

(b) The Premises will be delivered to Tenant on the Commencement Date.

2. BASE RENT

(a) Tenant agrees to pay during each month of the Lease Term as Base Rent ("Base Rent") for the Premises the sums shown for such periods in *Item 5* of the Basic Lease Provisions.

(b) Except as expressly provided to the contrary herein, Base Rent shall be payable in consecutive monthly installments, in advance, without demand, deduction or offset, commencing on the Commencement Date and continuing on the first day of each calendar month thereafter until the expiration of the Lease Term. The first full monthly installment of Base Rent and of Tenant's Proportionate Share Office (as defined below) and Tenant's Proportionate Share Building (as defined below) of applicable estimated Operating Expenses due pursuant to Paragraph 3(e) shall be payable upon the Commencement Date of this Lease. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. If the commencement date for any Expansion Space (as defined in Paragraph 21(a) hereof) is a day other than the first day of a calendar month, or the Lease Term expires on a day other than the last day of a calendar month, then the Rent for such partial month shall be calculated on a per diem basis. In the event Landlord delivers to Tenant and Tenant accepts possession of any Expansion Space pursuant to Paragraph 21, prior to the commencement date therefor, Tenant agrees it shall be bound by and subject to all terms, covenants, conditions and obligations of this Lease during the period between the date possession is accepted by Tenant and the commencement date, other than the payment of Base Rent, in the same manner as if delivery had occurred on the commencement date.

(c) The parties agree that for all purposes hereunder the Premises shall be stipulated to contain the number of square feet of Rentable Area described in *Item 3* of the Basic Lease Provisions. As used herein, "Rentable Area" shall mean the rentable area of space in the Building calculated generally in accordance with the WDCAR methodology.

(d) Base Rent shall be paid to Landlord absolutely net of all costs and expenses. The provisions for payment of Operating Expenses by means of periodic payment of Tenant's Proportionate Share Office of estimated applicable Operating Expenses, Tenant's Proportionate Share Building of estimated applicable Operating Expenses and the year end adjustment of such payments are intended to pass on to Tenant and reimburse Landlord for Tenant's Proportionate Share Office and Tenant's Proportionate Share Building of all costs and expenses of the nature described in Paragraph 3 of this Lease.

3. ADDITIONAL RENT

(a) Tenant shall pay to Landlord each month as additional rent ("Additional Rent") an amount equal to Tenant's Proportionate Share Office or Tenant's Proportionate Share Building of applicable Operating Expenses (defined below).

(b) "Tenant's Proportionate Share Office" is, subject to the provisions of Paragraph 18, the percentage number described in *Item 4* of the Basic Lease Provisions. Tenant's Proportionate Share Office represents, subject to the provisions of Paragraph 18, a fraction, the numerator of which is the number of square feet of Rentable Area in the Premises and the denominator of which is the number of square feet of Rentable Area for lease to third parties leasing office space in the Building, as determined by Landlord pursuant to Paragraph 18. "Tenant's Proportionate Share Building" is, subject to the provisions of Paragraph 18, the percentage number described in *Item 4* of the Basic Lease Provisions. Tenant's Proportionate Share Building represents, subject to the provisions of Paragraph 18, a fraction, the numerator of which is the number of square feet of Rentable Area in the Premises and the denominator of which is the number of square feet of Rentable Area for lease to all third parties leasing office space in the Building, plus the number of square feet of rentable area for lease to all third parties leasing retail space in the Building, as determined by Landlord, subject to the provisions of Paragraph 18. For purposes hereof, Tenant's Proportionate Share Building shall be applicable to Paragraphs 3(c)(i) and 3(c)(ii), and Tenant's Proportionate Share Office shall be applicable to Paragraph 3(c)(iii).

(c) "Operating Expenses" means all reasonable and customary costs, expenses and obligations incurred or payable by Landlord in connection with the operation, ownership, management, repair or maintenance of the Building and the Project during or allocable to the Lease Term, including without limitation, the following:

(i) Any form of assessment, license fee, license tax, business license fee, commercial rental tax, levy, charge, improvement bond, tax, water and sewer rents and charges, or similar or dissimilar imposition imposed by any authority having the direct power to tax, including any city, county, state or federal government, or any school, or any improvement or special assessment district thereof, or any other governmental charge, general and special, ordinary and extraordinary, foreseen and unforeseen, which are assessed against the ownership or use of any legal or equitable interest of Landlord in the Premises, Building, Common Areas or Project during the Lease Term (collectively, "Taxes"). Taxes shall also include, without limitation:

(A) any assessment, tax, fee, levy or charge by any governmental agency related to any transportation plan, fund or system (including assessment districts) instituted within the geographic area of which the Project is a part; and/or

(B) any reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Landlord in attempting to protest, reduce or minimize Taxes.

Any Taxes which may be paid in a lump sum or paid in installments shall be passed through as Operating Expenses in installments. Notwithstanding anything contained herein to the contrary, "Taxes" shall not include: any inheritance, estate, gift, franchise, corporation, income, excise, capital stock, succession, transfer, recordation, net or excess profits taxes; taxes on any over standard tenant improvements or tenant improvements valued in excess of those in the Premises; taxes for which Tenant is charged directly (i.e., personal property); Landlord's gross receipts taxes or any other similar tax which may be assessed against Landlord and/or the Building; or any

interest or penalties for late payment by Landlord. Landlord shall use commercially reasonable efforts to keep Taxes as low as possible. If Landlord reasonably determines to initiate efforts to obtain a reduction or elimination of taxes, Landlord shall diligently pursue such reduction and/or elimination of taxes. If Landlord secures an abatement or refund of any Taxes, Tenant shall receive Tenant's Proportionate Share Building of the amount of such abatement or refund (net of reasonable costs incurred not passed through as Operating Expenses) as a credit to be applied by Landlord against the next monthly rental payment(s) (unless no further Rent is due by Tenant hereunder and then Landlord shall pay Tenant's Proportionate Share Building of the amount of any abatement or refund to Tenant within thirty (30) days of Landlord's receipt of any such abatement or refund), and any expenses incurred by Landlord in connection with obtaining such reduction shall be included in Operating Expenses.

(ii) Insurance for the Building and Landlord's ownership thereof, including, but not limited to, public liability, fire, property damage, wind, hurricane, earthquake, terrorism, flood, rental loss, rent continuation, boiler machinery, business interruption, contractual indemnification and All Risk or Causes of Loss — Special Form coverage insurance for up to the full replacement cost of the Project and such other insurance for the Building and Landlord's ownership thereof as is customarily carried by operators of other similar class office buildings in the city in which the Project is located, to the extent carried by Landlord in its reasonable discretion, and the deductible portion of any insured loss at the Project otherwise covered by such insurance; provided, however, that to the extent Landlord obtains any such insurance as part of a blanket policy covering other property of Landlord or Landlord Affiliates (as defined in Paragraph 6(g)(iv)) as well as the Building, only the portion of premium therefor reasonably allocated to the Building shall be included as part of Operating Expenses.

(iii) The cost of reasonable and customary services and utilities (including taxes and other charges incurred in connection therewith) provided to the Premises, the Building or the Project, including, without limitation, water, power, gas, sewer, waste disposal, telephone and cable television facilities, fuel, supplies, equipment, tools, materials, service contracts, janitorial services, waste and refuse disposal, window cleaning, maintenance and repair of sidewalks and Building exterior and services areas, gardening and landscaping; public space and vault rentals and charges; employees' wages, salaries, welfare and social security taxes, paid vacation days, and disability, pension, medical and other fringe benefits of all persons (including independent contractors) who perform services connected with the operation, maintenance, repair or replacement of the Building and Common Areas (wages, salaries and related expenses of any agents or employees not exclusively engaged in the operation, maintenance, security and management of the Building shall be reasonably apportioned); any association assessments, costs, dues and/or expenses relating to the Project; personal property taxes on and maintenance and repair of equipment and other personal property used in connection with the operation, maintenance or repair of the Project; repair and replacement (to the extent that an individual window coverings cannot be repaired) of Building standard window coverings provided by Landlord in the premises of tenants in the Project which replacement coverings shall be of comparable quality; such reasonable auditors' fees and legal fees as are incurred in connection with the operation, maintenance or repair of the Project; a property management fee not to exceed three percent (3%) of gross receipts of office portion of Building (which fee may be imputed if Landlord has internalized management or otherwise acts as its own property manager); all costs associated with maintaining and operating the fitness center in the Building including a reasonable market rate; the maintenance of any easements or ground leases benefiting the Project, whether by Landlord or by an independent contractor; license, permit and inspection fees relating to the Building; all costs and expenses required by any governmental or quasi governmental authority or by applicable Law for any reason; provided that such expense is not caused by

Landlord's gross negligence, illegal acts or willful misconduct or by governmental or quasi governmental tenants in the Building acting as tenants in the Building; the cost of air conditioning, heating, ventilating, plumbing, elevator maintenance and repair (to include the replacement of components) and other mechanical and electrical systems repair and maintenance; sign maintenance; and Common Area (defined below) repair, resurfacing, operation and maintenance; the reasonable cost for temporary lobby displays and events commensurate with the operation of a similar class building (not to exceed two (2) events per calendar year), and the cost of providing security services, if any, deemed appropriate by Landlord (it being understood, however, that any increased security put in place solely because of the sensitivity of another tenant or which do not contribute to the overall security of the tenants in the Building shall not be an Operating Expense). Notwithstanding the foregoing, at no time shall the rental charges for the on-site property management office and the fitness center passed through as an Operating Expense exceed the fair market rental rate for interior, windowless space. As of the Effective Date, the on-site property management office is in windowless space. If Landlord makes an expenditure for any capital improvements made to the Project by Landlord that reduce Operating Expenses, or to comply with any law, ordinance or regulation pertaining to the Land or the Building enacted after the Commencement Date, and if, under generally accepted accounting principles as applied to real estate, such expenditure is not a current expense, then the cost thereof shall be amortized over a period equal to the pay-back period of such improvement, determined in accordance with generally accepted accounting principles, and the amortized costs allocated to each calendar year during the Term, together with an imputed interest amount calculated on the unamortized portion thereof using an interest rate equal to the prime rate as announced by Bank America, N.A., plus one percent (1%), and such cost shall be deemed to be a "Permitted Capital Expenditure" and shall be treated as an Operating Expense. Notwithstanding the foregoing provisions of Paragraph 3(c)(i), the following shall be excluded or deducted from Operating Costs: (i) the costs related to the garage portion of the Project (except that no separate allocation to the garage portion shall be made for insurance and taxes, as identified in Paragraph 3(c)(i) and Operating Cost shall include the Rentable Area of office space within the Building of the total tax and insurance costs for the entire Project) and (ii) the costs and expenses of all utilities for and inspection, maintenance, service and repair of the Rentable Area of the commercial (retail) space in the Project. Notwithstanding the foregoing, Operating Expenses shall not include that portion, if any, of Operating Expenses of the Building that are allocated to, and to be paid by, specific tenants of the Building.

Notwithstanding anything to the contrary in the forgoing, the following items shall also be excluded or deducted from Operating Expenses:

(A) the costs and expenses related to the commercial (retail) space in the Project, including, without limitation, the costs and expenses of all utilities for and inspection, maintenance, service and repair of the Rentable Area of the commercial (retail) space in the Project;

(B) the cost of any improvements which under generally accepted accounting principles, consistently applied, are properly classified as capital improvements, except for Permitted Capital Expenditures;

(C) costs associated with any improvement installed or work performed or any other cost or expense incurred by Landlord in order to comply with the requirements for the obtaining of a certificate of occupancy for the Building or any space therein;

(D) expenses for repairs, replacements or improvements arising from the initial construction and fit-up of the Building, or subsequent repairs or replacements, to the extent such expenses are reimbursed to Landlord by virtue of warranties or service contracts from contractors or suppliers;

(E) leasing commissions, attorneys' fees, costs and disbursements and other expenses incurred in connection with leasing, renovating or improving space in the Project for tenants of the Project (including prospective tenants);

(F) leasing commissions, consultant's commissions, legal expenses, advertising costs, marketing fees, accounting fees, promotional expenses, space planning costs, architectural expenses, construction expenses, rent concessions, tenant improvement expenses and credits, tenant lease assumption costs, moving expenses, recovery of possession costs, and any and all other expenses incurred in connection with the leasing of space (including, without limitation, any extensions, modifications and terminations thereof and any negotiations, disputes and enforcement in connection therewith) in the Project to tenants, including, without limitation, any costs in connection with the foregoing involving tenants, prospective tenants, brokers, prospective purchasers or mortgagees of the Building;

(G) the cost of any additions, alterations, changes, replacements and other items which are made in preparing, completing, fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space in any tenant's premises specifically for a tenant's occupancy or specifically for a tenant thereafter or any vacant space;

(H) Landlord's costs of any services sold to tenants for which Landlord is entitled to be reimbursed by such tenants as an additional charge or rental over and above the Base Rent and Operating Expenses payable under the lease with such tenant or other occupant;

(I) premiums and other costs for insurance carried by Landlord to the extent such insurance coverage is not reasonably comparable to that carried by landlords for comparable first class office buildings in the Washington, D.C., metropolitan area;

(J) any depreciation or amortization of the Project, the Building, or any equipment, machinery or improvements therein, except with respect to Permitted Capital Expenditures;

(K) for any costs above the applicable insurance deductible, costs of any repairs required as a direct result of the negligence of Landlord (provided that such repairs would not have been required but for such negligence); for any costs below the applicable insurance deductible, costs of any repairs required as a direct result of the gross negligence of Landlord (provided that such repairs would not have been required but for such gross negligence);

(L) costs incurred due to or required to cure a violation of Law (defined below) by Landlord relating to the Project;

(M) interest on debt or amortization payments on any mortgages or deeds of trust or any other debt for borrowed money;

(N) costs of purchasing or leasing sculpture, paintings or other art objects;

- (O) ground rent payable with respect to ground leases, underlying leases, easements or amounts payable pursuant to other recorded documents;
- (P) principal or interest and amortization of funds borrowed by Landlord and any related financing or refinancing expenses (including, but not limited to, points, fees and other expenses associated with debt encumbering any portion of the Building), whether secured or unsecured;
- (Q) interest, penalties, fees, fines or any other cost arising by reason of Landlord's failure to timely pay any Operating Expenses;
- (R) interest paid on amounts by which any tenant's estimated payments exceed such tenant's pro rata share of operating expense and tax pass-throughs;
- (S) all costs incurred by Landlord to refinance, encumber or transfer the Building, the Land, Building equipment and/or Building improvements, or to pledge, encumber or sell any interest of Landlord therein, including, but not limited to, any closing costs, title insurance premiums, transfer and all other recordation taxes and charges incurred in connection with same, sales commissions, advertising and promotional expenses;
- (T) all items and services for which Tenant or other tenants reimburse Landlord outside of Operating Expenses;
- (U) repairs or other work occasioned by fire, windstorm or other work paid for or payable through insurance or condemnation proceeds (excluding any deductible);
- (V) legal expenses incurred for (i) negotiating lease terms for prospective tenants, (ii) negotiating termination or extension of leases with existing tenants, (iii) proceedings against any other specific tenant relating solely to the collection of rent or other sums due to Landlord from such tenant;
- (W) any costs relating to the acquisition, development and/or construction of the Project;
- (X) repairs resulting from any defect in the design or construction of any portion of the Project;
- (Y) salaries and all other compensation (including fringe benefits and other direct and indirect personnel costs) of partners, officers and executives of Landlord or such parties who are not otherwise engaged full-time in working at the Building (in the event any employee at or below the level of partners, officers and executives of Landlord works less than full-time at the Building, such employee's salary, wages and other compensation shall be equitably apportioned based upon the time spent at the Building and such equitably apportioned amount shall be included as an Operating Expense);
- (Z) utilities and other similar expenses incurred directly by or on behalf of retail tenants of the Building or which are directly metered or submetered to other tenants of the Building, and the costs of overtime heating, ventilating and air conditioning service provided to any tenant (including Tenant) or occupant of the Building;

(AA) advertising and promotional expenses intended to attract new tenants to the Building;

(BB) the costs and expenses related to the garage portion of the Project, including, without limitation, all operating or maintenance costs, including compensation and utility charges applicable to the parking garage under the Building; provided, however, there will be no separate allocation for Taxes and insurance;

(CC) cost of signage identifying Landlord, any tenant, or other related entity, other than the Building's office tenant lobby directory(ies) and operational signage;

(DD) collection costs incurred by Landlord on Landlord's behalf, and bad debt losses or reserves;

(EE) any costs and expenses incurred, and compensation paid to clerks, attendants or other persons, in any commercial concessions or vending machines operated by Landlord in the Common Areas;

(FF) costs incurred (including, but not limited to, attorneys' fees) in connection with the negotiation and documentation of lease transactions (including subleases and assignments);

(GG) any costs or expenses (including, but not limited to, penalties, fees, fines or punitive damages) incurred by Landlord resulting from Landlord's violation of any agreement to which Landlord is a party or of any applicable laws, ordinances, rules, regulations or orders (including, but not limited to, building, zoning, fire, life safety and disability);

(HH) costs or fees relating to the defense of Landlord's title or interest in the real estate containing the Building or any part thereof;

(II) costs of defending any lawsuits with any mortgage;

(JJ) costs of Landlord incurred in connection with any audit performed for a tenant by a third party accountant;

(KK) amounts paid to any partner, shareholder, officer, executive or director of Landlord for salary or other compensation;

(LL) costs of any other service or other benefits to Tenant or any other tenant or occupant in the Building which either (i) is in excess of that furnished to Tenant, (ii) is supplied or furnished to Tenant pursuant to the terms of this Lease with a separate or additional charge or (iii) is payable separately by tenants of the Building;

(MM) costs arising from the presence of Hazardous Materials or costs incurred to remove, remediate or clean up any Hazardous Materials from either the Building or the Land (including, but not limited to, any governmental investigation, order, proceeding or report with respect thereto);

(NN) costs and expenses relating to administering the affairs of the ownership entity which are unrelated to the maintenance, management or operation of the Building,

including, but not limited to, maintaining Landlord's existence, either as a corporation, partnership or other entity;

(OO) any other costs or expenses for which Landlord actually receives reimbursement from any tenant, the proceeds of any insurance policy, or any other source, other than Additional Rent or a similar rental reimbursement by another tenant for its share of Operating Expenses;

(PP) the cost of repairs incurred by reason of fire or other casualty or condemnation to the extent that either (1) Landlord is compensated therefor through proceeds of insurance or condemnation awards; (2) Landlord would have been compensated therefor had Landlord obtained the insurance coverage against such fire or casualty required hereunder to be carried by Landlord; or (3) Landlord is not fully compensated therefor due to the coinsurance provisions of its insurance policies on account of Landlord's failure to obtain the insurance required hereunder to be carried by Landlord;

(QQ) wages, salaries, fees and any and all other amounts constituting Operating Expenses hereunder paid to any Affiliate of either Landlord or the Building managing agent, or to any officer or director of Landlord in the event and to the extent such wages, salaries, fees and/or other amounts exceed prevailing market rates that would be paid to unrelated third parties;

(RR) costs occasioned by a Landlord default under this Lease;

(SS) costs associated with any concessions or inducements granted to tenants in the Building (such as moving expense allowances, rent abatements or reimbursements);

(TT) takeover expenses of any kind or nature incurred by Landlord with respect to space located in another building in connection with the leasing of space in the Building;

(UU) costs arising from Landlord's charitable or political contributions;

(VV) costs incurred for leasing systems or equipment which Landlord is leasing in lieu of purchasing to the extent that the purchase thereof would not be an Operating Expense;

(WW) costs of telephone, telegraph, teletype (or other telecommunication) incurred by tenants and occupants of the Building;

(XX) any amounts payable by Landlord to another tenant or to Landlord's lender by way of indemnity or for damages;

(YY) costs of additional insurance premiums for the Building due to any tenant's operations within such tenant's demised premises which exceed usual and customary office purposes; and

(ZZ) The cost of any types of services or amenities at the Building shall only be included in Operating Expenses, if Landlord determines, in its reasonable professional judgment, that such types of services or amenities are necessary to maintain the status of the Building as a first-class office building in the Washington, D.C. area. Operating Expenses shall be calculated in accordance with

sound accounting principles consistently applied, and to the extent any Operating Expenses are on an accrual basis, they should be in compliance with Generally Accepted Accounting Principles as consistently applied to real estate. To the extent any Operating Expenses are paid for in advance, such expenses shall be charged to tenants during the period for which such expense is applicable. Landlord shall at all times use reasonable efforts to operate the Building in an efficient and cost effective manner consistent with the operation of first-class office buildings in Washington, D.C.

(d) Operating Expenses for any calendar year during which actual occupancy of the Building is less than one hundred percent (100%) of the Rentable Area of the Building shall be appropriately adjusted to reflect one hundred percent (100%) occupancy of the existing Rentable Area of the Building during such period. In determining Operating Expenses, if any services or utilities are separately charged to tenants of the Building or others, Operating Expenses shall be adjusted by Landlord to reflect the amount of expense which would have been incurred for such services or utilities on a full time basis for normal Building operating hours. In the event Tenant elects to separately meter its electric consumption (which is currently contemplated by Tenant and Landlord), then Tenant at its own costs and expense shall install and remove such meters and (i) such separately metered charges shall be deducted from Tenant's pro rata share the Building's utility costs in a manner equitably determined by Landlord and Tenant, and (ii) Tenant shall be permitted to benefit from the lower rate per KWH that Landlord has negotiated in its power purchase agreement with PEPCO as provided in more detail in Paragraph 7(g) below. In the event (i) the Commencement Date and/or the commencement date for any Expansion Space shall be a date other than January 1, (ii) the date fixed for the expiration of the Lease Term shall be a date other than December 31, (iii) of any early termination of this Lease, or (iv) of any increase or decrease in the size of the Premises, then in each such event, an appropriate adjustment in the application of this Paragraph 3 shall, subject to the provisions of this Lease, be made to reflect such event on a basis determined by Landlord to be consistent with the principles underlying the provisions of this Paragraph 3. In no event shall this paragraph operate to enable Landlord to collect and retain from all tenants in the Building more than one hundred percent (100%) of the actual amount incurred by Landlord for Operating Expenses, nor shall any adjustment be made pursuant to this paragraph with respect to any costs or expenses which do not vary with the occupancy level of the Building.

(e) At least fifteen (15) days prior to the Commencement Date and then at least fifteen (15) days prior to the prior to commencement of each calendar year of the Lease Term following the Commencement Date, Landlord shall give to Tenant a good-faith written estimate of Tenant's Proportionate Share Office and Tenant's Proportionate Share Building of the applicable Operating Expenses for the Building for the ensuing calendar year. Upon request, Landlord shall review with Tenant a copy of Landlord's approved operating and capital budgets for such calendar year including a line-item comparison of same to the applicable then projected expenses including a line-items comparison of the same to the applicable then actual expenses incurred by Landlord in the prior calendar year, to the extent available with an update provided upon determination of actual costs. Tenant shall pay such estimated amount to Landlord in equal monthly installments, in advance on the first day of each month. Within one hundred twenty (120) days after the end of each calendar year, Landlord shall furnish Tenant an independent CPA audited statement indicating in reasonable detail the Operating Expenses for such period, and the parties shall, within thirty (30) days thereafter, make any payment or allowance necessary to adjust Tenant's estimated payments to Tenant's actual share of such Operating Expenses as indicated by such annual statement. Any payment due Landlord shall be payable by Tenant on demand from Landlord. Any amount due Tenant shall be credited against installments next becoming due under this Paragraph 3(e) or refunded to Tenant, if requested by Tenant.

(f) Notwithstanding anything to the contrary, Tenant shall have thirty (30) days after receipt of an invoice from Landlord with respect to pay any non-scheduled Rent that is due and payable under this Lease.

(g) Tenant shall pay ten (10) days before delinquency, all taxes and assessments (i) levied against any personal property, Alterations, tenant improvements or trade fixtures of Tenant in or about the Premises, (ii) based upon this Lease or any document to which Tenant is a party creating or transferring an interest in this Lease or an estate in all or any portion of the Premises, and (iii) levied for any business, professional, or occupational license fees of Tenant. If any such taxes or assessments are levied against Landlord or Landlord's property or if the assessed value of the Project is increased by the inclusion therein of a value placed upon such personal property or trade fixtures, Tenant shall upon written demand reimburse Landlord for the taxes and assessments so levied against Landlord, or such taxes, levies and assessments resulting from such increase in assessed value. To the extent that any such taxes are not separately assessed or billed to Tenant, Tenant shall pay the amount thereof as invoiced to Tenant by Landlord.

(h) Any delay or failure of Landlord in (i) delivering any estimate or statement described in this Paragraph 3, or (ii) computing or billing Tenant's Proportionate Share of Operating Expenses shall not constitute a waiver of its right to require an increase in Rent, or in any way impair the continuing obligations of Tenant under this Paragraph 3. In the event of any dispute as to any Additional Rent due under this Paragraph 3, Tenant, an officer of Tenant or a certified public accountant retained by Tenant (but in no event shall Tenant hire or employ an accounting firm or any other person to audit Landlord as set forth under this Paragraph who is compensated or paid for such audit on a contingency basis) shall have the right after reasonable notice and at reasonable times to inspect Landlord's accounting records at Landlord's on-site management office. If, after such inspection, Tenant still disputes such Additional Rent, upon Tenant's written request therefor, a certification as to the proper amount of Operating Expenses and the amount due to or payable by Tenant shall be made by an independent certified public accountant mutually agreed to by Landlord and Tenant; provided, however, such certified public accountant shall not be the accountant who conducted Landlord's initial calculation of Operating Expenses to which Tenant is now objecting. Such certification shall be final and conclusive as to all parties. If the certification reflects that Tenant has overpaid Tenant's Proportionate Share Office and/or Tenant's Proportionate Share Building of Operating Expenses for the period in question, then Landlord shall credit such excess to Tenant's next payment of Operating Expenses or, at the request of Tenant, promptly refund such excess to Tenant and conversely, if Tenant has underpaid Tenant's Proportionate Share Office and/or Tenant's Proportionate Share Building of Operating Expenses, Tenant shall promptly pay such additional Operating Expenses to Landlord. Tenant agrees to pay the cost of such certification and the investigation with respect thereto unless it is determined that Landlord's original statement was in error in Landlord's favor by more than three percent (3%). Tenant waives the right to dispute any matter relating to the calculation of Operating Expenses or Additional Rent under this Paragraph 3 if any claim or dispute is not asserted in writing to Landlord by the last day of the calendar year in which the original reconciliation of Operating Expenses or Additional Rent statement with respect thereto was delivered to Tenant, except that if an error in excess of three percent (3%) is found to exist, then with regard to such error Tenant shall also have the ability to look back to, and dispute, the statements issued for the two (2) preceding calendar years. Notwithstanding the foregoing, Tenant shall maintain strict confidentiality of all of Landlord's accounting records and shall not disclose the same to any other person or entity except for Tenant's professional advisory representatives (such as Tenant's employees, accountants, advisors, attorneys and consultants) with a need to know such accounting information, who agree to similarly maintain the confidentiality of such financial information.

(i) Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Proportionate Share Office and/or Tenant's Proportionate Share Building of Operating Expenses for the year in which this Lease terminates, Tenant shall, within thirty (30) days, pay any increase due over the estimated Operating Expenses paid, and conversely, any overpayment made by Tenant shall, within thirty (30) days, be refunded to Tenant by Landlord.

(j) The Base Rent, Additional Rent, late fees, and other amounts required to be paid by Tenant to Landlord hereunder are sometimes collectively referred to as, and shall constitute, "Rent".

4. IMPROVEMENTS AND ALTERATIONS

(a) Landlord shall deliver the Premises to Tenant, and Tenant agrees to accept the Premises from Landlord in its existing "AS-IS", "WHERE-IS" condition subject to Landlord's performing its ongoing janitorial and maintenance obligations and Landlord's obligations to complete the Building Enhancements identified on Exhibit B attached hereto. To the extent Landlord does not complete the Building Enhancements by the time periods set forth on Exhibit B, as such time period may be extended due to Force Majeure (as defined in Paragraph 24(x)), then the parties acknowledge that Landlord shall be in default of its obligations hereunder and Tenant shall have the rights and remedies set forth in Paragraph 17(b) below. Landlord shall have no obligation to refurbish or otherwise improve the Premises throughout the Lease Term; provided, however, and notwithstanding the foregoing to the contrary, Landlord's sole construction obligation under this Lease is set forth in the enhancements to the Building specifically set forth on Exhibit B. Notwithstanding the foregoing, Landlord represents that to the best of its knowledge, as of the Effective Date, the Building complies with applicable local, state and federal regulations, including compliance with the Americans with Disabilities Act with respect to all Common Areas.

(b) Commencing on the Effective Date, Landlord shall provide Tenant an allowance (the "Tenant Improvement Allowance") equal to Nine Million Eighty Thousand Six Hundred Eighty Dollars (\$9,080,680.00) (which amount is based on the product of (A) Seventy and 00/100 Dollars (\$70.00) multiplied by (B) the number of square feet of Rentable Area in the Premises). The Tenant Improvement Allowance is provided in order to help Tenant finance the hard costs associated with Tenant's construction of the physical tenant improvements actually installed in the Premises ("Tenant Improvements"); provided, however, that notwithstanding anything to the contrary, Tenant shall have the right to apply up to fifteen percent (15%) of the Tenant Improvement Allowance to Tenant's architectural and engineering design fees, telephone and data cabling, project management fees, and furniture and equipment purchases. Tenant shall pay all of its costs and expenses incurred in connection with such Tenant Improvements. Within thirty (30) days after receipt of a written request from Tenant, but in no event more than one (1) time during any calendar month, Landlord shall reimburse Tenant for (or, at Tenant's request, pay directly to any contractor of Tenant pursuant to approved invoices received from Tenant) the expenses incurred by Tenant in constructing such Tenant Improvements in the Premises to the extent of the Tenant Improvement Allowance not previously funded or applied by Landlord under this Paragraph 4(b), provided: (1) such request is accompanied by reasonably acceptable supporting documentation indicating that such expenses have been incurred and paid (or are currently payable) by Tenant; (2) the work and materials for which payment is requested shall be performed pursuant to all applicable provisions of the Lease; (3) Tenant is not in default under the Lease; and (4) such request is accompanied by lien waivers from the party under contract with Tenant for such Tenant Improvements, which lien waivers must cover all Tenant Improvements performed as of the date of such request for which payment is then being requested, but may be conditioned on such payment being received. Tenant shall have no right to utilize any unused portion of the Tenant Improvement Allowance for any invoice received on or after the date (the "Outside Date") that is the earlier of (1) the date Tenant notifies Landlord in writing that all of the Tenant Improvements intended to be done by Tenant in the Premises have been completed ("Completion Notice"), or (2) December 31, 2014. Landlord and Tenant acknowledge and agree that the Tenant Improvements may be conducted and completed in stages and in different parts of the Premises at different times prior to the Outside Date. If Tenant fails to timely utilize the entire Tenant Improvement Allowance for such improvements as aforesaid, then Tenant shall not be entitled to any credit, cash or otherwise, therefor; provided, however, if any portion of the Tenant Improvement Allowance remains after the Outside Date, Tenant shall have the right to credit the lesser of

(i) the remaining balance of the Tenant Improvement Allowance, or (ii) fifteen percent (15%) of the total Tenant Improvement Allowance, to the Base Rent first due and owing in the first calendar year following the year in which Tenant notifies Landlord in writing that the Tenant Improvements have been completed and makes its final draw request for payment of hard and soft costs associated with the Tenant Improvements.

(c) All Tenant Improvements and any subsequent alterations, additions, or improvements made by or on behalf of Tenant to the Premises excluding cosmetic alterations, additions or improvements (“Alterations”) shall be subject to Landlord’s prior written consent, which consent shall not be unreasonably delayed, conditioned or denied, unless such alterations, additions or improvements adversely affect the structure of the Building or operating systems of the Building, in which case Landlord may withhold, condition or delay its consent in its sole discretion. Landlord’s consent shall not be unreasonably withheld with respect to proposed Tenant Improvements or Alterations that (i) comply with all applicable laws, ordinances, rules and regulations; (ii) are compatible with the Building’s mechanical, electrical, HVAC and life safety systems; (iii) will not interfere in a material manner with the use and occupancy of any other portion of the Building by any other tenant or their invitees; (iv) do not affect the structural portions of the Building; and, (v) do not and will not, whether alone or taken together with other improvements, require the construction of any other improvements or alterations within the Building. To the extent Tenant requires access to riser space and telephone communications closets, Landlord shall provide such access as necessary in connection with the Alterations. Tenant shall cause, at its sole cost and expense, all Tenant Improvements or Alterations to comply with insurance requirements and with Laws and shall construct, at its sole cost and expense, any alteration or modification required by Laws as a result of any Tenant Improvements or Alterations. All Tenant Improvements or Alterations shall be constructed at Tenant’s sole cost and expense, in a first class and good and workmanlike manner by contractors reasonably acceptable to Landlord and only good grades of materials shall be used. All plans and specifications for any Tenant Improvements or Alterations requiring Landlord’s approval shall be submitted to Landlord for its approval, which approval shall not be unreasonably delayed, conditioned or denied. Landlord shall approve or disapprove the proposed Alterations in writing within thirty (30) days after receipt of a description of the proposed Alterations from Tenant. If Landlord fails to approve or request modifications to the proposed Alterations within said thirty (30) day period, Landlord shall be deemed to have approved said Alterations. Landlord may monitor construction of the Tenant Improvements or Alterations, and Tenant shall reimburse Landlord for any reasonable third party costs incurred by Landlord in monitoring such construction (which supervision and monitoring costs must be reasonable and may not exceed one percent (1%) of hard construction costs; provided, however, that such costs shall be funded out of the Tenant Improvement Allowance and shall not count towards the 15% soft cost limitation set forth above. Landlord’s right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to see that such plans and specifications or construction comply with applicable laws, codes, rules and regulations. Landlord may also require that all life safety related work and all mechanical, electrical, plumbing and roof related work be performed by contractors designated by Landlord. Landlord shall have the right, in its sole discretion, to instruct Tenant to remove those Tenant Improvements or Alterations from the Premises which (i) were not approved in advance by Landlord and for which Landlord’s approval is required, (ii) were not built in conformance with the plans and specifications approved by Landlord, or (iii) Landlord specified during its review of plans and specifications for Tenant Improvements or Alterations would need to be removed by Tenant upon the expiration of this Lease. Except as set forth in the proceeding sentence, Tenant shall not be obligated to remove such Tenant Improvements or Alterations at the expiration of this Lease. If upon the termination of this Lease Landlord requires Tenant to remove any or all of such Tenant Improvements or Alterations from the Premises, then Tenant, at Tenant’s sole cost and expense, shall promptly remove such Tenant Improvements or Alterations and improvements and Tenant shall repair and restore the Premises to its original condition as of the Commencement Date, reasonable wear and tear excepted. The parties hereby acknowledge and agree that in no event shall Tenant be required to remove

any improvements which are existing as of the Commencement Date, including, without limitation, the internal staircase. Any Tenant Improvements or Alterations remaining in the Premises following the expiration of the Lease Term or following the surrender of the Premises from Tenant to Landlord, shall become the property of Landlord unless otherwise agreed to by Landlord and Tenant at the time of Landlord's approval of the Tenant Improvements. Tenant shall provide Landlord with the identities and mailing addresses of all persons performing work or supplying materials, prior to beginning such construction, and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall assure payment for the completion of all work free and clear of liens and shall provide certificates of insurance for worker's compensation and other typical construction related coverage in amounts and from an insurance company reasonably satisfactory to Landlord protecting Landlord against liability for bodily injury or property damage during construction. Upon completion of any Tenant Improvements or Alterations and upon Landlord's reasonable request, Tenant shall deliver to Landlord sworn statements setting forth the names of all contractors and major subcontractors who did work on the Tenant Improvements or Alterations and final lien waivers from all such contractors and subcontractors. Additionally, upon completion of any Tenant Improvements or Alterations, Tenant shall provide Landlord, at Tenant's expense, with a complete set of plans in reproducible form and specifications reflecting the actual conditions of the Tenant Improvements or Alterations, together with a copy of such plans on diskette in the AutoCAD format or such other format as may then be in common use for computer assisted design purposes. Tenant shall pay to Landlord, as additional rent, the reasonable costs (not to exceed together with the monitoring fees referenced above one percent (1%) of hard construction costs) of Landlord's third party engineers and other outside consultants (but not Landlord's on-site management personnel) for review of all plans, specifications and working drawings for the Tenant Improvements or Alterations within ten (10) business days after Tenant's receipt of invoices from Landlord; provided, however, that such costs shall be funded out of the Tenant Improvement Allowance and shall not count towards the 15% soft cost limitation set forth above.

(d) Tenant shall have the right to use and upgrade the external stairs, also known as the fire stairs, between the second and third floors (and any other floors occupied by Tenant, provided, however, that if Tenant occupies less than an entire floor, Tenant shall only be entitled to use and upgrade on a non-exclusive basis, the fire stairs which are located closest to Tenant's space on that floor) of the Building for Tenant's use during the Term (the "Premises External Stairs"); provided, that, any and all Alterations in connection with the Premises External Stairs are in compliance with Laws and any incremental increases in costs resulting from such use of the Premises External Stairs shall be borne solely by Tenant.

(e) Tenant shall keep the Premises, the Building and the Project free from any and all liens arising out of any Tenant Improvements or Alterations, work performed, materials furnished, or obligations incurred by or for Tenant. In the event that Tenant shall not, within thirty (30) days following the imposition of any such lien, cause the same to be released of record by payment or posting of a bond or insurance coverage in a form and issued by a surety reasonably acceptable to Landlord, Landlord shall have the right, but not the obligation, to cause such lien to be released by such means as it shall deem proper (including payment of or defense against the claim giving rise to such lien); in such case, Tenant shall reimburse Landlord for all reasonable amounts so paid by Landlord in connection therewith, together with all of Landlord's reasonable out-of-pocket costs and expenses, with interest thereon at the Default Rate (defined below). This Paragraph shall survive the expiration or earlier termination of this Lease. Such rights of Landlord shall be in addition to all other remedies provided herein or by law.

(f) NOTICE IS HEREBY GIVEN THAT LANDLORD SHALL NOT BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO TENANT, OR TO ANYONE HOLDING THE PREMISES THROUGH OR UNDER TENANT, AND THAT NO MECHANICS' OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF LANDLORD IN THE PREMISES.

(g) The parties hereby acknowledge that Landlord shall provide The Carlyle Group, L.P. ("Original Tenant") the Tenant Improvement Allowance commencing as early as January 1, 2010, which is prior to the Commencement Date. The parties further acknowledge that the use and distribution of the Tenant Improvement Allowance which shall be made available to Tenant pursuant to the Twelfth Amendment (hereinafter defined) shall be governed by Paragraph 4(b) hereof. To the extent Original Tenant uses the Tenant Improvement Allowance and there is any conflict between the terms of the that certain Twelfth Amendment to Commercial Lease dated on or about the date hereof ("Twelfth Amendment") by and between Landlord and Original Tenant and this Lease regarding the use of the Tenant Improvement Allowance, the terms of this Lease shall control. To the extent Original Tenant does not use any portion of the Tenant Improvement Allowance it shall remain available for use by Tenant pursuant to the terms hereof.

5. REPAIRS

(a) Landlord's obligation with respect to repair and maintenance (which shall be conducted in a first class manner and otherwise comparable to other first class office buildings similar in size and tenant mix in Washington, D.C.) as part of Basic Services shall be limited to (i) the structural portions of the Building, including the parking garage, (ii) the exterior walls of the Building, including, without limitation, glass and glazing, (iii) the roof, (iv) mechanical, electrical, plumbing, HVAC, utility, life safety and security systems, pipes, risers and conduits (except for any lavatory, shower, toilet, wash basin and kitchen facilities that serve Tenant exclusively and are not part of the core on each floor, and any supplemental heating and air conditioning systems (including all plumbing connected to said facilities or systems), (v) all Building standard lavatories, and (vi) Common Areas. Landlord shall not be deemed to have breached any obligation with respect to the condition of any part of the Project unless Tenant has given to Landlord written notice of any required repair and Landlord has not made such repair within a reasonable time (but in any event Landlord shall initiate repairs within seven (7) days of Landlord's receipt of such notice) following the receipt by Landlord of such notice. The foregoing notwithstanding: (i) Landlord shall not be required to repair damage to any of the foregoing to the extent caused by the acts or omissions of Tenant or its agents, employees or contractors, except to the extent covered by insurance carried by Landlord; and (ii) the obligations of Landlord pertaining to damage or destruction by casualty shall be governed by the provisions of Paragraph 9. Except as expressly provided in Paragraph 9 of this Lease, there shall be no abatement of Rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Premises, the Building or the Project except to the extent all or a portion of Tenant's office is inaccessible or unusable or there is an interruption of services for greater than three (3) consecutive business days after the Landlord has knowledge of the interruption of services, and Tenant is unable to conduct its business in the affected portion of the Premises due to the interruption of services.

(b) Tenant, at its expense, (i) shall keep the Premises and all fixtures contained therein in a safe, clean and neat condition, except for ordinary wear and tear, and (ii) shall bear the cost of maintenance and repair of all facilities which are not expressly required to be maintained or repaired by Landlord and which are located in the Premises, including, without limitation, lavatory, shower, toilet, wash basin and kitchen facilities that serve Tenant exclusively and are not part of the core on each floor, and supplemental heating and air conditioning systems (including all plumbing connected to said facilities or systems installed by or on behalf of Tenant or existing in the Premises at the time of Landlord's delivery of the Premises to Tenant). Tenant shall make all repairs to the Premises not required to be made by Landlord under subparagraph (a) above with replacements of any materials to be made by use of materials of equal or better quality. If Tenant fails to make such repairs or replacements within thirty (30) days after written notice from Landlord, Landlord may at its option make such repairs or replacements, and Tenant shall upon demand pay Landlord for the reasonable out-of-pocket cost thereof.

(c) Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises in a safe, clean and neat condition, normal wear and tear excepted, except as provided in Paragraph 9. Subject to Paragraph 4(c) of this Lease, Tenant shall remove from the Premises all trade fixtures, furnishings and other personal property of Tenant and shall repair all damage caused by such removal, and shall restore the Premises to its original condition, reasonable wear and tear excepted. In addition to all other rights Landlord may have, in the event Tenant does not so remove any such fixtures, furnishings or personal property at the end of the Lease Term (or within thirty (30) days after Tenant's receipt of notice of an Event of Default and Landlord's notification to Tenant of its election to retake possession of the Premises), Tenant shall be deemed to have abandoned the same, in which case Landlord may appropriate the same for itself, dispose of the same, and/or sell the same in its discretion.

6. USE OF PREMISES

(a) Tenant shall use the Premises only for general office uses and shall not use the Premises or permit the Premises to be used for any other purpose. Landlord shall have the right to deny its consent to any change in the permitted use of the Premises in its sole and absolute discretion. Incidental food preparation and service shall be permitted in the Premises provided Tenant maintains proper ventilation and such preparation and service is performed in a safe, pest-free and odor-free manner.

(b) Tenant shall not at any time use or occupy the Premises, or permit any act or omission in or about the Premises in violation of any applicable law, statute, ordinance or any governmental rule, regulation or order (collectively, "Law" or "Laws") and Tenant shall, upon written notice from Landlord, discontinue any use of the Premises which is declared by any governmental authority to be a violation of Law. If any Law shall, by reason of the nature of Tenant's use or occupancy of the Premises for purposes other than general office uses, impose any duty upon Tenant or Landlord with respect to (i) modification or other maintenance of the Premises, the Building or the Project, or (ii) the use, Alteration or occupancy thereof, Tenant shall comply with such Law at Tenant's sole cost and expense; provided, however, Tenant shall not be required to make structural changes or structural repairs as a result of any Laws provided such structural changes or repairs are not imposed as a result of Tenant's specific use of the Premises. Tenant shall have the right to contest the requirements of any Laws provided the same will not result in any material damage to Landlord; and Tenant agrees to indemnify and hold Landlord harmless from and against any claims, liabilities or damages Landlord may suffer as a result of Tenant's contesting any such Laws.

(c) Tenant shall be responsible for assuring that the plans and specifications for the Tenant Improvements are in compliance with all applicable Laws, including, but not limited to, the Americans with Disabilities Act ("ADA"). Landlord shall, at its sole cost and expense, cause the Common Areas, the Building and the Land to comply with all present and future laws, ordinances, orders, rules and requirements relating to the use, condition, access and occupancy of the Building, the Land and the Common Areas, including the requirements of the ADA. Each party hereto shall indemnify and hold harmless the other party from any and all liability, loss, cost or expense arising as a result of a party not fulfilling its obligations as to compliance with the ADA as set forth in this Paragraph.

(d) Tenant shall not do or permit to be done anything which may invalidate or increase the cost of any fire, All Risk, Causes of Loss — Special Form or other insurance policy covering the Building, the Project and/or property located therein and shall comply with all rules, orders, regulations and requirements of the appropriate fire codes and ordinances or any other organization performing a similar function to the extent relating solely to the Premises and Tenant's obligations hereunder. In addition to all other remedies of Landlord, Landlord may require Tenant, promptly upon demand, to reimburse Landlord for the full amount of any additional premiums charged for such policy or policies by reason of Tenant's failure to comply with the provisions of this Paragraph 6.

(e) Tenant shall not in any way unreasonably interfere with the rights or quiet enjoyment of other tenants or occupants of the Premises, the Building or the Project. Tenant shall not use or allow the Premises to be used for any immoral or unlawful purpose, nor shall Landlord or Tenant cause, maintain, or permit any nuisance in, on or about the Premises, the Building or the Project. Tenant shall not knowingly place weight upon any portion of the Premises exceeding the structural floor load (per square foot of area) which such area was designated (and is permitted by Law) to carry or otherwise use any Building system in excess of its capacity or in any other manner which may damage such system or the Building, and Tenant shall work with Landlord to locate all heavy objects in the Premises so as to not exceed the structural floor load in any area of the Premises. Tenant shall not create within the Premises a working environment with a density of greater than the lesser of (i) seven (7) persons per 1,000 square feet of Rentable Area, or (ii) the maximum density permitted by Law. Business machines and mechanical equipment shall be placed and maintained by Tenant, at Tenant's expense, in locations and in settings sufficient in Landlord's reasonable judgment to absorb and prevent vibration, noise and annoyance. Tenant shall not commit any waste in, on, upon or about the Premises, the Building or the Project, and Landlord shall not commit or suffer to be committed any waste in, on, upon or about the Common Areas, the Building or the Project by anyone other than Tenant.

(f) Tenant shall take all reasonable steps necessary to adequately secure the Premises from unlawful intrusion, theft, fire and other hazards, and shall keep and maintain any and all security devices in or on the Premises in good working order, including, but not limited to, exterior door locks for the Premises and smoke detectors and burglar alarms located within the Premises and shall cooperate with Landlord and other tenants in the Project with respect to access control and other safety matters for the Building. In addition to the access control measures set forth on Exhibit B attached hereto, Landlord shall take all reasonable steps necessary to adequately secure the Building and all unrented areas therein from unlawful intrusion, theft, fire and other hazards, and shall keep and maintain any and all security devices in or on the unrented areas of the Building in good working order, including, but not limited to, exterior door locks for the Building and smoke detectors and audible alarms located within the unrented areas of the Building and shall cooperate with Tenant with respect to access control and other safety matters for the Premises.

(g) As used herein, the term "Hazardous Material" means any (a) oil or any other petroleum-based substance, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Laws; (b) asbestos in any form, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) chemical, material or substance defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous waste", "restricted hazardous waste", or "toxic substances" or words of similar import under any applicable local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §9601, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. § 1801, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901, et seq.; the Safe Drinking Water Act, as amended, 42 U.S.C. §300, et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. §2601, et seq.; the Federal Hazardous Substances Control Act, as amended, 15 U.S.C. §1261, et seq.; and the Occupational Safety and Health Act, as amended, 29 U.S.C. §651, et seq.; (d) other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other Person coming upon the Project or adjacent property; and (e) other chemicals, materials or substances which may or could pose a hazard to the

environment. The term "Permitted Hazardous Materials" shall mean Hazardous Materials which are contained in ordinary office supplies and equipment of a type and in quantities typically used in the ordinary course of business within executive offices of similar size in comparable office buildings, but only if and to the extent that such supplies are transported, stored and used in full compliance with all applicable laws, ordinances, orders, rules and regulations and otherwise in a safe and prudent manner. Hazardous Materials which are contained in ordinary office supplies but which are transported, stored and used in a manner which are not in full compliance with all applicable laws, ordinances, orders, rules and regulations or which is not in any respect safe and prudent shall not be deemed to be "Permitted Hazardous Materials" for the purposes of this Lease.

(i) Tenant, its assignees, subtenants, and their respective agents, servants, employees, representatives and contractors (collectively referred to herein as "Tenant Affiliates") shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Premises by Tenant or by Tenant Affiliates without the prior written consent of Landlord (which may be granted, conditioned or denied in the sole discretion of Landlord), save and except only for Permitted Hazardous Materials, which Tenant or Tenant Affiliates may bring, store and use in reasonable quantities for their intended use in the Premises, but only in full compliance with all applicable laws, ordinances, orders, rules and regulations. On or before the expiration or earlier termination of this Lease, Tenant shall remove from the Premises all Hazardous Materials (including, without limitation, Permitted Hazardous Materials), regardless of whether such Hazardous Materials are present in concentrations which require removal under applicable laws, except to the extent that such Hazardous Materials were present in the Premises as of the Commencement Date and were not brought onto the Premises by Tenant or Tenant Affiliates.

(ii) Tenant agrees to indemnify, defend and hold Landlord and Landlord Affiliates (defined below) harmless for, from and against any and all claims, actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, liabilities, interest or losses, including reasonable attorneys' fees and expenses, court costs, consultant fees, and expert fees, together with all other costs and expenses of any kind or nature that arise during or after the Lease Term directly or indirectly from or in connection with the presence, suspected presence, or release of any Hazardous Material in or into the air, soil, surface water or groundwater at, on, about, under or within the Premises, or any portion thereof caused by Tenant or Tenant Affiliates.

(iii) In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or other remedial work (collectively, the "Remedial Work") is required under any applicable federal, state or local Law, by any judicial order, or by any governmental entity as the result of operations or activities upon any portion of the Premises by Tenant or Tenant Affiliates, Landlord shall perform or cause to be performed the Remedial Work in compliance with such Law or order at Tenant's sole cost and expense. All Remedial Work shall be performed by one or more contractors, selected and approved by Landlord, and under the supervision of a consulting engineer, selected by Tenant and approved in advance in writing by Landlord. All costs and expenses of such Remedial Work shall be paid by Tenant, including, without limitation, the charges of such contractor(s), the consulting engineer, and Landlord's reasonable attorneys' fees and costs incurred in connection with monitoring or review of such Remedial Work.

(iv) Each of the covenants and agreements of Tenant set forth in this Paragraph 6(g), shall survive the expiration or earlier termination of this Lease.

(v) Landlord, its assignees, subtenants, and their respective agents, servants, employees, representatives and contractors (collectively referred to herein as "Landlord Affiliates") shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Project by any person other than Tenant or Tenant Affiliates, save and except only for Permitted Hazardous Materials in full compliance with all applicable laws, ordinances, orders, rules and regulations.

(vi) All handling, transportation, storage, treatment and usage of Hazardous Materials by Landlord at the Building shall throughout the Term be in compliance with all Environmental Laws. Landlord shall be responsible for all costs, expenses, damages or liabilities (including, but not limited to those incurred by Tenant) which may occur from the use, storage, disposal, release, spill, discharge or emissions of Hazardous Materials by Landlord. Landlord agrees to indemnify, defend and hold Tenant and its officers, partners, employees and agents harmless from any claims, demands, administrative orders, judicial orders, penalties, fines, liabilities, settlements, damages, costs or expenses (including, without limitation, reasonable attorney and consultant fees, court costs and litigation expenses) in connection with the presence or suspected presence of Hazardous Materials brought into the Building by Landlord, unless such Hazardous Materials are present as the result of Tenant, its officers, partners, employees or agents. The foregoing indemnification shall survive any assignment, transfer or termination of this Lease.

(vii) In the event any Remedial Work is required under any applicable federal, state or local Law, by any judicial order, or by any governmental entity as the result of operations or activities upon any portion of the Premises or the Common Areas by any person other than Tenant or Tenant Affiliates, Landlord shall perform or cause to be performed the Remedial Work in compliance with such Law or order at Landlord's sole cost and expense.

7. UTILITIES AND SERVICES

(a) Landlord shall furnish, or cause to be furnished to the Premises, the utilities and services described in this Paragraph 7(a) (collectively the "Basic Services"):

(i) Hot and cold water at existing points of supply provided for the general use of other tenants in the Project;

(ii) Central heat and air conditioning in season, at such temperatures in accordance with and in such amounts as outlined in Exhibit G;

(iii) Routine maintenance, repairs, structural and exterior maintenance (including, without limitation, exterior glass and glazing), painting and electric lighting service for all Common Areas of the Project in the manner and to the extent deemed by Landlord to be standard, subject to the limitation contained in Paragraph 5(a) above;

(iv) Janitorial and cleaning service on a five (5) day week basis, excluding holidays, in accordance with the cleaning specifications set forth in Exhibit E attached hereto and the standards of a first-class office building in the District of Columbia;

(v) An electrical system to convey power delivered by public utility providers selected by Landlord in amounts sufficient for normal office operations as provided in similar office buildings, but not to exceed a total allowance of five (5) watts per square foot of Rentable Area during normal office hours (which includes an allowance for lighting of the Premises at the maximum wattage per square foot of Rentable Area permitted under applicable laws, ordinances,

orders, rules and regulations), provided that no single item of electrical equipment consumes more than 0.5 kilowatts at rated capacity or requires a voltage other than 120 volts, single phase;

(vi) Light bulbs for the Building standard fluorescent and incandescent fixtures only (bulbs for special fixtures located within the Premises shall be installed by Tenant at Tenant's expense); and

(vii) Public elevator service and a freight elevator serving the floors on which the Premises are situated, during hours designated by Landlord.

(b) Landlord shall provide to Tenant at Tenant's sole cost and expense (and subject to the limitations hereinafter set forth) the following extra services (collectively the "Extra Services"):

(i) Such extra cleaning and janitorial services requested by Tenant, and agreed to by Landlord, for special improvements or Alterations;

(ii) Subject to Paragraph 7(d) below, additional air conditioning and ventilating capacity required by reason of any electrical, data processing or other equipment or facilities located within the Premises or services required to support the same, in excess of that typically provided by the Building;

(iii) Heating, ventilation, air conditioning or extra electrical service provided by Landlord to Tenant (i) during hours other than Business Hours, (ii) on Saturdays (after Business Hours), Sundays, or Holidays, said heating, ventilation and air conditioning or extra service to be furnished solely upon the prior request of Tenant given with such advance notice as Landlord may reasonably require. Subject to Paragraph 7(g) below, Tenant shall pay for any such services requested by Tenant and furnished by Landlord at the rate Landlord is then charging therefor, which rate shall be published in advance, shall be uniform for all tenants in the Building, and shall be designed solely to cover Landlord's actual costs, including a reasonable allowance for wear and tear. If more than one tenant requests such services during the same time such services are to be provided to Tenant, Tenant shall pay that portion of Landlord's rate for such services that equals Landlord's rate multiplied by the quotient of (i) the Rentable Area of the Premises to which such services are supplied divided by (ii) the Rentable Area to which such services are supplied (including the Premises) of all tenants requesting such services during the time Tenant requested such services.

(iv) Any Basic Service requested by Tenant in amounts determined by Landlord to exceed the amounts required to be provided above, but only if Landlord elects to provide such additional or excess service. Tenant shall pay Landlord Landlord's actual cost of providing such additional services (or an amount equal to Landlord's reasonable estimate of such cost, if the actual cost is not readily ascertainable), within ten (10) days following presentation of an invoice therefore by Landlord to Tenant. The cost chargeable to Tenant for all extra services shall constitute Additional Rent.

(c) Tenant agrees to cooperate fully at all times with Landlord and to comply with all regulations and requirements which Landlord may reasonably from time to time prescribe to all tenants for the use of the utilities and Basic Services described herein. Landlord shall not be liable to Tenant for the failure of any other tenant, or its assignees, subtenants, employees, or their respective invitees, licensees, agents or other representatives to comply with such regulations and requirements; provided, however, that Landlord agrees to enforce such regulations and requirements against all tenants to the extent such tenants' non-compliance have an adverse effect on Tenant's use and enjoyment of the

Premises or Common Areas. The term "Business Hours" shall be deemed to be Monday through Friday from 8:00 A.M. to 8:00 P.M. and Saturday from 9:00 A.M. to 4:00 P.M., excepting Holidays. The term "Holidays" shall be deemed to mean and include New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

(d) Subject to the last sentence of this Paragraph 7(d), if Tenant requires utilities or services in quantities greater than or at times other than that generally furnished by Landlord as set forth above, Tenant shall pay to Landlord, upon receipt of a written statement therefor, Landlord's charge for such use in accordance with the foregoing. In the event that Tenant shall require additional electric current, water or gas for use in the Premises and if, in Landlord's judgment, such excess requirements cannot be furnished unless additional risers, conduits, feeders, switchboards and/or appurtenances are installed in the Building, subject to the conditions stated below, Landlord shall proceed to install the same at the sole cost of Tenant, payable upon demand in advance. The installation of such facilities shall be conditioned upon Landlord's consent, and a determination that the installation and use thereof (i) shall be permitted by applicable Law and insurance regulations, (ii) shall not cause permanent damage or injury to the Building or adversely affect the value of the Building or the Project, and (iii) shall not cause or create a dangerous or hazardous condition or unreasonably interfere with or disturb other tenants in the Building. Subject to the foregoing, Landlord shall, upon reasonable prior notice by Tenant, furnish to the Premises additional elevator, heating, air conditioning and/or cleaning services upon such reasonable terms and conditions as shall be determined by Landlord, including payment of Landlord's charge therefor. In the case of any additional utilities or services to be provided hereunder, Landlord may require a switch and metering system to be installed so as to measure the amount of such additional utilities or services. The cost of installation, maintenance and repair thereof shall be paid by Tenant upon demand. Notwithstanding the foregoing, Landlord shall have the right to contract with any utility provider it deems appropriate to provide utilities to the Project. Whenever machines or equipment that generate abnormal heat or otherwise affect the air conditioning system are used in the Premises by Tenant which affect the temperature or humidity otherwise maintained by the air conditioning system, Landlord will have the right to require Tenant to promptly install supplemental air conditioning units in the Premises, and the full cost thereof, including the cost of operation, use, and maintenance, will be paid by Tenant to Landlord on demand.

(e) Subject to the last sentence of this Paragraph, Landlord shall not be liable for, and Tenant shall not be entitled to, any damages, abatement or reduction of Rent, or other liability by reason of any failure to furnish any services or utilities described herein (it being understood that Landlord shall use commercially reasonable efforts to keep any disruption of services and utilities to a minimum) for any reason (other than Landlord's negligence, willful misconduct, breach of contract or illegal acts), including, without limitation, when caused by accident, breakage, water leakage, flooding, repairs, Alterations or other improvements to the Project, strikes, lockouts or other labor disturbances or labor disputes of any character, governmental regulation, moratorium or other governmental action, inability to obtain electricity, water or fuel, or any other cause beyond Landlord's control. Landlord shall be entitled to cooperate with the energy conservation efforts of governmental agencies or utility suppliers. No such failure, stoppage or interruption of any such utility or service shall be construed as an eviction of Tenant, nor shall the same relieve Tenant from any obligation to perform any covenant or agreement under this Lease. In the event of any failure, stoppage or interruption thereof, Landlord shall use reasonable efforts to attempt to restore all services promptly. No representation is made by Landlord with respect to the adequacy or fitness of the Building's ventilating, air conditioning or other systems to maintain temperatures as may be required for the operation of any computer, data processing or other special equipment of Tenant. Tenant hereby waives any right which Tenant may have under existing or future law, ordinance or governmental regulation permitting the termination of this Lease due to an interruption, failure or inability to provide any services. Notwithstanding anything to the contrary in this Lease, if the Basic Services described in Paragraphs 7(a)(i), (ii) and (v), above (collectively, the "Utilities") and in

Paragraph 7(a)(vii), serving the Premises are disrupted due to the negligence or acts of Landlord, its agents, contractors, or employees (Tenant hereby acknowledging that public utilities are not agents, contractors, or employees of Landlord), Landlord shall promptly restore the affected Utilities and the Basic Services described in Paragraph 7(a)(vii) at Landlord's sole cost and expense. In the event the Utilities or the Basic Services described in Paragraph 7(a)(vii) serving the Premises are disrupted due to the acts of third parties, Landlord shall use commercially reasonable efforts to promptly restore the affected Utilities or the Basic Services described in Paragraph 7(a)(vii), as applicable. If the Utilities or the Basic Services described in Paragraph 7(a)(vii) serving the Premises are disrupted due to the negligence or acts of Landlord, its agents, contractors, or employees and are not restored by Landlord within three (3) consecutive business days after the Landlord has knowledge of the disruption, and Tenant is unable to conduct its business in all or a portion of the Premises due to the disruption of the Utilities or the Basic Services described in Paragraph 7(a)(vii), the Base Rent shall be proportionately abated during the period commencing on the expiration of the aforementioned three (3) business day period and ending on the date Tenant is able to resume conducting its business in the affected portions of the Premises.

(f) Landlord reserves the right from time to time to make reasonable and nondiscriminatory modifications to the above standards for Basic Services and Extra Services.

(g) Notwithstanding the foregoing, Tenant shall have the option, at Tenant's sole cost, to install one or more submeters in the Premises, including any Expansion Space (as defined in Paragraph 21) which shall calculate the amount of electricity being consumed by Tenant for Tenant's lighting and all receptacles in the Premises during the Term with any such installation subject to Landlord's approval. Landlord shall read the submeter each month to determine the amount of electricity consumed by Tenant during such month. Landlord shall thereafter render a bill to Tenant for electricity usage which bill Tenant shall pay within fifteen (15) days after receipt thereof, unless Tenant is paying for such utilities directly to the utility company (it being understood and agreed that Tenant may, at its option, enter into a contract directly with a utility provider at any time in its sole discretion and Landlord shall give such utility provider reasonable access to the Building and the Premises at no charge in order for such services to be provided to Tenant, provided that Landlord does not incur any additional costs). Landlord shall bill Tenant for such usage based on the rates Landlord has negotiated with the utility company, without markup. Any payments made by Tenant pursuant to this subparagraph (g) shall be deducted from Tenant's Proportionate Share Office of Operating Expenses in a manner equitably determined by Landlord and Tenant, when Landlord performs its annual reconciliation pursuant to Paragraph 3(e), above.

8. NON-LIABILITY AND INDEMNIFICATION; INSURANCE

(a) Except to the extent of the negligence or willful misconduct of Landlord, its agents, officers, directors and employees, Landlord and its agents, officers, directors and employees assume no liability or responsibility whatsoever with respect to the conduct or operation of the business to be conducted in the Premises and shall have no liability for any claim of loss of business or interruption of operations (or any claim related thereto). Landlord and its agents, officers, directors and employees shall not be liable for any accident to or injury to any person or persons or property in or about the Premises from any cause including, but not limited to, arising from the conduct and operation of said business or by virtue of equipment or property of the Tenant in said Premises. Subject to and without limiting the foregoing and Paragraph 8(b) below and Paragraphs 5(a), 7(e) and 17(b) hereof, neither Landlord nor any partner, officer, trustee, Affiliate, agent, director or employee of Landlord, nor their respective partners, members, affiliates and subsidiaries, and all of their respective officers, directors, and employees (each individually and collectively, "Protected Affiliates") shall be liable for and there shall be no abatement of Rent (except in the event of a casualty loss or a condemnation as set forth in Paragraph 9, and Paragraph 10 of this Lease or an uncured breach of this Lease by Landlord as set forth in Paragraph 17(b)) of this

Lease) for (i) any damage to Tenant's property stored with or entrusted to Landlord or its Protected Affiliates, (ii) loss of or damage to any property by theft or any other wrongful or illegal act, or (iii) any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak from any part of the Building or the Project or from the pipes, appliances, appurtenances or plumbing works therein or from the roof, street or sub-surface or from any other place or resulting from dampness or any other cause whatsoever or from the acts or omissions of other tenants, occupants or other visitors to the Building or the Project, or (iv) any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to the Building outside of the Project. Tenant shall give prompt notice to Landlord in the event of (i) the occurrence of a fire or accident in the Premises or in the Building, or (ii) the discovery of a defect therein or in the fixtures or equipment thereof. This Paragraph 8(a) shall survive the expiration or earlier termination of this Lease.

(b) Indemnification.

(i) To the greatest extent permitted by Law and except to the extent caused by Landlord's or any of Landlord's Protected Affiliate's negligence or willful misconduct or covered within Landlord's indemnity under Paragraph 8(b)(ii) below and subject to Paragraphs 8(d), 8(e), 8(f), 8(i), 8(j) and 9 below, Tenant hereby agrees to indemnify, protect, defend and hold harmless Landlord and its Protected Affiliates (collectively, "Landlord Indemnitees") for, from and against all liabilities, claims, fines, penalties, costs, damages or injuries to persons, damages to property, losses, liens, causes of action, suits, judgments and reasonable expenses (including court costs, reasonable attorneys' fees, reasonable expert witness fees and costs of investigation), of any nature, kind or description of any person or entity, arising out of, caused by, or resulting from (in whole or part) (1) Tenant's construction of, or use, occupancy or enjoyment of, the Premises, (2) any activity, work or other things done or permitted by Tenant and its agents and employees in or about the Premises, (3) any breach or default in the performance of any of Tenant's obligations under this Lease, (4) any act, omission, negligence or willful misconduct of Tenant or any of its agents, contractors, employees, business invitees or licensees, or (5) any damage to Tenant's property, or the property of Tenant's agents, employees, contractors, business invitees or licensees, located in or about the Premises. This Paragraph 8(b)(i) shall survive the expiration or earlier termination of this Lease.

(ii) To the greatest extent permitted by Law and except to the extent caused by Tenant's or any of Tenant's Protected Affiliate's negligence or willful misconduct and subject to Paragraphs 8(d), 8(e), 8(f), 8(i), 8(j) and 9 below, Landlord hereby agrees to indemnify, protect, defend and hold harmless Tenant and its Protected Affiliates (collectively, "Tenant Indemnitees") for, from and against all liabilities, claims, fines, penalties, costs, damages or injuries to persons, damages to property, losses, liens, causes of action, suits, judgments and reasonable expenses (including court costs, reasonable attorneys' fees, reasonable expert witness fees and costs of investigation), of any nature, kind or description of any person or entity, arising out of, caused by, or resulting from (in whole or part) (1) injuries or death or damage to property occurring in the Common Areas or any other portion of the Building owned and controlled by Landlord outside the Premises, (2) any breach or default in the performance of any of Landlord's obligations under this Lease, and (3) any act, omission, negligence or willful misconduct of Landlord or any of its agents, contractors, employees, business invitees or licensees. This Paragraph 8(b)(ii) shall survive the expiration or earlier termination of this Lease.

(c) Each party shall promptly advise the other party in writing of any action, administrative or legal proceeding or investigation as to which this indemnification may apply, and the indemnifying party, at the indemnifying party's expense, shall assume on behalf of each and every Landlord Indemnitee or Tenant Indemnitee, as applicable, and conduct with due diligence and in good faith the defense thereof

with counsel reasonably satisfactory to the indemnified party; provided, however, that any Landlord Indemnitee or Tenant Indemnitee, as applicable, shall have the right, at its option, to be represented therein by advisory counsel of its own selection and at its own expense. In the event of failure by the indemnifying party to fully perform in accordance with this Paragraph, the indemnified party, at its option, and without relieving the indemnifying party of its obligations hereunder, may so perform, but all costs and expenses so incurred by the indemnified party in that event shall be reimbursed by the indemnifying party to the indemnified party, together with interest on the same from the date any such expense was paid by indemnified party until reimbursed by the indemnifying party, at the rate of interest provided to be paid on judgments, by the law of the jurisdiction to which the interpretation of this Lease is subject. Notwithstanding anything contained in this Lease to the contrary, the indemnification provided in Paragraphs 8(b)(i) and 8(b)(ii) shall be limited to actual damages only and neither party shall be liable for any indirect or consequential losses or damages or any punitive damages.

(d) Insurance.

(i) Tenant at all times during the Lease Term shall, at its own expense, keep in full force and effect (A) commercial general liability insurance providing coverage against bodily injury and disease, including death resulting therefrom and property damage to a combined single limit of \$1,000,000 to one or more than one person as the result of any one accident or occurrence, which shall include provision for contractual liability coverage insuring Tenant for the performance of its indemnity obligations set forth in this Paragraph 8 and in Paragraph 6(g)(ii) of this Lease, with an Excess Limits (Umbrella) Policy in the amount of \$5,000,000, (B) worker's compensation insurance to the statutory limit, if any, and employer's liability insurance to the limit of \$500,000 per occurrence, and (C) All Risk or Causes of Loss — Special Form property insurance, including fire and extended coverage, sprinkler leakage, vandalism, malicious mischief, and wind and/or hurricane coverage, covering full replacement value of all of Tenant's personal property, trade fixtures and improvements in the Premises. Landlord and its designated property management firm shall be named an additional insured on each of said policies (excluding the worker's compensation policy) and said policies shall be issued by an insurance company or companies authorized to do business in the State and which have policyholder ratings not lower than "A-" and financial ratings not lower than "VII" in Best's Insurance Guide (latest edition in effect as of the Effective Date and subsequently in effect as of the date of renewal of the required policies). EACH OF SAID POLICIES SHALL ALSO INCLUDE A WAIVER OF SUBROGATION PROVISION OR ENDORSEMENT IN FAVOR OF LANDLORD, AND AN ENDORSEMENT PROVIDING THAT LANDLORD SHALL RECEIVE THIRTY (30) DAYS PRIOR WRITTEN NOTICE OF ANY CANCELLATION OF, NONRENEWAL OF, REDUCTION OF COVERAGE OR MATERIAL CHANGE IN COVERAGE ON SAID POLICIES. Tenant hereby waives its right of recovery against any Landlord Indemnitee of any amounts paid by Tenant or on Tenant's behalf to satisfy applicable worker's compensation laws. The policies or duly executed certificates showing the material terms for the same, together with satisfactory evidence of the payment of the premiums therefor, shall be deposited with Landlord on the date Tenant first occupies the Premises and upon renewals of such policies not less than fifteen (15) days prior to the expiration of the term of such coverage. If certificates are supplied rather than the policies themselves, Tenant shall allow Landlord, at all reasonable times, to inspect the policies of insurance required herein.

(ii) It is expressly understood and agreed that the coverages required represent Landlord's minimum requirements and such are not to be construed to void or limit Tenant's obligations contained in this Lease, including without limitation Tenant's indemnity obligations hereunder. Neither shall (A) the insolvency, bankruptcy or failure of any insurance company carrying Tenant, (B) the failure of any insurance company to pay claims occurring nor (C) any

exclusion from or insufficiency of coverage be held to affect, negate or waive any of Tenant's indemnity obligations under this Paragraph 8 and Paragraph 6(g)(ii) or any other provision of this Lease. With respect to insurance coverages, except worker's compensation, maintained hereunder by Tenant and insurance coverages separately obtained by Landlord, all insurance coverages afforded by policies of insurance maintained by Tenant shall be primary insurance to the extent such coverages apply to Landlord, and such insurance coverages separately maintained by Landlord shall be excess, and Tenant shall have its insurance policies so endorsed. The amount of liability insurance under insurance policies maintained by Tenant shall not be reduced by the existence of insurance coverage under policies separately maintained by Landlord. Tenant shall be solely responsible for any premiums, assessments, penalties, deductible assumptions, retentions, audits, retrospective adjustments or any other kind of payment due under its policies. Tenant shall increase the amounts of insurance or the insurance coverages as Landlord may reasonably request from time to time, but not in excess of the requirements of prudent landlords or lenders for similar tenants occupying similar premises in the Washington, D.C. metropolitan area.

(iii) Tenant's occupancy of the Premises without delivering the certificates of insurance shall not constitute a waiver of Tenant's obligations to provide the required coverages. If Tenant provides to Landlord a certificate that does not evidence the coverages required herein, or that is faulty in any respect, such shall not constitute a waiver of Tenant's obligations to provide the proper insurance.

(iv) Throughout the Lease Term, Landlord agrees to maintain (i) "all risk" fire and extended coverage insurance, and, at Landlord's option, earthquake damage coverage, terrorism coverage, wind and hurricane coverage, and such additional property insurance coverage as Landlord deems appropriate, on the insurable portions of Building and the remainder of the Project in an amount not less than the fair replacement value thereof, subject to reasonable deductibles (ii) boiler and machinery insurance amounts and with deductibles that would be considered standard for similar class office building in the metropolitan area in which the Premises is located, and (iii) commercial general liability insurance with a combined single limit coverage of at least \$1,000,000.00 per occurrence. All such insurance issued by an insurance company or companies authorized to do business in the State and which have policyholder ratings not lower than "A—" and financial ratings not lower than "VII" in Best's Insurance Guide (latest edition in effect as of the Effective Date and subsequently in effect as of the date of renewal of the required policies). Upon Tenant's request, Landlord shall provide Tenant with evidence that it has complied with the terms of this Paragraph 8(d)(iv) and Paragraph 8(e) below. If certificates are supplied rather than the policies themselves, Landlord shall allow Tenant, at all reasonable times, to inspect the policies of insurance required herein. The premiums for any such insurance shall be a part of Operating Expenses.

(e) Mutual Waivers of Recovery. Landlord, Tenant, and all parties claiming under them, each mutually release and discharge each other from responsibility for that portion of any loss or damage paid or reimbursed by an insurer of Landlord or Tenant under any fire, extended coverage or other property insurance policy maintained by Tenant with respect to its Premises or by Landlord with respect to the Building or the Project (or which would have been paid had the insurance required to be maintained hereunder been in full force and effect), no matter how caused, including negligence, and each waives any right of recovery from the other including, but not limited to, claims for contribution or indemnity, which might otherwise exist on account thereof. Any fire, extended coverage or property insurance policy maintained by Tenant with respect to the Premises, or Landlord with respect to the Building or the Project, shall contain, in the case of Tenant's policies, a waiver of subrogation provision or endorsement in favor of Landlord, and in the case of Landlord's policies, a waiver of subrogation provision or

endorsement in favor of Tenant, or, in the event that such insurers cannot or shall not include or attach such waiver of subrogation provision or endorsement, Tenant and Landlord shall obtain the approval and consent of their respective insurers, in writing, to the terms of this Lease. Tenant and Landlord each agree to indemnify, protect, defend and hold harmless the other and each of the Landlord Indemnitees and Tenant Indemnitees, as applicable, from and against any claim, suit or cause of action asserted or brought by Tenant's or Landlord's insurers for, on behalf of, or in the name of Tenant or Landlord, as applicable, including, but not limited to, claims for contribution, indemnity or subrogation, brought in contravention of this paragraph. The mutual releases, discharges and waivers contained in this provision shall apply EVEN IF THE LOSS OR DAMAGE TO WHICH THIS PROVISION APPLIES IS CAUSED SOLELY OR IN PART BY THE NEGLIGENCE OF LANDLORD OR TENANT.

(f) Business Interruption. Landlord and Tenant shall not be responsible for, and each party releases and discharges the other from, and each party further waives any right of recovery from the other for, any loss for or from business interruption or loss of use of all or any portion of the Building, the Project or the Premises suffered by such party, EVEN IF SUCH LOSS IS CAUSED SOLELY OR IN PART BY THE NEGLIGENCE OF THE OTHER PARTY.

(g) Adjustment of Claims. Tenant shall cooperate with Landlord and Landlord's insurers in the adjustment of any insurance claim pertaining to the Building or the Project or Landlord's use thereof.

(h) Increase in Landlord's Insurance Costs. Tenant agrees to pay to Landlord any increase in premiums for Landlord's insurance policies resulting from Tenant's use or occupancy of the Premises for anything other than general office use.

(i) Failure to Maintain Insurance. Any failure of Tenant to meet any of the insurance requirements of this Lease in all material respects shall constitute an Event of Default hereunder if Tenant does not cure such breach within ten (10) business days after Tenant's receipt of written notice of such breach from Landlord (provided, however, that no notice or cure period shall exist in connection with any failure by Tenant to obtain and maintain in all material respects the insurance policies and coverages required hereunder), and such failure shall entitle Landlord to pursue, exercise or obtain any of the remedies provided for in Paragraph 12(b), and Tenant shall be solely responsible for any loss suffered by Landlord as a result of such failure. In the event of failure by Tenant to maintain the insurance policies and coverages required by this Lease or to meet any of the insurance requirements of this Lease, Landlord, at its option, and without relieving Tenant of its obligations hereunder, may obtain said insurance policies and coverages or perform any other insurance obligation of Tenant, but all costs and expenses incurred by Landlord in obtaining such insurance or performing Tenant's insurance obligations shall be reimbursed by Tenant to Landlord, together with interest on same from the date any such cost or expense was paid by Landlord until reimbursed by Tenant, at the rate of interest provided to be paid on judgments, by the law of the jurisdiction to which the interpretation of this Lease is subject.

(j) Risk of Loss. By this Paragraph 8, Landlord and Tenant intend that the risk of loss or damage as described above be borne by responsible insurance carriers to the extent above provided, and Landlord and Tenant hereby agree to look solely to, and to seek recovery only from, their respective insurance carriers in the event of a loss of a type described above to the extent that such coverage is required to be provided hereunder. For this purpose, any applicable deductible amount shall be treated as though it were recoverable under such policies. Landlord and Tenant agree that applicable portions of all monies collected from such insurance shall be used toward the full compliance with the obligations of Landlord and Tenant, respectively, under this Lease in connection with damage resulting from fire or other casualty or other event giving rise to a claim under such policies of insurance.

9. FIRE OR CASUALTY

(a) Subject to the provisions of this Paragraph 9, in the event the Premises, or access thereto, is wholly or partially destroyed by fire or other casualty, Landlord shall (to the extent permitted by Law and covenants, conditions and restrictions then applicable to the Project) rebuild, repair or restore the Premises and access thereto (collectively, "**Restoration**") to substantially the same condition as existing immediately prior to such destruction (excluding Tenant's Alterations, trade fixtures, equipment and personal property, which Tenant shall be required to restore) and this Lease shall continue in full force and effect. Notwithstanding the foregoing, (i) Landlord's obligation to rebuild, repair or restore the Premises shall not apply to any Tenant's personal property and fixtures, and above-standard tenant improvements (except for the internal staircase), and (ii) Landlord shall have no obligation whatsoever to rebuild, repair or restore the Premises with respect to any damage or destruction occurring during the last twelve (12) months of the term of this Lease.

(b) Landlord may elect to terminate this Lease in any of the following cases of damage or destruction to the Premises, the Building or the Project: (i) where, in the case of any damage or destruction to any portion of the Building or the Project by uninsured casualty, the cost of Restoration of the Building or the Project, in the reasonable opinion of Landlord, exceeds \$7,135,740; or (ii) if Landlord has not obtained appropriate zoning approvals for reconstruction of the Project, Building or Premises, using commercially reasonable and diligent efforts. Any such termination shall be made by thirty (30) days' prior written notice to Tenant given within one hundred twenty (120) days of the date of such damage or destruction. Landlord's termination rights as set forth in this Paragraph 9(c) are in addition to Landlord's rights under Paragraph 9(b).

(c) If all or any portion of the Premises, and no other portion of the Building, is damaged or destroyed by any casualty and if Landlord's architect or contractor determines that the Premises cannot be rebuilt or made fit for Tenant's purposes within two hundred seventy (270) days of the damage or destruction (which determination shall be made within thirty (30) days after any substantial damage or destruction), either party may, at its option, terminate this lease by giving the other, within sixty (60) days after such damage or destruction, notice of termination, and thereupon Rent and any other payments for which Tenant is liable under this lease shall be apportioned and paid to the date of such damage, and Tenant shall vacate the Premises within thirty (30) days thereafter, provided, however, that those provisions of this Lease which are designated to cover matters of termination and the period thereafter shall survive the termination hereof.

(d) If all or any portion of the Building and the Premises, is damaged or destroyed by any casualty and if Landlord's architect or contractor determines that the Premises cannot be rebuilt or made fit for Tenant's purposes within one hundred eighty (180) days of the damage or destruction (which determination shall be made within thirty (30) days after any substantial damage or destruction), either party may, at its option, terminate this lease by giving the other, within sixty (60) days after such damage or destruction, notice of termination, and thereupon Rent and any other payments for which Tenant is liable under this lease shall be apportioned and paid to the date of such damage, and Tenant shall vacate the Premises within thirty (30) days thereafter, provided, however, that those provisions of this Lease which are designated to cover matters of termination and the period thereafter shall survive the termination hereof. Notwithstanding anything to the contrary contained in this Paragraph 9(d), Landlord may only exercise its right to terminate this Lease if Landlord also simultaneously terminates the leases of all other tenants whose space was damaged or destroyed in connection with such casualty.

(e) If this Lease is not terminated by Landlord and as the result of any damage or destruction, the Premises, or a portion thereof, are rendered untenantable, the Rent shall abate reasonably during the period of Restoration (based upon the extent to which such damage and Restoration materially interfere with Tenant's business in the Premises). This Lease shall be considered an express agreement governing

any case of damage to or destruction of the Premises, the Building or the Project. This Lease sets forth the terms and conditions upon which this Lease may terminate in the event of any damage or destruction.

10. EMINENT DOMAIN

In the event the whole of the Premises, the Building or the Project shall be taken under the power of eminent domain, or sold to prevent the exercise thereof (collectively, a "Taking"), this Lease shall automatically terminate as of the date of such Taking. In the event a Taking of a portion of the Project, the Building or the Premises shall, in the reasonable opinion of Landlord or Tenant, substantially interfere with Landlord's operation thereof, Landlord or Tenant may terminate this Lease upon thirty (30) days' written notice to the other given at any time within sixty (60) days following the date of such Taking. In the event a Taking of a portion of the Project, the Building or the Premises shall, in the reasonable opinion of Tenant, substantially interfere with Tenant's use and occupancy of the Premises, Tenant may terminate this Lease upon thirty (30) days' written notice to Landlord given at any time within sixty (60) days following the date of such Taking. For purposes of this Lease, the date of Taking shall be the earlier of the date of transfer of title resulting from such Taking or the date of transfer of possession resulting from such Taking. In the event that a portion of the Premises is so taken and this Lease is not terminated, Landlord shall, to the extent of proceeds paid to Landlord as a result of the Taking, with reasonable diligence, use commercially reasonable efforts to proceed to restore (to the extent permitted by Law and covenants, conditions and restrictions then applicable to the Project) the Premises (other than Tenant's personal property and fixtures, and above-standard tenant improvements) to a complete, functioning unit. In such case, the Rent shall be reduced proportionately based on the portion of the Premises so taken. If all or any portion of the Premises is the subject of a temporary Taking (provided, that if such temporary taking exceeds nine (9) months, Tenant shall have a termination right), this Lease shall remain in full force and effect and Tenant shall continue to perform each of its obligations under this Lease; in such case, Tenant shall be entitled to receive the entire award allocable to the temporary Taking of the Premises. Except as provided herein, Tenant shall not assert any claim against Landlord or the condemning authority for, and hereby assigns to Landlord, any compensation in connection with any such Taking, and Landlord shall be entitled to receive the entire amount of any award therefor, without deduction for any estate or interest of Tenant. Nothing contained in this Paragraph 10 shall be deemed to give Landlord any interest in, or prevent Tenant from seeking any award against the condemning authority for the Taking of personal property, fixtures, above standard tenant improvements of Tenant and for relocation and moving expenses recoverable by Tenant from the condemning authority. This Paragraph 10 shall be Tenant's sole and exclusive remedy in the event of a Taking. This Lease sets forth the terms and conditions upon which this Lease may terminate in the event of a Taking.

11. ASSIGNMENT AND SUBLETTING

(a) Tenant shall not directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, assign, sublet, mortgage or otherwise encumber all or any portion of its interest in this Lease or in the Premises or grant any license for any person other than Tenant, its Affiliates or any of their respective employees, agents, contractors and invitees to use or occupy the Premises or any part thereof without obtaining the prior written consent of Landlord, which consent shall not be unreasonably denied, conditioned or delayed. Any such attempted assignment, subletting, license, mortgage, other encumbrance or other use or occupancy without the required consent of Landlord shall, at Landlord's option, be null and void and of no effect. Any mortgage, or encumbrance of all or any portion of Tenant's interest in this Lease or in the Premises and any grant of a license for any person other than Tenant, its Affiliates or any of their respective employees, agents, contractors and invitees to use or occupy the Premises or any part thereof shall be deemed to be an "assignment" of this Lease.

(b) No assignment or subletting shall relieve Tenant of its obligation to pay the Rent and to perform all of the other obligations to be performed by Tenant hereunder. The acceptance of Rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any subletting or assignment. Consent by Landlord to one subletting or assignment shall not be deemed to constitute a consent to any other or subsequent attempted subletting or assignment. If Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof for which Landlord's consent is required, it shall first notify Landlord of its desire to do so and shall submit in writing to Landlord all pertinent information relating to the proposed assignee or sublessee, all pertinent information relating to the proposed assignment or sublease, and all such financial information as Landlord may reasonably request concerning the Tenant and proposed assignee or subtenant. Any assignment or sublease shall be expressly subject to the terms and conditions of this Lease.

(c) At any time Landlord's consent is required, then within thirty (30) days after Landlord's receipt of the information specified in subparagraph (b) above and if such assignment or sublease would expire contemporaneously with or within thirty (30) days prior to the Lease Expiration Date, Landlord may by written notice to Tenant elect to a) except in connection with any proposed assignment with or sublet to an Affiliate of Tenant, terminate this Lease as to the portion of the Premises so proposed to be subleased or assigned (which may include all of the Premises), with a proportionate abatement in the Rent payable hereunder, or b) approve such assignment or sublease, or c) deny such assignment or sublease; provided, however, that such assignment or sublease shall not be unreasonably delayed, conditioned or denied. In the event Landlord fails to provide written notice to Tenant within such thirty (30) day period, said proposed assignment or sublease shall be deemed approved.

(d) Tenant acknowledges that it shall be reasonable for Landlord to withhold its consent to a proposed assignment or sublease in any of the following instances:

- (i) The assignee or sublessee is not, in Landlord's reasonable opinion, sufficiently creditworthy to perform the obligations such assignee or sublessee will have under this Lease (unless such obligations are guaranteed by a sufficiently creditworthy Affiliate of such assignee or sublessee);
- (ii) The intended use of the Premises by the assignee or sublessee is not for general office use;
- (iii) The intended use of the Premises by the assignee or sublessee would materially increase the pedestrian or vehicular traffic to the Premises or the Building;
- (iv) Occupancy of the Premises by the assignee or sublessee would, in the good faith judgment of Landlord, violate any legally enforceable agreement which is superior to this Lease and is binding upon Landlord, the Building or the Project with regard to the identity of tenants, usage in the Building, or similar matters;
- (v) The identity or business reputation of the assignee or sublessee will, in the good faith judgment of Landlord, tend to damage the goodwill or reputation of the Building or Project;
- (vi) In the case of a sublease, the subtenant has not acknowledged that the Lease controls over any inconsistent provision in the sublease; or
- (vii) Local or national governmental entities.

The foregoing criteria shall not exclude any other reasonable basis for Landlord to refuse its consent to such assignment or sublease.

(e) If any Tenant is a corporation, partnership or other entity that is not publicly traded on a recognized national stock exchange, any transaction or series of related or unrelated transactions (including, without limitation, any dissolution, merger, consolidation or other reorganization, any withdrawal or admission of a partner or change in a partner's interest, or any issuance, sale, gift, transfer or redemption of any capital stock or ownership interest in such entity, whether voluntary, involuntary or by operation of law, or any combination of any of the foregoing transactions) resulting in the transfer of control of such Tenant, shall be deemed to be an assignment of this Lease subject to the provisions of this Paragraph 11. The term "control" as used in this Paragraph 11 means the power to directly or indirectly direct or cause the direction of the management or policies of Tenant or the entity in question. Any transfer of control of a subtenant which is a corporation or other entity shall be deemed an assignment of any sublease. Notwithstanding anything to the contrary in this Paragraph 11(e), if the original Tenant under this Lease is a corporation, partnership or other entity, a change or series of changes in ownership of stock or other ownership interests which would result in direct or indirect change in ownership of less than fifty percent (50%) of the outstanding stock of or other ownership interests in such Tenant as of the date of the execution and delivery of this Lease shall not be considered a change of control. Notwithstanding anything to the contrary in this Lease, any transfers in connection with a public offering or private placement, recapitalization or merger of Tenant or its Affiliates and any transfers to an Affiliate of Tenant shall not be deemed to be an assignment of this Lease.

(f) Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times during the Initial Term and any subsequent renewals or extensions remain fully responsible and liable for the payment of the rent and for compliance with all of Tenant's other obligations under this Lease. In the event that the Rent paid by a sublessee or assignee (or a combination of the rental paid under such sublease or assignment, plus any bonus or other consideration therefor or incident thereto) exceeds the Rent payable under this Lease after deducting all normal and customary costs incurred by Tenant with respect to such sublease or assignment, then Tenant shall be bound and obligated to pay Landlord, as additional rent hereunder, fifty percent (50%) of any Profit (hereinafter defined) derived by Tenant from such subletting or assignment, excluding any Profit derived by Tenant from any subletting or assignment to an Approved Related Entity (hereinafter defined). In connection with an assignment "Profit" means any amount paid by an assignee to Tenant as consideration for such assignment, less any reasonable out-of-pocket costs incurred by Tenant in connection therewith (including, but not limited to, marketing costs, improvement allowances, alterations, reasonable legal fees, brokerage fees, advertising costs, free rent, and the cost of improvements to the Premises made by Tenant for such assignee). In connection with a sublease "Profit" means the excess of (i) all sums paid by the subtenant as rent or other consideration for the sublease (other than a security deposit), less Subletting Costs (hereinafter defined) over (ii) all sums paid to Landlord as Rent allocable to the Sublet Space. "Subletting Costs" means all reasonable out-of-pocket costs incurred by Tenant in connection with such subletting, including, without limitation, marketing costs, tenant improvement allowances, alterations, reasonable legal fees, brokerage fees, free rent, and the cost of improvements to the Premises made by Tenant for such subtenant which costs shall be amortized over the term of the sublease. Any allocation of rent paid by a subtenant to Tenant between compensation for the use of the portion of the Premises sublet and compensation for services provided to the subtenant by or on behalf of Tenant, or for equipment which Tenant furnishes to the subtenant, must be reasonable. Within thirty (30) days after Tenant receives any amount from an assignee as consideration for an assignment, Tenant shall submit to Landlord a statement containing a reasonably detailed calculation of any Profit derived from such assignment, certified as correct by an officer of Tenant, and simultaneously with the delivery of such statement, Tenant shall pay Landlord fifty percent (50%) of any Profit shown by such statement upon Tenant's receipt thereof. With respect to a sublease, Tenant shall pay to Landlord fifty percent (50%) of

Profit on a monthly basis in arrears commencing thirty (30) days after the effective date of such sublease. Upon Landlord's request, Tenant shall provide substantiation of Tenant's calculation of Profit reasonably satisfactory to Landlord.

(g) If this Lease is assigned or if the Premises is subleased (whether in whole or in part), or in the event of the mortgage or pledge of Tenant's leasehold interest, or grant of any concession or license within the Premises, or if the Premises are occupied in whole or in part by anyone other than Tenant, then upon a default by Tenant hereunder Landlord may collect Rent from the assignee, sublessee, mortgagee, pledgee, concessionee or licensee or other occupant and, except to the extent set forth in the preceding paragraph, apply the amount collected to the next Rent payable hereunder; and all such Rent collected by Tenant shall be held in deposit for Landlord and immediately forwarded to Landlord. No such transaction or collection of Rent or application thereof by Landlord, however, shall be deemed a waiver of these provisions or a release of Tenant from the further performance by Tenant of its covenants, duties, or obligations hereunder.

(h) If Tenant effects an assignment or sublease and requests the consent of Landlord to any proposed assignment or sublease, then Tenant shall, upon demand, pay Landlord any reasonable attorneys' and paralegal fees and costs incurred by Landlord in connection with such assignment or sublease and request for consent. Acceptance of reimbursement of Landlord's attorneys' and paralegal fees shall in no event obligate Landlord to consent to any proposed assignment or sublease.

(i) Notwithstanding any provision of this Lease to the contrary, in the event this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute the property of Tenant or Tenant's estate within the meaning of the Bankruptcy Code. All such money and other consideration not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and shall be promptly paid or delivered to Landlord.

(j) The joint and several liability of the Tenant named herein and any immediate and remote successor-in-interest of Tenant (by assignment or otherwise), and the due performance of the obligations of this Lease on Tenant's part to be performed or observed, shall not in any way be discharged, released or impaired by any (a) agreement that modifies any of the rights or obligations of the parties under this Lease, (b) stipulation that extends the time within which an obligation under this Lease is to be performed, (c) waiver of the performance of an obligation required under this Lease, or (d) failure to enforce any of the obligations set forth in this Lease.

(k) Intentionally omitted.

(l) Notwithstanding anything contained herein to the contrary, none of the following, or any changes, assignments, sublettings or transfers resulting from the following, shall require Landlord's prior written consent or the payment by Tenant of any fees or charges of any kind (including, but not limited to the payment of any Profits or other excess rent received by Tenant):

- (i) any transfer or change in ownership interests arising out of death, disability or divorce of any owner of any ownership interest of Tenant;
- (ii) the merger, consolidation or amalgamation of Tenant with a third party or the sale of all or substantially all of the stock or other ownership interests or assets of Tenant;
- (iii) any public offering or private placement involving the Tenant or an Affiliate; or

(iv) any assignment, sublet or transfer to a parent, subsidiary or Affiliate of Tenant. An “Affiliate” shall mean any trust, corporation, limited liability company or partnership: (i) which owns or “controls” the majority of the ownership interests of Tenant, either directly or indirectly through other entities; (ii) the majority of those whose ownership interests is owned or “controlled” by Tenant; (iii) the majority of whose ownership interests is owned or “controlled” by an entity described in (i); or (iv) which owns or “controls” a majority of the ownership interests of Tenant.

Tenant shall endeavor to give Landlord at least thirty (30) days prior written notice (a “Related Entity Notice”) (unless such assignment is confidential or is otherwise impractical given the circumstances, in which case such notice shall be delivered to Landlord immediately after such assignment), of any assignment described above. Such assignment, subletting or transfer described in this Paragraph 11(1) shall be permitted, provided that (a) immediately after such transaction effecting such assignment, subletting or transfer such successor or surviving entity meets the Related Entity Financial Threshold (hereinafter defined), (b) such transaction is being undertaken for a valid business purpose, if applicable, and is not principally to avoid liability under this Lease or to transfer the benefit of this Lease, and (c) the successor entity shall have assumed in writing all of the obligations and liabilities of Tenant under this Lease, if applicable. As used herein, the term “Related Entity Financial Threshold” shall mean that the Approved Related Entity can demonstrate, to Landlord’s reasonable satisfaction, that the Approved Related Entity’s tangible net worth is equal to or greater than the tangible net worth of Tenant on the Effective Date hereof or the date of assignment. The Related Entity Financial Threshold shall be evidenced by financial statements covering the full fiscal year of the Tenant and the Approved Related Entity firm ending prior to the date of the proposed transaction. Any excess rent received by Tenant in connection with any such transaction described in this Paragraph 11(1) may be retained by Tenant. Notwithstanding anything to the contrary set forth herein, the parties acknowledge that in the event of such an assignment, the Guaranty (as defined in Paragraph 24(w)) shall remain in full force and effect, and “tenant” thereunder shall mean the assignee hereunder.

12. DEFAULT

(a) Events of Default. The occurrence of any one or more of the following events shall constitute an “Event of Default” or “default” (herein so called) under this Lease by Tenant: (i) Tenant shall fail to pay Rent or any other rental or sums payable by Tenant hereunder within ten (10) days after Landlord notifies Tenant in writing of such nonpayment; provided, however, Landlord shall not be obligated to provide written notice to Tenant in connection with any failure by Tenant to pay Base Rent and any other regularly scheduled payments when due more than two (2) times within any calendar year and in the event Tenant fails to timely pay such amount when due for a third time during any calendar year, then Tenant shall be in default for such late payment and Landlord shall have no obligation or duty to provide any further notice of such non-payment to Tenant prior to declaring an Event of Default under this Lease; (ii) the failure by Tenant to observe or perform any of the express or implied covenants or provisions of this Lease to be observed or performed by Tenant, other than monetary failures as specified in Paragraph 12(a)(i) above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant’s default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant shall commence such cure within said thirty (30) day period and thereafter diligently prosecute such cure to completion; (iii) the making by Tenant or any guarantor hereof of any general assignment for the benefit of creditors, (iv) the filing by or against Tenant or any guarantor hereof of a petition to have Tenant or any guarantor hereof adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant or

any guarantor hereof, the same is dismissed within ninety (90) days), (v) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease or of substantially all of guarantor's assets, where possession is not restored to Tenant or guarantor within ninety (90) days, (vi) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of substantially all of guarantor's assets or of Tenant's interest in this Lease where such seizure is not discharged within ninety (90) days; (vii) any material representation or warranty made by Tenant or guarantor in this Lease or any other document delivered in connection with the execution and delivery of this Lease or pursuant to this Lease proves to be incorrect in any material respect; or (viii) Tenant or guarantor shall be liquidated or dissolved or shall begin proceedings towards its liquidation or dissolution.

(b) Remedies. In the event of any Event of Default by Tenant, in addition to any other remedies available to Landlord under this Lease, at law or in equity, Landlord, at its option, shall have the rights and remedies hereinafter set forth, which shall be distinct, separate and cumulative with and in addition to any other right or remedy allowed under at law or in equity, or other provisions of this Lease:

(i) (A) to terminate this Lease; (B) with or without terminating this Lease, re-enter, terminate Tenant's right of possession and take possession of the Premises and relet the Premises to such person or entity, and on such terms, as Landlord shall determine in its sole discretion; (C) to collect from Tenant the sum of all Rent, other sums due hereunder through the remaining term of this Lease and the Costs of Reletting (as defined below), less the amount of any rental received by Landlord for the Premises for such period (which may be collected by separate suits from time to time or one suit following the expiration of the Lease Term) or, in Landlord's sole discretion, the sum of all such Rent, other sums due hereunder through the remaining term of this Lease and the Costs of Reletting, discounted to a present value using a rate deemed reasonable by Landlord, shall be due and payable immediately upon demand by acceleration, less the fair market rental value of the Premises over the same period, similarly discounted net of all expenses and vacancy periods incurred or projected to be incurred, as applicable, in connection with the reletting of the Premises; (D) to exercise all of Landlord's rights and remedies under any guaranty, if applicable, and (E) all other rights and remedies available to Landlord at law or in equity, including without limitation, the right to evict Tenant from the Premises; provided, however, that in such event Landlord shall have the right, in its sole and absolute discretion, to treat Tenant as a tenant-at-sufferance, subject to all the terms and conditions of this Lease, except that (x) Landlord may thereafter require Tenant to vacate the Premises, and Tenant shall be entitled to no notice prior to eviction, and (y) during the period of such tenancy-at-sufferance, the monthly installments of Rent shall be one hundred and fifty percent (150%) of the amount of Rent that would otherwise be payable under the terms hereof. For purposes hereof, Tenant's Proportionate Share Office and Tenant's Proportionate Share Building, respectively, of Operating Expenses shall be projected, based upon the average rate of increase, if any, in such items from the Commencement Date through the date the Lease would have expired. Also, for purposes hereof, the "Costs of Re-Letting" shall include without limitation, all reasonable costs and expenses incurred by Landlord for any repairs, maintenance, changes, alterations and improvements to the Premises to place the Premises (or any portion thereof) in first-class rentable condition, including combining the same with any adjacent space, brokerage commissions, advertising costs, attorneys' fees, any customary free rent periods or credits, tenant improvement allowances, take-over lease obligations and other customary, necessary or appropriate economic incentives required to enter into leases with one or more replacement tenants, and the costs of collecting rent from one or more replacement tenants;

(ii) in the event that Landlord terminates the Lease pursuant to Paragraph 12(b)(i)(A) above, Tenant shall immediately surrender the Premises to Landlord. Tenant agrees to pay on

demand an amount which, at the date of such termination, is calculated as follows: (aa) the value of the excess, if any, of (1) a sum equal to the discounted then present value of the Base Rent and any amounts treated as Additional Rent hereunder (calculated for this purpose only in an amount equal to the Additional Rent payable during the calendar year most recently ended prior to the occurrence of such Event of Default), and other sums provided herein to be paid by Tenant for the remainder of the stated Lease Term hereof, over (2) the to the discounted then present value of the aggregate fair rental value of the Premises for the remainder of the stated Lease Term, which discounted present values shall be calculated using a discount rate equal to the discount rate of the Federal Reserve Bank of Atlanta at the time of the calculation, plus one percent (1%); plus (bb) the costs of recovering possession of the Premises and all other expenses incurred by Landlord due to Tenant's default, including, without limitation, reasonable attorney's fees; plus (cc) the unpaid Base Rent and Additional Rent earned as of the date of termination plus any interest and late fees due hereunder, plus amounts expressly owing on the date of termination by Tenant to Landlord under this Lease or in connection with the Premises. The amount as calculated above shall be deemed immediately due and payable. The payment of the amount calculated in subparagraph (ii)(aa) shall not constitute payment of Rent in advance for the remainder of the Lease Term. Instead, such sum shall be paid as agreed liquidated damages and not as a penalty; the parties agree that it is difficult or impossible to calculate the damages which Landlord will suffer as a result of Tenant's default, and this provision is intended to provide a reasonable estimate of such damages. If Landlord pursues the remedy described in this subsection (ii), Tenant waives any right to assert that Landlord's actual damages are less than the amount calculated under this subsection (ii), and Landlord waives any right to assert that its damages are greater than the amount calculated under this subsection (ii). In determining the aggregate reasonable rental value pursuant to this subparagraph (ii)(aa) above, the parties hereby agree that, at the time Landlord seeks to enforce this remedy, all relevant factors should be considered, including, but not limited to, (1) the length of time remaining in the Lease Term, (2) the then current market conditions in the general area in which the Building is located, (3) the likelihood of reletting the Premises for a period of time equal to the remainder of the Lease Term, (4) the net effective rental rates then being obtained by landlords for similar type space of similar size in similar type buildings in the general area in which the Building is located, (5) the vacancy levels in the general area in which the Building is located, (6) current levels of new construction that will be completed during the remainder of the Lease Term and how this construction will likely affect vacancy rates, and (7) inflation. Tenant shall reimburse Landlord for all reasonable attorney's fees incurred by Landlord in connection with enforcing this Lease;

(iii) Landlord may bring suits for such amounts or portions thereof, at any time or times as the same accrue or after the same have accrued, and no suit or recovery of any portion due hereunder shall be deemed a waiver of Landlord's right to collect all amounts to which Landlord is entitled hereunder, nor shall the same serve as any defense to any subsequent suit brought for any amount not theretofore reduced to judgment. Landlord shall not be deemed to have waived any default unless such waiver is expressly set forth in writing by Landlord;

(iv) if Landlord terminates this Lease or Tenant's right to possession, Landlord shall use commercially reasonable efforts to mitigate Landlord's damages. If Landlord has not terminated this Lease or Tenant's right to possession, Landlord may elect not to mitigate and may permit the Premises to remain vacant or abandoned; in such case, the Lease shall survive notwithstanding Landlord's re-entry of the Premises and Tenant may seek to mitigate damages by attempting to sublease the Premises or assign this Lease in conformance with Article 11; and

(v) Tenant hereby acknowledges and agrees that any efforts, if any, by Landlord to mitigate damages shall not result in a termination of the Lease, and unless this Lease is expressly

terminated in writing by Landlord to Tenant under this Article 12, this Lease shall survive any such attempts by Landlord to mitigate damages including, without limitation, Landlord (a) entering into one or more leases: (1) for all or a portion of the Premises, (2) for all or a portion of the Premises and additional premises, (3) for a different term than the Lease Term of the Lease, (4) with different renewal or extension rights, (5) that contain free-rent periods, tenant improvement allowances, obligations by Landlord to make improvements to the Premises or other tenant concessions or inducements, or (6) any other terms and provisions which deviate from the terms of this Lease, or (b) selling the Project. Any efforts by Landlord to mitigate damages by attempting to relet the Premises shall not be deemed to impose any obligation on Landlord to relet the Premises, (x) for any purpose which would be inconsistent with the uses customarily found in first-class office buildings or which would breach any covenant of Landlord in any other lease or agreement relating to the Project, (y) to any lessee who is not reputable or who is not financially capable of performing the duties and obligations imposed upon such lessee under the applicable lease or who does not have experience in successfully operating a business of the type and size which such lessee proposes to conduct in the Premises, and (z) in preference to the leasing by Landlord of any other property or premises by Landlord. In amplification of subitem (z), in the event there are other vacancies in the Project, Landlord shall have no obligation to re-let the Premises in preference over other space available and shall not be required to relet the Premises in the same manner in which Landlord attempts to re-let such other available space.

(c) Landlord's Remedies; Re-Entry Rights. In the event of any Event of Default by Tenant, in addition to any other remedies available to Landlord under this Lease, at law or in equity, Landlord shall also have the right, with or without terminating the Lease, to re-enter the Premises and remove all persons and property from the Premises; such property may be removed, stored and/or disposed of pursuant to Paragraph 5(e) of this Lease or any other procedures permitted by applicable law. No re-entry or taking possession of the Premises by Landlord pursuant to this Paragraph 12(c), and no acceptance of surrender of the Premises or other action on Landlord's part, shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction.

(d) Landlord's Right to Perform. Except as specifically provided otherwise in this Lease, all covenants and agreements by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement or offset of Rent. If Tenant shall fail to pay any sum of money (other than Base Rent) or perform any other act on its part to be paid or performed hereunder and such failure shall continue beyond the applicable notice or grace period set forth in Paragraph 12(a) above, except in case of emergencies, in which such case, such shorter period of time as is reasonable under the circumstances) after Tenant's receipt of written notice thereof from Landlord, Landlord may, without waiving or releasing Tenant from any of Tenant's obligations, make such payment or perform such other act on behalf of Tenant. All sums so paid by Landlord and all necessary incidental costs incurred by Landlord in performing such other acts shall be payable by Tenant to Landlord within ten (10) days after demand therefor as Additional Rent.

(e) Interest. If any monthly installment of Rent or any other amount payable by Tenant hereunder is not received by Landlord by the tenth (10TH) day after it is due, it shall bear interest at the Default Rate from the date due until paid. All interest, and any late charges imposed pursuant to Paragraph 12(f) below, shall be considered Additional Rent due from Tenant to Landlord under the terms of this Lease. The term "Default Rate" as used in this Lease shall mean the lesser of (A) the rate announced from time to time by Wells Fargo Bank or, if Wells Fargo Bank ceases to exist or ceases to publish such rate, then the rate announced from time to time by the largest (as measured by deposits)

chartered bank operating in the District of Columbia, as its “prime rate” or “reference rate”, plus five percent (5%), or (B) the maximum rate of interest permitted by applicable law.

(f) Late Charges. Tenant acknowledges that, in addition to interest costs, the late payments by Tenant to Landlord of any monthly installment of Base Rent, Additional Rent or other sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impractical to fix. Such other costs include, without limitation, processing, administrative and accounting charges and late charges that may be imposed on Landlord by the terms of any mortgage, deed to secure debt, deed of trust or related loan documents encumbering the Premises, the Building or the Project. Accordingly, if any monthly installment of Base Rent, regularly scheduled Additional Rent or any other amount payable by Tenant hereunder is not received by Landlord within ten (10) days after the due date, Tenant shall pay to Landlord an additional sum of five percent (5%) of the overdue amount as a late charge, but in no event more than the maximum late charge allowed by law; provided however, that Landlord will waive the first late charge in any Lease Year; provided, that Tenant pays such overdue amount within ten (10) business days after written notice thereof. The parties agree that such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any late payment as hereinabove referred to by Tenant, and the payment of late charges and interest are distinct and separate in that the payment of interest is to compensate Landlord for the use of Landlord’s money by Tenant, while the payment of late charges is to compensate Landlord for Landlord’s processing, administrative and other costs incurred by Landlord as a result of Tenant’s delinquent payments. Acceptance of a late charge or interest shall not constitute a waiver of Tenant’s default with respect to the overdue amount or prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease or at law or in equity now or hereafter in effect.

(g) Rights and Remedies Cumulative. All rights, options and remedies of Landlord contained in this Paragraph 12 and elsewhere in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law or in equity, whether or not stated in this Lease. Nothing in this Paragraph 12 shall be deemed to limit or otherwise affect Tenant’s indemnification of Landlord pursuant to any provision of this Lease.

(h) Tenant’s Waiver of Redemption. To the fullest extent permitted by applicable Law, Tenant hereby waives and surrenders for itself and all those claiming under it, including creditors of all kinds, (i) any legal, statutory or equitable right and privilege which it or any of them may have under any present or future law to redeem any of the Premises or to have a continuance of this Lease after termination of this Lease or of Tenant’s right of occupancy or possession pursuant to any court order or any provision hereof, and (ii) the benefits of any present or future law which exempts property from liability for debt or for distress for Rent.

(i) Costs Upon Default and Litigation. Tenant shall pay to Landlord as Additional Rent all the expenses incurred by Landlord in connection with any default by Tenant hereunder or the exercise of any remedy by reason of any default by Tenant hereunder, including reasonable attorneys’ fees and expenses. If Landlord shall be made a party to any litigation commenced against Tenant by a third-party unrelated to Landlord pertaining to this Lease or the Premises, at the option of Landlord, Tenant, at its expense, shall provide Landlord with counsel approved by Landlord and shall pay all costs incurred or paid by Landlord in connection with such litigation. If Tenant shall be made a party to any litigation commenced against Landlord by a third-party unrelated to Tenant pertaining to this Lease or the Premises, at the option of Tenant, Landlord, at its expense, shall provide Tenant with counsel approved by Tenant and shall pay all costs incurred or paid by Tenant in connection with such litigation.

13. ACCESS; CONSTRUCTION

Subject to the terms of Paragraph 22, Landlord reserves from the leasehold estate hereunder, in addition to all other rights reserved by Landlord under this Lease, the right to use the roof and exterior walls of the Premises and the area beneath, adjacent to and above the Premises. Landlord also reserves the right to install, use, maintain, repair, replace and relocate equipment, machinery, meters, pipes, ducts, plumbing, conduits and wiring through the Premises, which serve other portions of the Building or the Project in a manner and in locations which do not unreasonably interfere with Tenant's use of the Premises. In addition, Landlord shall have free access to any and all mechanical installations of Landlord or Tenant, including, without limitation, machine rooms, telephone rooms and electrical closets. Tenant agrees that there shall be no construction of partitions or other obstructions which materially interfere with or which threaten to materially interfere with Landlord's free access thereto, or materially interfere with the moving of Landlord's equipment to or from the enclosures containing said installations. Landlord shall at all reasonable times, during normal business hours and after reasonable written or oral notice, have the right to enter the Premises to inspect the same, to supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to exhibit the Premises to prospective purchasers, lenders or tenants, to alter, improve, restore, rebuild or repair the Premises or any other portion of the Building, or to do any other act permitted or contemplated to be done by Landlord hereunder, all without being deemed guilty of an eviction of Tenant and without liability for abatement of Rent or otherwise; provided however that Landlord shall use reasonable efforts not to materially interfere with the operation of Tenant's business in or access to the Premises and use of the Common Areas. For such purposes, Landlord may also erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed. Landlord shall conduct all such inspections and/or improvements, alterations and repairs so as to minimize, to the extent reasonably practical and without material additional expense to Landlord, any interruption of or interference with the business of Tenant. For each of such purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises (excluding Tenant's vaults and safes, access to which shall be provided by Tenant upon Landlord's reasonable request). Landlord shall have the right to use any and all means which Landlord may deem proper in an emergency in order to obtain entry to the Premises or any portion thereof, and Landlord shall have the right, at any time during the Lease Term, to provide whatever access control measures it deems reasonably necessary to the Project, without any interruption or abatement in the payment of Rent by Tenant. Any entry into the Premises obtained by Landlord by any of such means shall not under any circumstances be construed to be a forcible or unlawful entry into, or a detainer of, the Premises, or any eviction of Tenant from the Premises or any portion thereof. Landlord reserves the right to make such changes, alterations, additions, deletions, improvements, repairs or replacements in or to the Building, the Project (including the Premises) and the Common Areas as Landlord may reasonably deem necessary or desirable, including, without limitation, constructing new buildings and making changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading areas, landscaped areas and walkways; provided, however, that (i) there shall be no unreasonable permanent obstruction of access to or use of the Premises resulting therefrom, and (ii) Landlord shall use commercially reasonable efforts to minimize any interference with Tenant's use of the Premises; provided, however, that Tenant's access to and use of the Premises and the Project's parking garage shall not be unreasonably interrupted.

14. BANKRUPTCY

If at any time prior to the Commencement Date or during the term of this Lease, there shall be filed against Tenant in any court, tribunal, administrative agency or any other forum having jurisdiction, pursuant to any applicable law, either of the United States or of any state, a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver, trustee or conservator of all or a portion of Tenant's property, and the same is not dismissed after ninety (90) calendar days, or if Tenant makes an assignment for the benefit of creditors, this Lease, at the option of Landlord exercised within a reasonable time after notice of the happening of any one or more of such events, may be canceled and

terminated and in such event neither Tenant nor any person claiming through or under Tenant or by virtue of any statute or of an order of any court shall be entitled to possession or to remain in possession of the Premises, but shall forthwith quit and surrender the Premises, and Landlord, in addition to the other rights and remedies granted by Paragraph 12 hereof or by virtue of any other provision contained in this Lease or by virtue of any applicable law, may retain as damages any Rent, Security Deposit or moneys received by it from Tenant or others on behalf of Tenant.

15. SUBSTITUTION OF PREMISES

Intentionally Omitted.

16. SUBORDINATION; ATTORNMENT; ESTOPPEL CERTIFICATES

(a) Tenant agrees that this Lease and the rights of Tenant hereunder shall be subject and subordinate to any and all deeds of trust, security interests, mortgages, master leases, ground leases or other security documents and any and all modifications, renewals, extensions, consolidations and replacements thereof (collectively, "Security Documents") which now or hereafter constitute a lien upon or affect the Project, the Building or the Premises; provided, however, that such subordination shall not be effective with respect to any given Security Document until a commercially reasonable subordination and non-disturbance agreement ("SNDA") has been executed by Tenant, Landlord and all other interested parties in connection therewith and so long as such Security Documents do not contravene any of the terms set forth in this Lease or add any additional liability or adversely affect Tenant's rights and obligations hereunder. In addition, Landlord shall have the right to subordinate or cause to be subordinated any such Security Documents to this Lease and in such case, in the event of the termination or transfer of Landlord's estate or interest in the Project by reason of any termination or foreclosure of any such Security Documents, Tenant shall, notwithstanding such subordination, attorn to and become the Tenant of the successor-in-interest to Landlord at the option of such successor-in-interest.

(b) If any proceeding is brought for default under any ground or master lease to which this Lease is subject or in the event of foreclosure or the exercise of the power of sale under any mortgage, deed of trust or other Security Document made by Landlord covering the Premises, at the election of such ground lessor, master lessor or purchaser at foreclosure, Tenant shall attorn to and recognize the same as Landlord under this Lease, provided such successor expressly agrees in writing to be bound to all obligations by the terms of this Lease, and if so requested, Tenant shall enter into a new lease with that successor on the same terms and conditions as are contained in this Lease (for the unexpired term of this Lease then remaining). Tenant hereby waives its rights under any current or future law which gives or purports to give Tenant any right to terminate or otherwise adversely affect this Lease and the obligations of Tenant hereunder in the event of any such foreclosure proceeding or sale.

(c) As a condition to the subordination and attornment described in Paragraph 16(a) above, Landlord agrees that it shall obtain a subordination, non-disturbance and attornment agreement for Tenant from the current holder of a mortgage encumbering the Building in the form attached hereto as Exhibit F (the "Pre-Approved SNDA Form"), which Tenant acknowledges is a commercially reasonable form. The SNDA shall provide, inter alia, that, in the event of a foreclosure under the mortgagee's mortgage or deed of trust (or transfer by way of deed-in-lieu thereof), so long as Tenant is not then in default under this Lease, Tenant's right to possess the Premises will not be disturbed as a result of such foreclosure or other transfer and the Lease shall continue in full force and effect, subject to certain limitations with respect to the obligations of the successor landlord hereunder as may be set forth in such SNDA. Tenant's subordination and attornment to any future Security Documents as set forth in Paragraph 16(a), shall be conditioned upon Landlord obtaining an SNDA for Tenant from the holder of such Security Document in any commercial reasonable form so long as it is commercially reasonable, Tenant agrees that the Pre-

Approved SNDA Form (and each provision thereof) is commercially reasonable, and Tenant shall not be entitled to object to any mortgagee's or ground lessor's customary form if it is reasonably comparable in scope and nature to the Pre-Approved SNDA Form, and provided such form includes a provision providing that so long as Tenant is not in Default under this Lease, Tenant shall be entitled to the use and occupancy of the Premises in accordance with all of the terms and conditions of this Lease.

(d) Tenant shall, upon not less than ten (10) business days' prior notice by Landlord, execute, acknowledge and deliver to Landlord a statement in writing certifying (i) whether or not this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), (ii) the dates to which the Base Rent, Additional Rent and other charges hereunder have been paid, if any, and (iii) whether or not to the actual knowledge of Tenant, Landlord is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which Tenant may have knowledge. The form of the statement attached hereto as Exhibit D is hereby approved by Tenant for use pursuant to this subparagraph (d); however, at Landlord's option, Landlord shall have the right to use other forms for such purpose so long as such form is substantially similar in substance. Tenant's failure to execute and deliver such statement within such time shall, at the option of Landlord, constitute a material default under this Lease and, in any event, shall be conclusive upon Tenant that this Lease is in full force and effect without modification except as may be represented by Landlord in any such certificate prepared by Landlord and delivered to Tenant for execution. Any statement delivered pursuant to this Paragraph 16 may be relied upon by any prospective purchaser of the fee of the Building or the Project or any mortgagee, ground lessor or other like encumbrances thereof or any assignee of any such encumbrance upon the Building or the Project.

17. SALE BY LANDLORD; TENANT'S REMEDIES; NONRECOURSE LIABILITY

(a) In the event of a sale or conveyance by Landlord of the Building or the Project, Landlord shall be released from any and all liability under this Lease. If the Security Deposit has been deposited by Tenant to Landlord prior to such sale or conveyance, Landlord shall transfer the Security Deposit to the purchaser, and upon delivery to Tenant of notice thereof, Landlord shall be discharged from any further liability in reference thereto.

(b) In addition to and without limiting the effect of Paragraphs 5(a) and 7(e) above, Landlord shall be in default hereunder if Landlord should fail to perform or observe any covenant, term, provision or condition of this Lease and such default should continue beyond a period of ten (10) business days after written notice from Tenant as to a monetary default or thirty (30) days after written notice from Tenant for any other default (provided, however, that if such default cannot, by its nature, be cured within such period, Landlord shall not be deemed in default if Landlord shall within such period commence to cure such default and shall diligently prosecute the same to completion) to the extent that such default renders all or a portion of the Premises untenantable after the aforementioned notice and cure period Rent shall abate proportionately until such default is cured. All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Project and not thereafter, but only to the extent such obligations are assumed by the successor owner of the Building. All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder. In the event of an uncured default by Landlord, Tenant may (i) cure such default, and/or (ii) exercise any and all remedies available to it at law or in equity; provided, that, such cure does not involve structural alterations or Building systems.

(c) Notwithstanding anything contained in this Lease to the contrary, the obligations of Landlord under this Lease (including any actual or alleged breach or default by Landlord) do not

constitute personal obligations of the individual partners, directors, officers, trustees, members or shareholders of Landlord or Landlord's members or partners, and Tenant shall not seek recourse against the individual partners, directors, officers, trustees, members or shareholders of Landlord or against Landlord's members or partners or against any other persons or entities having any interest in Landlord, or against any of their personal assets for satisfaction of any liability with respect to this Lease. Any liability of Landlord for a default by Landlord under this Lease, or a breach by Landlord of any of its obligations under the Lease, shall be limited solely to its interest in the Project, and in no event shall any personal liability be asserted against Landlord in connection with this Lease nor shall any recourse be had to any other property or assets of Landlord, its partners, directors, officers, trustees, members, shareholders or any other persons or entities having any interest in Landlord. Tenant's sole and exclusive remedy for a default or breach of this Lease by Landlord shall be either (i) an action for damages, or (ii) an action for injunctive relief; Tenant hereby waiving and agreeing that Tenant shall have no offset rights or right to terminate this Lease on account of any breach or default by Landlord under this Lease. Under no circumstances whatsoever shall Landlord or Tenant ever be liable for punitive, consequential or special damages under this Lease and Tenant and Landlord each waives any rights it may have to such damages under this Lease in the event of a breach or default by Landlord or Tenant, respectively, under this Lease.

18. PARKING; COMMON AREAS

(a) Tenant shall have the right to the nonexclusive use of the number of parking permits located in the parking areas of the Project specified in Item 13 of the Basic Lease Provisions for the parking of operational motor vehicles used by Tenant, Tenant Affiliates, any permitted subtenants and their respective officers and employees, and other permitted occupants of the Premises only (each a "Permitted Parker"). The monthly parking rate for such parking permit(s) shall be the prevailing rate charged from time to time by the garage operator for monthly unreserved parking contracts in the Building, provided that such rate may be adjusted no more than one time per calendar year. Such charges shall be payable monthly in advance to the garage operator. Except as otherwise provided herein, parking contracts shall be with the garage operator and shall contain the same terms as are usually contained in contracts with other customers of the garage operator. Notwithstanding the foregoing, if the Permitted Parkers do not contract, for the maximum number of permit(s) so allocated to it within ninety (90) days after the Commencement Date, then the foregoing rights to any -Unused permits) shall 'expire; and shall thereafter be subject to availability: Landlord agrees that it will make a good faith effort to re-offer any parking permits not initially taken or subsequently relinquished if requested by Tenant, subject to availability. The use of such parking permits shall be subject to the rules and regulations adopted by Landlord from time to time for the use of the parking areas. Landlord further reserves the right to make such changes to the parking system as Landlord may deem necessary or reasonable from time to time; i.e., Landlord may provide for one or a combination of parking systems, including, without limitation, self-parking, single or double stall parking spaces, and valet assisted parking. Except as otherwise expressly agreed to in this Lease or in any particular parking contract entered into pursuant to this Lease, Tenant agrees that the Permitted Parkers shall not be entitled to park in any reserved or specially assigned areas designated by Landlord from time to time in the Project's parking areas. Landlord may require execution of an agreement with respect to the use of such parking areas by any Permitted Parker in form reasonably satisfactory to Landlord as a condition of any such use by such Permitted Parker. A default by any Permitted Parker in the payment of such charges, the compliance with such rules and regulations, or the performance of such agreement(s) shall not constitute a material default by Tenant under this Lease. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's officers, employees, suppliers, shippers, customers or invitees to be loaded, unloaded or parked in areas other than those designated by Landlord for such activities. If Tenant permits or allows any of the prohibited activities described in this Paragraph, then Landlord shall have the right, without notice, in

addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Tenant, which cost shall be immediately payable upon demand by Landlord.

(b) Subject to subparagraph (c) below and the remaining provisions of this Lease, Tenant shall have the nonexclusive right, in common with others, to the use of such entrances, lobbies, fire vestibules, restrooms (excluding restrooms on any full floors leased by a tenant other than Tenant), mechanical areas, ground floor corridors, elevators and elevator foyers, electrical and janitorial closets, telephone and equipment rooms, loading and unloading areas, the Project's plaza areas, if any, ramps, drives, stairs, and similar access ways and service ways and other common areas and facilities in and adjacent to the Building and the Project as are designated from time to time by Landlord for the general nonexclusive use of Landlord, Tenant and the other tenants of the Building and their respective employees, agents, representatives, licensees and invitees ("Common Areas"). The use of such Common Areas shall be subject to the rules and regulations contained herein and the provisions of any covenants, conditions and restrictions affecting the Building or the Project. Tenant shall keep all of the Common Areas free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's operations, and shall use the Common Areas only for normal activities, parking and ingress and egress by Tenant and its employees, agents, representatives, licensees and invitees to and from the Premises, the Building or the Project. If, in the reasonable opinion of Landlord, unauthorized persons are using the Common Areas by reason of the presence of Tenant in the Premises, Tenant, upon reasonable written demand of Landlord, shall use commercially reasonable efforts to correct such situation by appropriate action or proceedings against all such unauthorized persons. Nothing herein shall affect the rights of Landlord at any time to remove any such unauthorized persons from said areas or to prevent the use of any of said areas by unauthorized persons. Notwithstanding any provision of this Lease to the contrary, the Common Areas shall not in any event be deemed to be a portion of or included within the Premises leased to Tenant and the Premises shall not be deemed to be a portion of the Common Areas. This Lease is granted subject to the terms hereof, the rights and interests of third parties under existing liens, ground leases, easements and encumbrances affecting such property, all zoning regulations, rules, ordinances, building restrictions and other laws and regulations now in effect or hereafter adopted by any governmental authority having jurisdiction over the Project or any part thereof.

(c) Notwithstanding any provision of this Lease to the contrary, Landlord, specifically reserves the right to redefine the term "Building" for purposes of allocating and calculating Operating Expenses so as to include or exclude areas as Landlord shall from time to time determine or specify (and any such determination or specification shall be without prejudice to Landlord's right to revise thereafter such determination or specification); provided, that such allocation or reallocation does not reduce Tenant's rights or increase Tenant's obligations under this Lease in any material manner. In addition, Landlord shall have the right to contract or otherwise arrange for amenities, services or utilities (the cost of which is included within Operating Expenses) to be on a common or shared basis to both the Project (i.e., the area with respect to which Operating Expenses are determined) and adjacent areas not included within the Project, so long as the basis on which the cost of such amenities, services or utilities is allocated to the Project is determined on an arms-length and equitable basis or some other basis reasonably determined by Landlord. In the event where the definition of the Building is revised for purposes of the allocation or determination of Operating Expenses, Tenant's Proportionate Share Office shall be appropriately revised to equal the percentage share of all Rentable Area contained within the Rentable Area of office space within the Building represented by the Premises, Tenant's Proportionate Share Building shall be appropriately revised to equal the percentage share of all Rentable Area of office space and rentable area of retail space, contained within the Building represented by the Premises. The Rentable Area of the Building is subject to adjustment by Landlord from time to time to reflect any additions or deletions to any of the rentable area in the Building as designated by Landlord; provided, that such additions or deletions do not reduce Tenant's rights or increase Tenant's obligations under this Lease in any material manner. Landlord shall have the sole right to determine which portions of the Project and

other areas, if any, shall be served by common management, operation, maintenance and repair; provided, that Tenant is not adversely affected as a result of any such determination in any material respect. Landlord shall have the exclusive rights to the airspace above and around, and the subsurface below, the Premises and other portions of the Building and Project.

19. STORAGE SPACE

(a) Storage Space. Landlord hereby leases to Tenant approximately one hundred fifty-three (153) square feet of rentable area of storage space located on the third (3rd) floor of the Building as generally depicted on Exhibit A-2 attached hereto (the "Storage Space") for the Term. Tenant agrees to pay to Landlord commencing on the Commencement Date, without any offset or reduction whatsoever, the annual sum of Twenty-Two Dollars (\$22.00) per square foot of Rentable Area of the Premises, which shall be deemed "Rent" hereunder, payable in equal monthly installments in advance on the first day of each calendar month included in the Term, at such place and in such manner as is provided herein for the payment of Base Rent; provided, however, that, upon the first anniversary of the Commencement Date and each anniversary thereafter, storage rent shall be equal to one hundred and two percent (102%) of the storage rent in effect during the immediately preceding Lease Year ("Storage Space Rent").

(b) Services and Utilities. Landlord shall be obligated to furnish to the Storage Space only electricity sufficient to operate the Building standard lighting fixtures installed in the Storage Space as of the Commencement Date. Notwithstanding anything contained in the Lease to the contrary, Landlord shall not be obligated to provide any janitorial, water, HVAC or other utility or service whatsoever to the Storage Space, except for electricity as described above and, except for damage to property caused by the gross negligence or willful misconduct of Landlord, Tenant assumes all risks for any theft of or damage to any property of Tenant placed in the Storage Space.

(c) Permitted Use. Notwithstanding anything in the Lease to the contrary: (i) Tenant shall use the Storage Space only for the storage of items of personal property incidental to the operation of Tenant's business in the Premises, and for no other use or purpose; and (ii) Tenant shall not operate in the Storage Space any electrically-operated equipment or other machinery, without the prior written consent of Landlord, which consent shall be granted or withheld in Landlord's sole but reasonable discretion. Tenant shall not use the Storage Space to store food or food products of any kind.

(d) Access. Without limiting the generality of any provision of the Lease, Landlord, and Landlord's agents and representatives shall at all times have reasonable access to the Storage Space should said access be required to provide any service to the Building or any space therein. Except in case of an emergency, Landlord agrees to provide Tenant with reasonable prior oral or written notice of its need to access the Storage Space and to make a good faith effort not to disturb any property of Tenant placed in the Storage Space and Tenant agrees to cooperate with Landlord with respect to such access.

(e) Subletting/Assignment. Notwithstanding anything to the contrary contained in the Lease, except in connection with an assignment or sublet pursuant to Paragraph 11 of this Lease, Tenant shall not assign, transfer, mortgage, pledge, encumber, or hypothecate the Lease or any interest therein which relates to the Storage Space, or sublet, or permit any licensee, permittee, concessionaire or any other person other than Tenant and its employees to use or occupy, the Storage Space or any part thereof.

(f) Alterations. Tenant shall not, at any time, make or permit any Alterations in or to the Storage Space or to the elevator lobby providing access to the Storage Space without the prior written consent of Landlord pursuant to Paragraph 4 of the Lease. Prior to the expiration of the Term of the Lease Tenant shall, at its sole cost and expense, restore the Storage Space and the elevator lobby providing access to the Storage Space to the respective condition each was in prior to the completion of

any Alterations thereto by Tenant; provided, however, that Tenant shall not be required to so restore the Storage Space or the elevator lobby in the event the Lease with respect to the Storage Space is terminated by Landlord pursuant to the termination right set forth below in Paragraph 19(g).

(g) **Landlord Termination Right.** If, at any time during the Term (and any extensions thereof), Landlord determines, in its sole but good faith discretion, that exclusive use of the Storage Space by Landlord is necessary in connection with the operation, maintenance or repair of the Building elevator systems, Landlord shall have the right, in its sole and absolute discretion, to terminate the Lease with respect to the Storage Space by giving Tenant at least sixty (60) days prior written notice of the termination date. If the Lease is terminated with respect to the Storage Space pursuant to this Paragraph, then the Storage Space Rent shall be apportioned and paid to the date of termination. If terminated, Landlord shall use commercially reasonable efforts to identify alternative storage space in the Building to lease to Tenant.

(h) **Insurance.** Tenant acknowledges that all insurance for the Premises required by the Lease shall extend to the Storage Space.

20. OPTION TO EXTEND

(a) Tenant shall have and is hereby granted the option to extend the Term hereof for two (2) additional period(s) of five (5) years (the "**Extension Period(s)**"), provided (i) Tenant gives written notice to Landlord of Tenant's election to exercise such extension option no earlier than twenty-four (24), and no later than eighteen (18), months prior to the expiration of the last Lease Year of the Term or of the then-current Extension Period, as the case may be; (ii) no uncured Event of Default exists at the time of such election notice or at the commencement of such Extension Period; and (iii) Tenant and its Affiliates shall be in occupancy for its own use of not less than sixty-five percent (65%) of the Premises.

(b) All terms and conditions of this Lease, including without limitation all provisions governing the payment of Additional Rent, shall remain in full force and effect during each Extension Period, except that Base Rent payable during the first Lease Year of each Extension Period shall be the then-current Fair Market Rental Rate (hereinafter defined) with respect to comparable office space in downtown Washington, D.C. at the time of the commencement of the applicable Extension Period. Landlord shall not be obligated to make any improvements or alterations in or to the Premises. There shall be no rental abatement during either Extension Period, except to the extent the same is taken into account in determining the Fair Market Rental Rate and as otherwise expressly provided in this Lease. As used in this Lease, the term "**Fair Market Rental Rate**" shall mean the fair market rental rate per square foot of rentable area that would be agreed upon between a landlord and a tenant entering into the renewal of a lease for comparable space as to location, configuration, view and elevator exposure, size and use, for in a comparable building as to location, quality, reputation and age, with a comparable build-out, a comparable term and operating expense and real estate tax pass-throughs assuming the following: (1) the landlord and tenant are informed and well-advised and each is acting in what it considers its own best interests; (2) a tenant improvement allowance, free rent periods or any other special concessions (for example, design fees, moving allowances, refurbishing allowances, etc.) will not be provided to Tenant except to the extent that such allowances or concessions are reflected in the fair market rental rates being obtained (in which event the Fair Market Rental Rate shall be reduced by the economic equivalent of the allowances or concessions not offered to Tenant); and (3) the Tenant will continue to pay Tenant's Proportionate Share Office and Tenant's Proportionate Share Building, respectively of Operating Expenses. The determination of Fair Market Rental Rate shall also include the annual increases in Base Rent after the first Lease Year of the applicable Extension Period.

(c) Landlord and Tenant shall negotiate in good faith to determine the Base Rent for the applicable Extension Period, for a period of thirty (30) days after the date on which Landlord receives Tenant's written notice of Tenant's election to exercise the extension option provided for under this Paragraph 20. In the event Landlord and Tenant are unable to agree upon the Base Rent for the applicable Extension Period within said thirty (30)-day period, the Fair Market Rental Rate for the Premises shall be determined by a board of three (3) licensed commercial real estate brokers, one of whom shall be named by the Landlord, one of whom shall be named by Tenant, and the two so appointed shall select a third. Each real estate broker so selected shall be licensed in the jurisdiction in which the Building is located as a real estate broker specializing in the field of commercial office leasing in the District of Columbia, having no less than ten (10) years' experience in such field, and recognized as ethical and reputable within the field. Landlord and Tenant agree to make their appointments promptly within ten (10) days after the expiration of the thirty (30)-day period, or sooner if mutually agreed upon. The two (2) brokers selected by Landlord and Tenant shall promptly select a third broker within ten (10) days after they both have been appointed, and each broker, within fifteen (15) days after the third broker is selected, shall submit his or her determination of the Fair Market Rental Rate. The Fair Market Rental Rate shall be the mean of the two closest rental rate determinations, and the brokers' determination of Fair Market Rental Rate shall be binding upon Landlord and Tenant. Landlord and Tenant shall each pay the fee of the broker selected by it, and they shall equally share the payment of the fee of the third broker.

(d) Should the Term of the Lease be extended hereunder, Tenant shall execute an amendment modifying this Lease within thirty (30) days after Landlord presents same to Tenant, which agreement shall set forth the Base Rent for the applicable Extension Period in accordance with the foregoing. Should Tenant fail to execute the amendment (which accurately sets forth such information and which contains no material provisions inconsistent with the terms hereof) within thirty (30) days after presentation of same by Landlord, time being of the essence and with good faith efforts, Tenant's right extend the Term of the Lease shall, at Landlord's sole option, terminate, and Landlord shall be permitted to lease such space to any other person or entity upon whatever terms and conditions are acceptable to Landlord in its sole discretion.

21. RIGHT OF FIRST OFFER

(a) Subject to any existing expansion rights or renewal rights possessed by any tenant in the Building as of the Effective Date, as more specifically set forth on Exhibit J attached hereto ("Existing Rights"), Tenant shall have and is hereby granted the following right of first offer to lease the Expansion Space (hereinafter defined) if such space shall become available during the Term, pursuant to and in accordance with the terms and conditions of this Paragraph 21. As used herein, the term "Expansion Space" shall mean any space that becomes available on the fourth (4th) or fifth (5th) floors of the Building. Notwithstanding any provision of the Lease to the contrary, Tenant shall have no rights with respect to the Expansion Space, or any other rights of first offer or refusal, or first right to negotiate, or any other expansion rights whatsoever, except as expressly provided in this Paragraph 21.

(b) Landlord currently anticipates that approximately 30,438 rentable square feet of Expansion Space on the fifth (5th) floor (the "First Available Expansion Space") shall become available on or about March 1, 2011. Notwithstanding anything to the contrary contained herein, in the event Tenant exercises its right of first offer by written notice to Landlord with respect to the First Available Expansion Space ("First Available Expansion Space Option") no later than ninety (90) days after the Effective Date, then (i) the Base Rent for the First Available Expansion Space shall be the same as the Base Rent set forth herein for the original Premises, (ii) the Tenant Improvement Allowance of Fourteen and 80/100 Dollars (\$14.80) per rentable square foot shall also apply to the First Available Expansion Space, and (iii) the term of the Lease (as defined in the Twelfth Amendment and as amended thereby) with respect to the First Available Expansion Space shall begin upon the earlier to occur of Tenant's

occupancy of the First Available Expansion Space or thirty (30) days following the date of delivery of the First Available Expansion Space to Tenant by Landlord and shall be governed by the terms of the Twelfth Amendment and the Lease (as amended thereby) until the Commencement Date, and thereafter the term shall continue until and shall expire on April 30, 2014 ("First Available Expansion Space Term"), and (iv) the number of parking permits available to Tenant, Tenant's Proportionate Share Office and Tenant's Proportionate Share Building shall increase accordingly which increases shall be set forth in an amendment to this Lease. All terms and conditions of this Lease, including without limitation all provisions governing the payment of Additional Rent, shall be applicable to the First Available Expansion Space during the First Available Term with Tenant taking the First Available Expansion Space in its AS IS WHERE IS condition.

(c) Landlord also anticipates, that the Expansion Space consisting of the balance of the office space on the fifth (5th) floor ("Remaining Fifth Floor Expansion Space") and the entirety of the office space on the fourth (4th) floor ("Fourth Floor Expansion Space") (the Remaining Fifth Floor Expansion Space together with the Fourth Floor Expansion Space shall be referred to herein as the "Remaining Expansion Space") will become available on or about May 5, 2014.

(d) In the event that Tenant timely exercises its First Available Expansion Space Option, and in the event that any Expansion Space becomes or is reasonably anticipated by Landlord to become vacant during the Term hereof, then, except as provided below, within thirty (30) days after the expiration or termination of the Existing Rights in connection with the Expansion Space, Landlord shall notify Tenant in writing (the "Availability Notice") of the availability of the Expansion Space in question and set forth in such Availability Notice (i) the terms and conditions pursuant to which Landlord would lease the Expansion Space to Tenant, including the Expansion Space Fair Market Rental Rate (hereinafter defined), and (ii) the date on which such Expansion Space is anticipated to become available for lease by Tenant (the "Availability Date"). Provided that (A) no Event of Default then exists under the Lease; (B) Tenant and its Affiliates shall be in occupancy for its own use of not less than sixty-five percent (65%) of the Premises; (C) not less than twenty-four (24) months remain in the Term of this Lease as of the Availability Date or Tenant has a remaining Extension Period; and (D) Tenant notifies Landlord, in writing (the "Tenant Election Notice") within thirty (30) days after Tenant's receipt of Landlord's Availability Notice, of Tenant's irrevocable election to:

(i) retain its tenancy of the First Available Expansion Space commencing May 1, 2014 and continuing through the remainder of the Term and lease all of the Remaining Fifth Floor Expansion Space on the terms and conditions set forth in the Availability Notice; or

(ii) relinquish its tenancy of the First Available Expansion Space effective as of April 30, 2014 and lease all of the Fourth Floor Expansion Space on the terms and conditions set forth in the Availability Notice;

(iii) retain its tenancy of the First Available Expansion Space commencing May 1, 2014 and continuing through the remainder of the Term and lease all of the Remaining Expansion Space on the terms and conditions set forth in the Availability Notice; or

(iv) retain its tenancy of the First Available Expansion Space commencing May 1, 2014 and continuing through the remainder of the Term on the terms and conditions set forth in the Availability Notice.

(e) In the event that Tenant does NOT timely exercises its First Available Expansion Space Option, and in the event that any Remaining Expansion Space and/or the First Available Expansion Space becomes or is reasonably anticipated by Landlord to become vacant during the Term hereof, then, except

as provided below, within thirty (30) days after the expiration or termination of the Existing Right in connection with the Remaining Expansion Space and/or the First Available Expansion Space, Landlord shall deliver to Tenant an Availability Notice. Provided that (A) no Event of Default then exists under the Lease; (B) Tenant and its Affiliates shall be in occupancy for its own use of not less than sixty-five percent (65%) of the Premises; (C) not less than twenty-four (24) months remain in the Term of this Lease as of the Availability Date or Tenant has a remaining Extension Period; and (D) Tenant delivers to Landlord a Tenant Election Notice within thirty (30) days after Tenant's receipt of Landlord's Availability Notice, of Tenant's irrevocable election to:

(i) lease all of the Remaining Fifth Floor Expansion Space and, to the extent available, lease the First Available Expansion Premises on the terms and conditions set forth in the Availability Notice; or

(ii) lease all of the Fourth Floor Expansion Space on the terms and conditions set forth in the Availability Notice; or

(iii) lease all of the Remaining Expansion Space and, to the extent available, lease the First Available Expansion Premises on the terms and conditions set forth in the Availability Notice,

(f) The portion of the Expansion Space which Tenant elects to lease pursuant to Section 21(d) or 21(e), as applicable, shall be referred to herein as the "Retained Expansion Space". The term of the Lease demising the Retained Expansion Space shall (1) commence on the date that is the earlier to occur of (i) one hundred fifty (150) days after Landlord delivers the Retained Expansion Space to Tenant, or (ii) the date upon which Tenant occupies the Retained Expansion Space for the conduct of its normal business operations therein; and (2) be coterminous with the Term hereof.

(g) All terms and conditions of this Lease, including without limitation all provisions governing the payment of Additional Rent, shall be applicable to the Retained Expansion Space with Tenant taking the Retained Expansion Space in its AS IS WHERE IS condition, except that Base Rent payable during the first Lease Year of each Extension Period shall be the then-current Expansion Space Fair Market Rental Rate (hereinafter defined) with respect to comparable office space (including the Building) in downtown Washington, D.C. at the time of the Availability Date. As used in this Lease, the term "Expansion Space Fair Market Rental Rate" shall mean the fair market rental rate per square foot of rentable area that would be agreed upon between a landlord and a prospective tenant entering into a lease for comparable space as to location, configuration, view and elevator exposure, size and use, in a comparable building as to location, age, quality and reputation, with a comparable build-out, a comparable term and operating expense and real estate tax pass-throughs assuming the following: (1) the landlord and tenant are informed and well-advised and each is acting in what it considers its own best interests; (2) a tenant improvement allowance, free rent periods or any other special concessions (for example, design fees, refurbishing allowances, etc.) will be provided to Tenant; provided, however, Tenant shall have the option to either (i) accept such concessions or (ii) reject such concessions in which event the fair market rental rate shall be decreased to reflect the value of such concessions; and (3) Tenant's Proportionate Share Office and Tenant's Proportionate Share Building, respectively of Operating Expenses shall be recalculated to include the Retained Expansion Space. The determination of the Expansion Space Fair Market Rental Rate shall also include the annual increases in Base Rent for the Retained Expansion Space after the first commencement date anniversary of the Retained Expansion Space.

(h) Landlord and Tenant shall negotiate in good faith to determine the Expansion Space Fair Market Rental Rate, for a period of thirty (30) days after the date on which Landlord receives the Tenant

Election Notice. In the event Landlord and Tenant are unable to agree upon the Expansion Space Fair Market Rental Rate within said thirty (30)-day period, the Expansion Space Fair Market Rental Rate shall be determined by a board of three (3) licensed commercial real estate brokers, one of whom shall be named by the Landlord, one of whom shall be named by Tenant, and the two so appointed shall select a third. Each real estate broker so selected shall be licensed in the jurisdiction in which the Building is located as a real estate broker specializing in the field of commercial office leasing in the District of Columbia, having no less than ten (10) years' experience in such field, and recognized as ethical and reputable within the field. Landlord and Tenant agree to make their appointments promptly within ten (10) days after the expiration of the thirty (30)-day period, or sooner if mutually agreed upon. The two (2) brokers selected by Landlord and Tenant shall promptly select a third broker within ten (10) days after they both have been appointed, and each broker, within fifteen (15) days after the third broker is selected, shall submit his or her determination of the Expansion Space Fair Market Rental Rate. The Expansion Space Fair Market Rental Rate shall be the mean of the two closest rental rate determinations. Landlord and Tenant shall each pay the fee of the broker selected by it, and they shall equally share the payment of the fee of the third broker.

(i) In the event that Tenant timely delivers a Tenant Election Notice to Landlord, Landlord shall prepare an amendment in a commercially reasonable form modifying the Lease to incorporate the Retained Expansion Space, which amendment shall set forth, among other things: (i) identifies the Retained Expansion Space and incorporates the same into the Premises; (ii) the amount of Base Rent for the Retained Expansion Space; (iii) the adjustments to Tenant's Proportionate Share Office and Tenant's Proportionate Share Building, respectively, of Operating Expenses caused by the addition of the Retained Expansion Space and (iv) the Tenant Improvement Allowance and other market concessions for the Retained Expansion Space, if any. Should Tenant fail or refuse to execute such amendment within thirty (30) days after the delivery of such lease amendment by Landlord, time being of the essence, Landlord shall be free to lease the Expansion Space (or any portion thereof selected by Landlord in its sole discretion) to any other person or entity upon any terms and conditions that Landlord desires in its sole discretion. In the event that Tenant elects to lease the Retained Expansion Space, and Landlord is unable to deliver possession of such space to Tenant on the Availability Date for any reason whatsoever, including without limitation the failure of an existing tenant to vacate such space, Landlord shall not be liable or responsible for any claims, damages or liabilities in connection therewith or by reason thereof, provided that (i) Landlord shall use reasonable efforts to deliver possession of the Retained Expansion Space to Tenant as soon as reasonably practicable, and (ii) in the event Landlord is unable to deliver the Retained Expansion Space to Tenant within one hundred eighty (180) days after the Availability Date for any reason not caused by Tenant, then Tenant shall have the right to seek specific performance or terminate this Lease only with respect to the Retained Expansion Space by delivering to Landlord a written notice of such termination within ten (10) days thereafter, and this Lease only with respect to the Retained Expansion Space shall terminate and all rights, obligations and liabilities of the parties under the executed amendment relating to the Retained Expansion Space shall be released and discharged.

(j) In the event Tenant fails timely to deliver a Tenant Election Notice to Landlord, Landlord may lease the Expansion Space to any person or entity of its choice on whatever terms and conditions Landlord elects in its sole discretion.

22. TELECOMMUNICATIONS EQUIPMENT

(a) Subject to the terms and conditions of this Lease, Landlord hereby grants Tenant the non-exclusive right to install, maintain and operate during the Term one (1) satellite dish of less than thirty-six inches (36") in diameter and related equipment ("Antenna Equipment") on a portion of the roof of the Building in a location reasonably designated by Landlord (such location being referred to as the "Site"), provided, the Antenna Equipment (i) does not adversely affect the structure of the Building, the roof

system of the Building, the warranty for the roof of the Building or the safety of the Building; (ii) does not adversely affect the electrical, mechanical or any other system of the Building or the functioning thereof; (iii) does not interfere with the operation of the Building or the provision of services or utilities to other tenants in the Building, (iv) does not exceed the capacity of the Building or the roof of the Building as reasonably determined by Landlord, and (v) is otherwise approved by Landlord in writing (which approval shall not be unreasonably denied, conditioned or delayed). Landlord shall not be entitled to any fee from Tenant in connection with the license granted to Tenant pursuant to this Paragraph.

(b) Landlord hereby grants to Tenant non-exclusive access to the Building's pathways, shafts, risers, raceways, conduits, available telephone closets, service areas or utility connections and entries into and through the Building owned or under the control of Landlord (the "Communications Spaces and Pathways") to install such wiring (the "Telecom Cabling") therein as may be necessary for Tenant to connect Tenant's Antenna Equipment to the Premises (subject to such rules and regulations as may be promulgated by Landlord from time to time), provided that such Telecom Cabling (i) does not adversely affect the structure or safety of the Building; (ii) does not adversely affect the electrical, mechanical or any other system of the Building or the functioning thereof; and (iii) does not interfere with the operation of the Building or the provision of services or utilities to Tenant or any other tenant of the Building. The Antenna Equipment and the Telecom Cabling shall hereinafter be collectively referred to as the "Telecommunications Equipment".

(c) Tenant shall install, operate, maintain and remove the Telecommunications Equipment in compliance with the Permits (as hereinafter defined) and all present and future rules and regulations of any local, State or Federal authority having jurisdiction with respect thereto, including, without limitation, the rules and regulations of the Federal Communications Commission ("FCC"), the Federal Aviation Administration ("FAA"), the Occupational Safety and Health Administration ("OSHA"); the Telecommunications Equipment being permitted under the laws, rules and regulations of the District of Columbia and any other governmental and quasi-governmental authorities having appropriate jurisdiction over the Building or Tenant's use of the Telecommunications Equipment. Tenant shall use commercially reasonable efforts to deliver to Landlord written proof of compliance within twenty (20) days after Landlord's written request.

(d) Installation.

(i) Prior to installation of the Telecommunications Equipment and any modifications or changes thereto, Tenant shall submit in writing to Landlord all plans and specifications for Landlord's approval and shall commence work only after having obtained Landlord's written approval. Landlord hereby agrees to review and respond to Tenant with respect to said plans and specifications within fifteen (15) days after its receipt thereof. The style, color, materials, exact location and method of installation of the Telecommunications Equipment, and the location of all cables and equipment in the Building's conduits, risers or equipment rooms or closets are subject to the prior written approval of Landlord (which approval shall not be unreasonably denied, conditioned or delayed).

(ii) All of such installations, modifications or changes shall conform to Landlord's reasonable technical requirements, including, but not limited to, design and installation specifications, interference control devices and weight and windload requirements.

(iii) The Telecommunications Equipment shall be clearly marked to show Tenant's name, address, telephone number, the name of the person to contact in case of emergency, FCC call sign, frequency and location; the transmissions lines shall be identified at the bottom and top of each line.

(iv) The materials, exact location and method of installation of the Telecom Cabling, and the location of and method of identifying and marking all cables and equipment in the Communications Spaces and Pathways are subject to the prior written approval of Landlord (which approval shall not be unreasonably, denied, conditioned or delayed).

(v) In the event Tenant requires an electric power supply and/or usage different from that currently provided by Landlord and included within the Rent to be paid by Tenant hereunder, Tenant shall, at its sole cost and expense, obtain such power supply. Any work performed in connection therewith shall comply with the provisions of this Lease concerning Tenant alterations or improvements. Any power lines installed by Tenant shall run within the areas designated on the plans and specifications for the Telecommunications Equipment (the "Telecommunications Plans"). Any deviation from such Telecommunications Plans shall be corrected at Tenant's expense, payable as Additional Rent hereunder within ten (10) days of Tenant's receipt of an invoice therefor.

(vi) In the event any zoning approvals, licenses, or building or occupancy permits are required for the installation, modification or operation of the Telecommunications Equipment (collectively, the "Permits"), Landlord shall obtain the Permits on Tenant's behalf, provided, however, that (a) such applications and requests shall be at no third party cost to Landlord (or Tenant agrees to reimburse Landlord promptly for such third party costs) and shall impose no liability on Landlord, and (b) the Permits and/or the conditions under which the Permits would be granted shall in no way impair or adversely affect the Building. Tenant shall assist and cooperate with Landlord to obtain the Permits, and shall promptly join in, consent to, execute, deliver and pay all fees with respect to any such applications and requests as may be required. Prior to any meetings or telephone conference calls with or submissions of material to governmental authorities, Landlord shall use its reasonable efforts to notify Tenant of its intention to have such meetings or conference calls or make such submissions at least three (3) business days prior thereto, provided that Landlord shall have been afforded sufficient prior notice by such governmental authorities, and Tenant shall have the right, at Tenant's sole cost and expense, to participate in such meetings or conference calls. Landlord shall have no liability for failure to obtain the Permits, nor shall Landlord be required to appeal the denial or failure to grant any Permit by any governmental agency. Tenant shall be responsible for obtaining, if required, any licenses or permits which may be required by the FCC. A copy of each of Tenant's applicable permits and licenses shall be delivered to Landlord upon request.

(vii) All work performed at the Building in connection with the installation, modification, operation or removal of the Telecommunications Equipment shall be performed at Tenant's expense by Tenant's employees or by contractors approved by Landlord in its good faith judgment; provided, however, at Landlord's sole election, Landlord shall be entitled to designate a contractor to perform any such installation or modification that in Landlord's judgment may (a) adversely affect the structure of the Building, the roof of the Building, the warranty for the roof of the Building or the safety of the Building; (b) adversely affect the electrical, mechanical or any other system of the Building or the functioning thereof; or (c) interfere with the operation of the Building or the provision of services or utilities to Tenant or other tenants in the Building.

(viii) Landlord shall provide to Tenant sufficient access to the Site and the Communications Spaces and Pathways during the normal hours of operation of the Building under this Lease for the maintenance and operation of the Telecommunications Equipment. Access to the Site and the Communications Spaces and Pathways at other times will be available only on an emergency basis, by telephoning the property manager for the Building. Tenant shall reimburse Landlord for all out-of-pocket costs and expenses reasonably incurred by Landlord as a

result of such emergency access. All access to the Site and Communications Spaces and Pathways shall be subject to the continuing control of, and reasonable security and safety procedures established by, Landlord from time to time.

(ix) Tenant shall pay Landlord (within thirty (30) days after receipt of an invoice therefor) an amount equal to all costs incurred by Landlord to have an engineer review the Telecommunications Plans and specifications and method for attaching the Telecommunications Equipment to the Building, if any.

(x) Tenant shall install any screen or other covering for the Antenna Equipment that Landlord in its reasonable discretion may require (the size, type and style of which shall be subject to Landlord's prior written approval) in order to camouflage or conceal the Antenna Equipment.

(xi) The Antenna Equipment shall not exceed the height or the weight that Landlord shall determine is appropriate for the roof (which Landlord shall specify to Tenant upon Tenant's written request).

(e) Interference.

(i) The installation, maintenance and operation of the Telecommunications Equipment shall not interfere electronically or otherwise, with (a) the equipment, facilities or operations of Landlord, or (b) the equipment, facilities or operations of Landlord's licensees or tenants at the Building. If any interference is caused by the installation, maintenance and operation of the Telecommunications Equipment, Tenant shall, upon written request, suspend its operations until such time as the interference has been eliminated, except for intermittent testing after performing such repair, modification, replacement or other action for the purpose of correcting the interference. If Tenant is unable to rectify the interference, then upon Landlord's request, Tenant shall (at Tenant's cost) remove the Telecommunications Equipment from the Building (and restore the Site and the Building area affected to the condition existing prior to installation of the Telecommunications Equipment) and comply with the provisions hereof governing removal of the Telecommunications Equipment. All transmitters and/or repeater systems at the Site shall be equipped with, at a minimum, a single stage isolator and a bandpass filter or bandpass/reject type duplexer. No notch type duplexers will be allowed. Complete technical characteristics for required equipment (including response curves) shall be furnished to Landlord and approved for use prior to Tenant's installation of the Telecommunications Equipment. Landlord shall use commercially reasonable efforts to ensure that any equipment installed or placed on the roof after the installation of the Telecommunications Equipment will be located in an area that is not likely to materially interfere electronically or otherwise with the Telecommunications Equipment installed by or on behalf of Tenant; and if any material interference with the Telecommunications Equipment nevertheless results, Landlord shall cause such other equipment to be relocated promptly in accordance with Paragraph 22(i) below so as to eliminate all such interference.

(ii) Tenant waives any and all claims against Landlord for any interference caused to or with Tenant's Telecommunications Equipment by the present or future equipment or facilities of Landlord or any of its tenants or licensees, except to the extent due to Landlord's gross negligence or willful misconduct or Landlord is in breach of its obligations hereunder or fails to relocate promptly any other equipment, hardware or cables installed for another tenant after the date of the installation of Tenant's Telecommunication Equipment.

(f) Maintenance and Removal of the Telecommunications Equipment.

(i) Tenant shall, at its sole cost and expense, be responsible for the maintenance of the Telecommunications Equipment in accordance with all applicable laws and regulations and this Lease. All maintenance work shall be performed by Tenant's employees or by certified contractors, previously approved in writing by Landlord, such approval not to be unreasonably denied, conditioned or delayed.

(ii) At the expiration or earlier termination of this Lease, Tenant shall remove the Telecommunications Equipment from the Building (and restore the Site and the Building area affected to the condition existing prior to installation of the Telecommunications Equipment) (the "Telecommunications Equipment Restoration Work") at Tenant's sole cost and expense. The removal shall be performed by a certified contractor previously approved in writing by Landlord (such approval not to be unreasonably denied, conditioned or delayed), in a workmanlike manner in accordance with a previously approved removal plan (such approval not to be unreasonably denied, conditioned or delayed) and without causing any damage or material and continuous interference to the structures, equipment, or operations of Landlord or any of its licensees or tenants at the Building. Should any interference, damage or destruction occur, remedy thereof shall be immediately commenced and diligently pursued by Tenant at Tenant's sole cost and expense. If Tenant fails to eliminate any such interference or to make any such repair within seven (7) days after receiving written notice of the occurrence of interference or damage, Landlord may perform the necessary work at Tenant's cost and expense and such amount shall be paid by Tenant, as Additional Rent hereunder, within thirty (30) days of Tenant's receipt of an invoice therefor. Notwithstanding anything to the contrary contained in this Lease, Tenant shall, upon Landlord's request, remove, at Tenant's sole expense, such wires and cables as may have been installed by Tenant on the exterior of the Building during the Lease Term.

(g) Landlord shall be entitled to grant to other persons or entities the right to use certain portions of the roof; provided, however, that (i) Landlord shall not grant to another user the right to erect an antenna, dish or other hardware or cables in the Site or in a location which would materially interfere with Tenant's Telecommunications Equipment, and (ii) if any other user of the roof of the Building places an antenna, satellite dish or other hardware, equipment or cabling on the roof of the Building that materially interferes with the operation of Tenant's Telecommunications Equipment then on the roof, Landlord shall cause such other user to move its equipment, hardware, equipment or cabling to a location that in Landlord's reasonable judgment would not materially interfere with the operation of Tenant's Telecommunications Equipment then on the roof of the Building. Notwithstanding anything herein to the contrary, Tenant acknowledges that Tenant's right to install and maintain the Telecommunications Equipment is a non-exclusive right and that Landlord hereby reserves the right to limit or restrict access to the Telecommunications Equipment to the extent Landlord may deem necessary in order for Landlord to comply with the terms of any lease now or hereafter in effect for any portion of the Building (e.g., a lease to a tenant who, by reason of a contract with the United States government, must maintain a level of security which would prohibit access to the roof by parties other than the Landlord). In the event of such limitation upon Tenant's access to the Telecommunications Equipment, Landlord shall make other reasonable accommodations to Tenant in order to permit Tenant controlled or monitored access to the Telecommunications Equipment for maintenance purposes during Landlord's normal business hours. Landlord, at its sole but reasonable option, may require Tenant, at any time prior to the expiration of the Lease, to relocate, or if not feasible, to terminate the operation of the Telecommunications Equipment if it is (i) causing physical damage to the structural integrity of the Building, (ii) in Landlord's reasonable judgment, voiding any warranty or guaranty applicable to the roof or the Building, (iii) interfering with any other service provided by the Building, or (iv) causing the violation of any condition or provision of this Lease or any governmental or quasi-governmental law, rule or regulation applicable to the Building

(now or hereafter in effect). Landlord shall have the right (a) to require that the Antenna Equipment be moved to another location on the roof or the Building, and (b) to require the Telecom Cabling be moved to another location in the Communications Spaces and Pathways, to accommodate Landlord for placement of other antenna equipment or telecommunications equipment, or other electrical equipment, at Landlord's sole expense, provided that such relocation and new location does not materially adversely affect the operation of the Antenna Equipment or the Telecom Cabling, respectively.

(h) In the event Landlord elects to retain the Telecom Cabling, Tenant covenants that to the best of Tenant's knowledge (a) Tenant shall be the sole owner of such wires and cables as may have been installed by Tenant in the Premises or the Building during the Lease Term, that Tenant shall have good right to surrender such Telecom Cabling, and that such Telecom Cabling shall be free of all liens and encumbrances, and (b) all Telecom Cabling shall be left in good condition, working order, clearly marked to show Tenant's name, address, telephone number, the name of the person to contact in case of emergency, FCC call sign, frequency and location; the transmissions lines shall be identified at the bottom and top of each line.

(i) The provisions of this Paragraph 22 shall survive the expiration or earlier termination of the Lease.

23. MOLD AND MILDEW

(a) Mold is a type of fungus. It occurs naturally in the environment and is necessary for the natural decomposition of plant and other organic material. Certain strains of mold have been shown to have potential adverse effects in susceptible persons. Mold can also have an adverse impact on real and personal property. Tenant understands and acknowledges that the Premises are located in a region with a climate that may be conducive to the growth of mold and mildew. Tenant further understands and acknowledges that maintaining an acceptable indoor environment is an ongoing effort and that changes in occupancy, remodeling, maintenance procedures, and many other factors can have a significant effect on an indoor environment.

(b) For purposes hereof, "Mold" is defined as the indoor presence or growth of mold, mildew, fungus and/or the presence of materials containing any of them. In most indoor environments, the availability of moisture becomes the limiting factor to amplification or growth of mold. Indoor mold is not always visible but it can sometimes be detected by the presence of a musty odor that is produced by microscopic volatile organic compounds ("MVOCs"), a metabolic byproduct of fungi and bacteria.

(c) LEAKS, EXCESS INDOOR RELATIVE HUMIDITY, WET FLOORING AND/OR MOISTURE WILL CONTRIBUTE TO THE GROWTH OF MOLD. Tenant must use commercially reasonable efforts to promptly report to Landlord any leaks, moisture or water intrusion, and any damage to or defect in the plumbing or air conditioning system. Unless there is an emergency, all notices must be provided in writing and must specify the repairs that are to be performed or required. In the case of an emergency, Tenant may give Landlord oral notice of the problem or defect. Within twenty-four (24) hours after any emergency notification, Tenant must provide Landlord with written confirmation of Tenant's oral notice to Landlord. If any problem or defect is not corrected, or recurs, Tenant must immediately notify Landlord in writing of the need for additional corrective measures. Tenant expressly understands and acknowledges that Landlord shall not be liable for any damages which may be caused, directly or indirectly, by Tenant's failure to maintain the Premises clean, dry, well-ventilated and free of contamination.

(d) Any remediation or repairs required as a result of moisture or Mold must be performed by skilled professionals who are properly licensed and insured and approved by Landlord in its sole

discretion. Additionally, any remediation or repairs performed regarding the presence of moisture or Mold in the Premises shall be performed in accordance with the OSHA's Guide to Mold in the Workplace or such other industry-standard as approved by Landlord in its sole discretion. Landlord shall have the right to inspect the Premises, upon reasonable notice to Tenant, to determine their existing condition and whether Tenant is complying with the all of the terms contained hereinabove.

24. MISCELLANEOUS

(a) **Attorneys' Fees.** In the event of any legal action or proceeding brought by either party against the other arising out of this Lease, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs (including, without limitation, court costs and reasonable expert witness fees) incurred in such action. Such amounts shall be included in any judgment rendered in any such action or proceeding.

(b) **Waiver.** No waiver by Landlord of any provision of this Lease or of any breach by Tenant hereunder shall be deemed to be a waiver of any other provision hereof, or of any subsequent breach by Tenant. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval under this Lease shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act of Tenant. No act or thing done by Landlord or Landlord's agents during the term of this Lease shall be deemed an acceptance of a surrender of the Premises, unless in writing signed by Landlord. The delivery of the keys to any employee or agent of Landlord shall not operate as a termination of the Lease or a surrender of the Premises. The acceptance of any Rent by Landlord following a breach of this Lease by Tenant shall not constitute a waiver by Landlord of such breach or any other breach unless such waiver is expressly stated in a writing signed by Landlord.

(c) **Notices.** Any notice, demand, request, consent, approval, disapproval or certificate ("**Notice**") required or desired to be given under this Lease shall be in writing and given by certified mail, return receipt requested, by personal delivery or by a nationally recognized overnight delivery service (such as Federal Express or UPS) providing a receipt for delivery. Notices may not be given by facsimile or electronic mail. The date of giving any Notice shall be deemed to be the date upon which delivery is actually made by one of the methods described in this Paragraph 24(c) (or attempted if said delivery is refused or rejected). If a Notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day. All notices, demands, requests, consents, approvals, disapprovals, or certificates shall be addressed at the address specified in *Item 14* of the Basic Lease Provisions or to such other addresses as may be specified by written notice from Landlord to Tenant and if to Tenant, at the Premises. Either party may change its address by giving reasonable advance written Notice of its new address in accordance with the methods described in this Paragraph; provided, however, no notice of either party's change of address shall be effective until fifteen (15) days after the addressee's actual receipt thereof. For the purpose of this Lease, Landlord's property manager or counsel may provide written Notices to Tenant on behalf of Landlord and such notices shall be binding on Tenant as if such notices have been provided directly by Landlord.

(d) **Access Control.** Landlord shall be the sole determinant of the type and amount of any access control or courtesy guard services to be provided to the Project, if any. IN ALL EVENTS, LANDLORD SHALL NOT BE LIABLE TO TENANT, AND TENANT HEREBY WAIVES ANY CLAIM AGAINST LANDLORD, FOR (I) ANY UNAUTHORIZED OR CRIMINAL ENTRY OF THIRD PARTIES INTO THE PREMISES, THE BUILDING OR THE PROJECT, (II) ANY DAMAGE TO PERSONS, OR (III) ANY LOSS OF PROPERTY IN AND ABOUT THE PREMISES, THE BUILDING OR THE PROJECT, BY OR FROM ANY UNAUTHORIZED OR CRIMINAL ACTS OF THIRD PARTIES, REGARDLESS OF ANY ACTION, INACTION, FAILURE, BREAKDOWN, MALFUNCTION AND/OR INSUFFICIENCY OF THE ACCESS CONTROL OR COURTESY

GUARD SERVICES PROVIDED BY LANDLORD, IF ANY. Tenant shall provide such supplemental security services and shall install within the Premises such supplemental security equipment, systems and procedures as may reasonably be required for the protection of its employees and invitees, provided that Tenant shall coordinate such services and equipment with any security provided by Landlord. The determination of the extent to which such supplemental security equipment, systems and procedures are reasonably required shall be made in the sole judgment, and shall be the sole responsibility, of Tenant. Except with respect to the access control enhancements described on Exhibit B attached hereto, Tenant acknowledges that it has neither received nor relied upon any representation or warranty made by or on behalf of Landlord with respect to the safety or security of the Premises or the Project or any part thereof or the extent or effectiveness of any security measures or procedures now or hereafter provided by Landlord, and further acknowledges that Tenant has made its own independent determinations with respect to all such matters.

(e) Intentionally Omitted.

(f) Holding Over. If Tenant retains possession of the Premises after the termination or expiration of the Lease Term, then Tenant shall, at Landlord's election become a tenant at sufferance (and not a tenant at will), such possession shall be subject to immediate termination by Landlord at any time, and all of the other terms and provisions of this Lease (excluding any expansion or renewal option or other similar right or option) shall be applicable during such holdover period, except that Tenant shall pay Landlord from time to time, upon demand, as Base Rent for the first three (3) months of the holdover period an amount equal to one hundred twenty five percent (125%) of the Base Rent in effect on the termination date, and thereafter an amount equal to one hundred fifty percent (150%) of the Base Rent in effect on the termination date, computed on a monthly basis for each month or part thereof during such holding over. All other payments (including payment of Additional Rent) shall continue under the terms of this Lease. In addition, Tenant shall be liable for all actual damages incurred by Landlord as a result of such holding over. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Paragraph shall not be construed as consent for Tenant to retain possession of the Premises.

(g) Intentionally Omitted.

(h) Intentionally Omitted.

(i) Quiet Possession. Subject to the provisions of this Lease, Tenant shall have quiet possession of the Premises for the term hereof without hindrance or ejection by any person lawfully claiming under Landlord.

(j) Matters of Record. Except as otherwise provided in Paragraph 16 above and elsewhere in this Lease, this Lease and Tenant's rights hereunder are subject and subordinate to the Security Documents subject to Paragraph 16. Tenant agrees for itself and all persons in possession or holding under it that it will comply with and not violate any such covenants, conditions and restrictions or other matters of record to the extent they relate to Tenant's use of the Premises or the Common Areas. Landlord reserves the right, from time to time, to grant such easements, rights and dedications as Landlord deems necessary or desirable, and to cause the recordation of parcel maps and covenants, conditions and restrictions affecting the Premises, the Building or the Project, as long as such easements, rights, dedications, maps, and covenants, conditions and restrictions do not materially interfere with the use of the Premises and the Common Areas by Tenant.

(k) Successors and Assigns. Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

(l) Broker. Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the broker named in *Item 12* of the Basic Lease Provisions and that it knows of no other real estate broker or agent who is or might be entitled to a commission in connection with this Lease. Landlord agrees to be responsible for the payment of any leasing commissions owed to the aforesaid broker in accordance with the terms of a separate commission agreement entered into between Landlord and said broker. Tenant agrees to indemnify, defend and hold Landlord and Landlord's beneficiaries and agents harmless from and against any claims for a fee or commission made by any broker, other than the Broker, claiming to have acted by or on behalf of Tenant in connection with this Lease.

(m) Project or Building Name and Signage. Landlord shall have the right at any time to install, affix and maintain any and all signs on the exterior and on the interior of the Project or Building as Landlord may, in Landlord's sole discretion, desire; provided, however, that Landlord may not use Tenant's name or the name of any of its Affiliates in any promotional materials without first obtaining Tenant's prior written consent; and further provided, that the parties acknowledge another tenant in the Building has exterior signage placed on the Building, which signage may be modified at such tenant's election. Landlord agrees that so long as Tenant is not in default hereunder and Tenant is in occupancy of not less than 120,000 square feet of rentable area in the Building, Tenant shall also have exterior signage rights commensurate with Tenant's percentage of occupancy of the Building, and Tenant shall be permitted to affix exterior signage at Tenant's sole cost and expense and upon Landlord's consent with regard to the size, design, materials and location of such signage. In the event that Landlord desires to no longer identify the Building by its address (i.e., "1001 Pennsylvania Avenue"), Landlord shall be required to obtain Tenant's written approval prior to implementing such modification of the Building name. In furtherance thereof, Landlord shall send written notification to Tenant of such modification to the Building name, and Tenant shall have the right to deny approval of such alternative name within ten (10) business days of Tenant's receipt thereof by providing written notice of Tenant's denial to Landlord. In the event that Tenant does not timely respond to Landlord's notification, the Building name modification shall be deemed approved by Tenant. The parties acknowledge and agree that the provision of exterior tenant signage on the Building shall not constitute a modification of the Building name. Tenant shall not use the name of the Project or Building or use pictures or illustrations of the Project or Building in advertising or other publicity or for any purpose other than as the address of the business to be conducted by Tenant in the Premises, without the prior written consent of Landlord. Additionally, Landlord shall have the exclusive right at all times during the Lease Term to change, modify, add to or otherwise alter the number, or designation of the Building and/or the Project, and Landlord shall not be liable for claims or damages of any kind which may be attributed thereto or result therefrom, except for reimbursing Tenant for its out of pocket costs incurred in connection with having to order new stationary, business cards and update its website in order to reflect the new information.

(n) Examination of Lease. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for lease, and it is not effective as a lease or otherwise until execution by and delivery to both Landlord and Tenant.

(o) Time. Time is of the essence of this Lease and each and all of its provisions.

(p) Defined Terms and Marginal Headings. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular and for purposes of Paragraph 5, 7, 13 and 18, the term Landlord shall include Landlord, its employees, contractors and agents. The marginal headings and

titles to the paragraph of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

(q) Conflict of Laws; Prior Agreements; Separability. This Lease shall be governed by and construed pursuant to the laws of the State. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease. No prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. The illegality, invalidity or unenforceability of any provision of this Lease shall in no way impair or invalidate any other provision of this Lease, and such remaining provisions shall remain in full force and effect.

(r) Authority. (i) Each individual executing this Lease on behalf of Tenant, in his or her capacity as an officer of Tenant and not personally, hereby covenants and warrants that Tenant is a duly authorized and existing limited liability company, that Tenant has and is qualified to do business in the State, that Tenant has full right and authority to enter into this Lease, and that each person signing on behalf of Tenant is authorized to do so. Tenant shall provide Landlord on demand with such evidence of such authority as Landlord shall reasonably request, including, without limitation, resolutions, certificates and opinions of counsel. (ii) Each individual executing this Lease on behalf of Landlord, in his or her capacity as an officer of Landlord and not personally, hereby covenants and warrants that Landlord is a duly authorized and existing corporation, that Landlord has and is qualified to do business in the State, that Landlord has full right and authority to enter into this Lease, and that each person signing on behalf of Landlord is authorized to do so. Landlord shall provide Tenant on demand with such evidence of such authority as Tenant shall reasonably request, including, without limitation, resolutions, certificates and opinions of counsel. (iii) This Lease shall not be construed to create a partnership, joint venture or similar relationship or arrangement between Landlord and Tenant hereunder.

(s) Joint and Several Liability. If two or more individuals, corporations, partnerships or other business associations (or any combination of two or more thereof) shall sign this Lease as Tenant, the liability of each such individual, corporation, partnership or other business association to pay Rent and perform all other obligations hereunder shall be deemed to be joint and several, and all notices, payments and agreements given or made by, with or to any one of such individuals, corporations, partnerships or other business associations shall be deemed to have been given or made by, with or to all of them. In like manner, if Tenant shall be a partnership or other business association, the members of which are, by virtue of statute or federal law, subject to personal liability, then the liability of each such member shall be joint and several.

(t) Rental Allocation. For purposes of Section 467 of the Internal Revenue Code of 1986, as amended from time to time, Landlord and Tenant hereby agree to allocate all Rent to the period in which payment is due, or if later, the period in which Rent is paid.

(u) Rules and Regulations. Tenant agrees to comply with all rules and regulations of the Building and the Project imposed by Landlord as set forth on Exhibit C attached hereto, as the same may be reasonably changed from time to time upon reasonable prior written notice to Tenant. Landlord shall not be liable to Tenant for the failure of any other tenant or any of its assignees, subtenants, or their respective agents, employees, representatives, invitees or licensees to conform to such rules and regulations. If another tenant in the Building is violating the rules and regulations and as a result thereof Tenant's use of the Premises is interfered with in any material manner, then, promptly after Tenant delivers to Landlord notice thereof in writing, Landlord shall use good faith efforts to enforce such rules and regulations contained in such tenant's lease against such tenant. Notwithstanding anything in this Paragraph 24(u) to the contrary, if any rule or regulation is not enforced in a uniform and in a non-

discriminatory manner, such rule or regulation shall not be enforceable against Tenant. In the event of any conflict or inconsistency between the terms and provisions of the rules and regulations as now or hereafter in effect, and the terms and provisions of this Lease, the terms and provisions of this Lease shall prevail.

(v) **Joint Product.** This Agreement is the result of arms-length negotiations between Landlord and Tenant and their respective attorneys. Accordingly, neither party shall be deemed to be the author of this Lease and this Lease shall not be construed against either party.

(w) **Guarantor's Consent Not Required.** Tenant's parent company, TC Group, L.L.C., a Delaware limited liability company ("**Guarantor**"), shall guarantee Tenant's obligations under this Lease, all as more specifically set forth in the form of Guaranty attached hereto as **Schedule H** ("**Guaranty**"). Landlord and Tenant have no obligation to obtain Guarantor's consent prior to entering into any amendments, assignments, subleases, or any alterations whatsoever, monetary or non-monetary, of the Lease. During the Term, Tenant upon Landlord's prior written approval Tenant shall have the right to replace the Guarantor with a substitute guarantor; provided, such substitute guarantor executes a Guaranty and provides Landlord with sufficient evidence for Landlord to evaluate the financial capacity of such substitute guarantor.

(x) **Force Majeure.** Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorism, terrorist activities, inability to obtain services, labor, or materials or reasonable substitutes therefore, governmental actions, civil commotions, fire, flood, earthquake or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations of either party which could be satisfied through the payment of money and except as to Tenant's obligations under **Paragraph 6** and **Paragraph 8** of this Lease and **Paragraph 24(f)** of this Lease (collectively, a "Force Majeure"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

(y) **Counterparts.** This Lease may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

(z) **Waiver of Right to Jury Trial.** **LANDLORD AND TENANT WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CONTRACT OR TORT CLAIM, COUNTERCLAIM, CROSS-COMPLAINT, OR CAUSE OF ACTION IN ANY ACTION, PROCEEDING, OR HEARING BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE PREMISES, INCLUDING WITHOUT LIMITATION ANY CLAIM OF INJURY OR DAMAGE OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY CURRENT OR FUTURE LAW, STATUTE, REGULATION, CODE, OR ORDINANCE.**

(aa) **Office and Communications Services.** Landlord has advised Tenant that certain office and communications services may be offered to tenants of the Building on a non-exclusive basis by a concessionaire under contract to Landlord ("**Provider**"). Tenant shall be permitted to contract with Provider for the provision of any or all of such services on such terms and conditions as Tenant and Provider may agree, but Tenant also shall have the right to contract with any other provider of a competing service. Tenant acknowledges and agrees that: (i) Landlord has made no warranty or representation to Tenant with respect to the availability of any such services, or the quality, reliability or

suitability thereof; (ii) the Provider is not acting as the agent or representative of Landlord in the provision of such services, and Landlord shall have no liability or responsibility for any failure or inadequacy of such services, or any equipment or facilities used in the furnishing thereof, or any act or omission of Provider, or its agents, employees, representatives, officers or contractors; (iii) Landlord shall have no responsibility or liability for the installation, alteration, repair, maintenance, furnishing, operation, adjustment or removal of any such services, equipment or facilities; and (iv) any contract or other agreement between Tenant and Provider shall be independent of this Lease, the obligations of Tenant hereunder, and the rights of Landlord hereunder, and, without limiting the foregoing, no default or failure of Provider with respect to any such services, equipment or facilities, or under any contract or agreement relating thereto, shall have any effect on this Lease or give to Tenant any offset or defense to the full and timely performance of its obligations hereunder, or entitle Tenant to any abatement of rent or additional rent or any other payment required to be made by Tenant hereunder, or constitute any accrual or constructive eviction of Tenant, or otherwise give rise to any other claim of any nature against Landlord.

(bb) OFAC Compliance.

(i) Certification. Tenant certifies, represents, warrants and covenants that:

(A) It is not acting and will not act, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person", or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and

(B) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity or nation.

(ii) Indemnity. Tenant hereby agrees to defend (with counsel reasonably acceptable to Landlord), indemnify and hold harmless Landlord and the Landlord Indemnitees from and against any and all Claims arising from or related to any such breach of the foregoing certifications, representations, warranties and covenants.

(cc) No Easement For Light, Air And View. This Lease conveys to Tenant no rights for any light, air or view beyond the boundaries of the land making up the Project. No diminution of light, air or view, or any impairment of the visibility of the Premises from inside or outside the Building, by any structure or other object that may hereafter be erected (whether or not by Landlord) beyond the boundaries of the land making up the Project shall entitle Tenant to any reduction of Rent under this Lease, constitute an actual or constructive eviction of Tenant, result in any liability of Landlord to Tenant, or in any other way affect this Lease or Tenant's obligations hereunder.

(dd) Nondisclosure of Lease Terms. INTENTIONALLY OMITTED.

(ee) Inducement Recapture in Event of Default. INTENTIONALLY OMITTED.

(ff) ERISA. Tenant is not an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), which is subject to Title I of ERISA, or a "plan" as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, which is subject to Section 4975 of the Internal Revenue Code of 1986; and (b) the assets of Tenant do not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA or Section 4975 of the Internal Revenue Code of

1986; and (c) Tenant is not a “governmental plan” within the meaning of Section 3(32) of ERISA, and assets of Tenant do not constitute plan assets of one or more such plans; or (d) transactions by or with Tenant are not in violation of state statutes applicable to Tenant regulating investments of and fiduciary obligations with respect to governmental plans.

(gg) Separate Account. Notwithstanding anything contained in this Lease or in any other document executed in connection with the transaction contemplated hereby to the contrary and without limitation of Paragraph 17(c) hereof, any liability of Landlord shall be satisfied solely from the assets and properties of the Teachers Insurance and Annuity Association of America’s Real Estate Account established as a separate investment account of TIAA under New York law on February 22, 1995, and under the regulation of the State of New York Insurance Department (the “Separate Account”) (including all assets and properties allocated to or held for the account of the Separate Account), and in no event shall any recourse be had to any assets or properties held by TIAA in its general investment account or in any other of its existing or future separate accounts other than the Separate Account. The provisions of this Paragraph 24(gg) will survive the expiration or earlier termination of this Lease.

(hh) Directory. Landlord shall provide for Tenant, at Landlord’s expense, throughout the term of this Lease, Tenant’s Proportionate Share Office of the directory strip listings in the Building’s lobby directory(ies). In the event that any updates are necessary to said directory listing of Tenant and are requested by Tenant at any time during the Term, Tenant shall be responsible for the reasonable out-of-pocket costs incurred by Landlord in connection with such modifications.

(ii) Swing Space. If requested by Tenant, Landlord agrees to make a good faith effort to identify and make available to Tenant a block of approximately 20,000 to 30,000 square feet of Rentable Area of temporary space in the Building (“Swing Space”) for temporal, business operations by Tenant during the construction/installation of the Tenant Improvements. If provided, Tenant may occupy the Swing Space, in its then “as is” condition, for a period not to exceed six (6) months. Tenant shall not be obligated to pay any Base Rent with respect to the Swing Space; provided, however Tenant shall be obligated to pay all Additional Rent with respect to the Swing Space. For purposes of calculating Tenant’s Proportionate Share Office of Operating Expenses for the Swing Space, Tenant’s Proportionate Share Office shall be a fraction, the numerator of which shall be the number of square feet of Rentable Area of Swing Space, and the denominator of which shall be the number of square feet of Rentable Area of office space in the Building. For purposes of calculating Tenant’s Proportionate Share Building of Operating Expenses for the Swing Space, Tenant’s Proportionate Share Building shall be a fraction, the numerator of which shall be the number of square feet of Rentable Area of Swing Space, and the denominator of which shall be the number of square feet of Rentable Area of office space and the number of square feet of rentable area of retail space in the Building.

[SIGNATURE PAGE TO FOLLOW]

SIGNATURE PAGE TO OFFICE LEASE
BY AND BETWEEN TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, AS LANDLORD,
AND CARLYLE INVESTMENT MANAGEMENT, L.L.C., AS TENANT

IN WITNESS WHEREOF, intended to be legally bound hereby, the parties hereto, by their duly authorized representatives, have executed and sealed this Lease with the intention that this Lease constitutes an instrument under seal, and that the parties have executed this Lease to be effective as of the Effective Date of this Lease.

“LANDLORD”:

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, a
New York corporation, for the benefit of its Real Estate Account

By: /s/ Joseph P. Flanagan
Name: Joseph P. Flanagan
Title: Assistant Secretary

“TENANT”:

CARLYLE INVESTMENT MANAGEMENT L.L.C., a Delaware limited liability
company

By: /s/ Daniel D'Aniello
Name: Daniel D'Aniello
Title: Managing Director

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" and to the use of our reports dated September 6, 2011 for The Carlyle Group L.P. and Carlyle Group, in Amendment No. 1 to the Registration Statement (Form S-1 No. 333-176685) and related Prospectus of The Carlyle Group L.P. for the registration of common units representing limited partner interests.

/s/ Ernst & Young LLP

McLean, VA
November 4, 2011

Consent of Independent Auditors

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 4, 2011, with respect to the consolidated balance sheet of AlInvest Partners N.V. included in Amendment No. 1 to the Registration Statement (Form S-1 No. 333-176685) and related Prospectus of The Carlyle Group L.P. for the registration of common units representing limited partner interests.

Amsterdam, The Netherlands, November 3, 2011

/s/ Ernst & Young Accountants LLP

VIA FEDEX AND EDGAR

Re: The Carlyle Group L.P.
Registration Statement on Form S-1
File No. 333-176685

Chambre Malone, Esq.
Division of Corporation Finance
SECURITIES AND EXCHANGE COMMISSION
100 F Street, N.E.
Washington, D.C. 20549

Dear Ms. Malone:

On behalf of The Carlyle Group L.P. ("Carlyle"), we hereby transmit via EDGAR for filing with the SECURITIES AND EXCHANGE COMMISSION Pre-Effective Amendment No. 1 ("Amendment No. 1") to the above-referenced Registration Statement relating to the offering of its common units representing limited partner interests, marked to show changes from the Registration Statement as filed on September 6, 2011. The Registration Statement has been revised in response to the Staff's comments and to reflect certain other changes.

In addition, we are providing the following responses to your comment letter, dated October 3, 2011, regarding the Registration Statement. To assist your review, we have retyped the text of the Staff's comments in italics below. Please note that all references to page numbers

in our responses refer to the page numbers of Amendment No. 1. The responses and information described below are based upon information provided to us by Carlyle.

General

1. *Please provide us with any pictures or graphics you intend to use in the prospectus. We may have further comments upon review.*

Carlyle respectfully advises the Staff that it does not intend to use any pictures or graphics in the prospectus other than the pictures and graphics presently included, which will be updated as appropriate.

2. *We note that you have yet to file a number of exhibits, including the legality and tax opinions. Please file these exhibits as soon as possible so that we have adequate time to review them. We may have comments after we review these materials.*

We have attached as Annex A and Annex B to this letter, respectively, the forms of the legality and tax opinions that Carlyle anticipates filing with a subsequent pre-effective amendment. In addition, Carlyle has filed certain exhibits with Amendment No. 1. Carlyle advises the Staff that it will file any remaining required exhibits in one or more future pre-effective amendments. Carlyle understands that the Staff requires a reasonable amount of time for review.

3. *Please provide all information required except that allowed to be excluded under Rule 430A of the Securities Act of 1933. As this information impacts disclosure throughout your filing, we will need adequate time to review it and may have additional comments once you provide the information.*

Carlyle confirms that it has provided, or will provide in a subsequent pre-effective amendment, all remaining information required, except information allowed to be excluded by Rule 430A. Carlyle understands that the Staff requires a reasonable amount of time for review.

4. *Prior to the effectiveness of the registration statement, please arrange for FINRA to call us or provide us with a letter indicating that FINRA has cleared your underwriter's compensation.*

Carlyle confirms that it will, prior to seeking effectiveness, request that the underwriters of the offering request that FINRA provide confirmation to the Staff that FINRA does not object to the underwriters' compensation.

5. *We note that you do not believe that The Carlyle Group L.P. is an investment company for purposes of sections 3(a)(1)(A) and 3(a)(1)(C) of the Investment Company Act of 1940 ("Company Act"). Please provide further information*
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necessary to conduct an analysis under section 3(a)(1)(A) and 3(a)(1)(C) of the Company Act for The Carlyle Group L.P., including, but not limited to, each of The Carlyle Group L.P.'s intermediate holdings companies, Carlyle Holdings and the Parent Entities (as those terms are defined in the registration statement). Please provide this information prior to, and giving effect to, the proposed transaction. In particular, list all assets held by each entity and the value you assign to each. In addition:

(a) Please identify and explain any interests in the Carlyle investment funds held by or through Carlyle Holdings. For instance, please explain if interests in the investment funds are limited to general partnerships or if there are additional limited partnership interests, and the values of each. Do Carlyle Holdings and/or Parent Entities make contributions to the capital of the investment funds in connection with or apart from the general partner interests? What are the values with regard to each investment fund? Please describe the methodology used to value these interests and explain why that methodology was chosen.

(b) Please explain why an investment in The Carlyle Group L.P. is not equivalent to an investment in a fund of funds.

The Carlyle Group L.P. is not, and upon completion of the reorganization and offering will not be, an "investment company," as that term is defined in the Investment Company Act of 1940, as amended (the "Investment Company Act"). Under sections 3(a)(1)(A) and (C) of the Investment Company Act, a person will generally be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of Government securities (as defined in section 2(a)(16) of the Investment Company Act) and cash items) on an unconsolidated basis.¹

The Carlyle Group L.P., through its "wholly-owned subsidiaries" and "majority-owned subsidiaries" (as such terms are defined in the Investment Company Act),

¹ A third definition of "investment company" is found in section 3(a)(1)(B) of the Investment Company Act. The Carlyle Group L.P. is not an investment company within the meaning of section 3(a)(1)(B) because it is not an issuer that is engaged or proposes to engage in the business of issuing face-amount certificates of the installment type, or that has been engaged in such business and has any such certificates outstanding.

is and holds itself out as being engaged primarily, and proposes to engage primarily, in the business of providing asset management services and not in the business of investing, reinvesting or trading in securities. Accordingly, The Carlyle Group L.P. is not, and upon completion of the reorganization and offering will not be, an "orthodox" investment company as defined in section 3(a)(1)(A) of the Investment Company Act. Furthermore, as described in further detail below, both prior to and after giving effect to the proposed reorganization and offering, investment securities will comprise less than 40% of the total assets of The Carlyle Group L.P. Accordingly, The Carlyle Group L.P. is not an "investment company," as that term is defined under section 3(a)(1)(C) of the Investment Company Act. In addition, as more fully described in our response to the Staff's comment 6 below, we believe that pursuant to section 3(b)(1) of the Investment Company Act, The Carlyle Group L.P. is not an investment company because it is primarily engaged in a non-investment company business.

Section 3(a)(1)(A)

As noted above, The Carlyle Group L.P., through its "wholly-owned subsidiaries" and "majority-owned subsidiaries" (referred to collectively with The Carlyle Group L.P. as "Carlyle Group") is and holds itself out as being engaged primarily, and proposes to engage primarily, in the business of providing asset management services and not primarily in the business of investing, reinvesting or trading in securities.

Whether an issuer is engaged "primarily" in an investment company business is a factual issue. The SECURITIES AND EXCHANGE COMMISSION and the courts have developed a number of criteria to be used in determining whether an issuer is engaged "primarily" in a non-investment business.² We address each of these criteria in turn.

- *The issuer's historical development*

Carlyle Group was founded in Washington D.C. in 1987 as an asset manager and since that time has been, and has held itself out as being, primarily engaged in providing asset management services.

- *The issuer's public representations concerning its activities*

In its public representations, statements and utterances, including those contained in the Registration Statement, Carlyle Group has consistently held itself out as being primarily engaged in providing asset management services.

² See, *Tonopah Mining Co.*, 26 S.E.C. 426 (1947). See also, *SEC v. National Presto Industries, Inc.*, No. 05-4612 (7th Cir. 2007).

On the very first page of the “Summary” section of the Registration Statement and throughout that filing, Carlyle Group describes itself as “one of the world’s largest and most diversified multi-product global alternative asset management firms” advising “an array of specialized investment funds and other investment vehicles that invest across a range of industries, geographies, asset classes and investment strategies...”

- *The activities of the issuer’s officers and directors, and the extent of their involvement in the management of the issuer*

As an asset manager, Carlyle Group’s officers and employees devote the bulk of their time and efforts to asset management activities or in support of these activities, including sourcing and managing investments, as well as raising capital from, managing relationships with and reporting to, the third party investors in Carlyle Group’s investment funds. The officers and employees of Carlyle Group have historically spent and continue to spend a *de minimis* amount of time making proprietary investments for the firm. We note that, in accordance with standard practice in the alternative asset management industry, Carlyle Group does make investments in the Carlyle investment funds. Such investments are typically pursuant to Carlyle Group’s contractual arrangements with the third party investors in its investment funds and are consistent with the expectations of these third party investors that Carlyle Group align its interests with those of its investors. The substantial majority of these investments take the form of general partner interests in the applicable Carlyle investment fund and, accordingly and as described in additional detail herein, such interests are not investment securities within the meaning of the Investment Company Act.

- *The nature of the issuer’s present assets*

As discussed in further detail below, as of June 30, 2011, on a pro forma basis giving effect to the reorganization and the offering:

- o none of the assets of The Carlyle Group L.P. constitute “investment securities” (within the meaning of the Investment Company Act);
 - o none of the assets of any of the 100% owned direct or indirect subsidiaries of The Carlyle Group L.P. (collectively, the “Carlyle Intermediate Holding Companies”) constitute investment securities;
 - o investment securities amount to less than 5% of the consolidated assets of Carlyle Holdings I L.P., less than 1% of the consolidated assets of Carlyle Holdings II L.P. and less than 13% of the assets of Carlyle Holdings III L.P. (Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P., collectively, the “Carlyle Holdings partnerships”) based on the fair value of these assets as determined in
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good faith by the board of directors of the general partner of The Carlyle Group L.P. and supported by an independent assessment of value conducted by Duff & Phelps, LLC; and

- o investment securities amount to less than 2% of the consolidated assets of each of TC Group, L.L.C., TC Group Cayman, L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. (collectively, the "Parent Entities") based on the fair value of these assets as determined in good faith by the board of directors of the general partner of The Carlyle Group L.P. and supported by an independent assessment of value conducted by Duff & Phelps, LLC.

- *The sources of the issuer's present income*

In 2010 and the first half of 2011, in excess of 96% and 92%, respectively, of the total segment revenues of Carlyle Group were derived from management fees, fees for transaction advisory and oversight services and performance fees (which may be either an incentive fee or a special residual allocation of income from a fund, which we refer to as a "carried interest," in the event that specified investment returns are achieved by the fund).³ The substantial majority of Carlyle Group's carried interests take the form of general partner interests in the applicable Carlyle investment fund and, accordingly and as described in additional detail herein, such interests are not investment securities within the meaning of the Investment Company Act. We also note that, of the remaining 4% and 8%, respectively, of the total segment revenues of Carlyle Group during these periods, only a small portion was derived from investments in investment securities.

Section 3(a)(1)(C).

As noted above, both prior to and after giving effect to the proposed reorganization and offering, investment securities will comprise less than 40% of the total assets of The Carlyle Group L.P. Accordingly, The Carlyle Group L.P. is not an "investment company," as that term is defined under section 3(a)(1)(C) of the Investment Company Act.

Section 3(a)(1)(C) of the Investment Company Act defines "investment company" as a company that "is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities," and that owns or proposes to acquire investment securities having a value exceeding 40% of the value of the company's total assets, exclusive of Government securities (as defined in section 2(a)(41) of the Investment Company Act) and cash items, on an

³ Carlyle Group's segment reporting deconsolidates certain investment funds that it is required to consolidate under U.S. generally accepted accounting principles.

unconsolidated basis. Section 3(a)(2) of the Investment Company Act defines “investment security” to mean all securities other than Government securities, securities issued by employees’ securities companies and securities issued by majority-owned subsidiaries of the owner that are neither investment companies nor companies relying on the exception from the definition of investment company in section 3(c)(1) or 3(c)(7) of the Investment Company Act.

Section 2(a)(24) of the Investment Company Act defines the “majority-owned subsidiary” of a person to mean a company 50% or more of whose outstanding voting securities are owned by that person or by a company that is a majority-owned subsidiary of that person. Section 2(a)(43) of the Investment Company Act defines the “wholly-owned subsidiary” of a person to mean a company, 95% or more of whose outstanding voting securities are owned by that person or by a company that is a wholly-owned subsidiary of that person. Section 2(a)(42) of the Investment Company Act defines “voting security” to mean a security presently entitling its owner or holder to vote for the election of a company’s directors. Section 2(a)(12) of the Investment Company Act defines “director” to include “any director of a corporation or any person performing similar functions with respect to any organization, whether incorporated or unincorporated . . .” The SECURITIES AND EXCHANGE COMMISSION and the Staff generally consider the general partner of a limited partnership to be a “director” of the limited partnership under section 2(a)(12) because it performs a function with respect to the limited partnership similar to that of the board of directors of a corporation.⁴

As described in further detail below, as of June 30, 2011, on a pro forma basis giving effect to the reorganization and the offering, none of the assets of The Carlyle Group L.P., none of the assets of the Carlyle Intermediate Holding Companies and none of the assets of the Carlyle Holdings partnerships constitute investment securities (within the meaning of the Investment Company Act), and investment securities amount to less than 5% of the total consolidated assets of Carlyle Holdings I L.P., less than 1% of the total consolidated assets of Carlyle Holdings II L.P., less than 13% of the total consolidated assets of Carlyle Holdings III L.P. and less than 2% of the total consolidated assets of each of the Parent Entities. We have provided to the Staff under separate cover the fair values of the various categories of assets of each of the Carlyle Holdings partnerships and of each of the Parent Entities as determined in good faith by the board of directors of the general partner of The Carlyle Group L.P. and supported by an independent assessment of value conducted by Duff & Phelps, LLC.

The Carlyle Group L.P.

⁴ Investment Company General Partners Not Deemed Interested Persons, Investment Company Act Release No. 18,868, 57 Fed. Reg. 34,726, 34,727 & n.5 (Aug. 6, 1992); Integrated Resources, Inc., SEC No-Action Letter, 1979 SEC No-Act. LEXIS 2940, at *1–*2 (June 1, 1979).

The sole assets of The Carlyle Group L.P. will be its interests in the Carlyle Intermediate Holding Companies (and limited amounts of cash it may hold from time to time). The Carlyle Group L.P. will own, directly or indirectly, 100% of the voting securities (and 100% of all of the interests) of each Carlyle Intermediate Holding Company and such Carlyle Holding Companies will accordingly be wholly-owned subsidiaries of The Carlyle Group L.P. under section 2(a)(43) of the Investment Company Act. The Carlyle Intermediate Holding Companies will be neither investment companies nor companies that rely on the exception from the definition of investment company in section 3(c)(1) or 3(c)(7) of the Investment Company Act. Accordingly, none of the assets of The Carlyle Group L.P. will be investment securities.

Carlyle Intermediate Holding Companies

The sole assets of the Carlyle Intermediate Holding Companies (with the exception of interests in other Carlyle Intermediate Holding Companies and limited amounts of cash such entities may hold from time to time) are general partner interests in each of the three Carlyle Holdings partnerships. The limited partners of the Carlyle Holdings partnerships have no right to select or remove the Carlyle Intermediate Holding Company that serves as the sole general partner each Carlyle Holdings partnerships. Therefore, Carlyle Intermediate Holding Companies will own 100% of the voting securities of each of the Carlyle Holdings partnerships and such partnerships will accordingly be wholly-owned subsidiaries of the Carlyle Intermediate Holding Companies (and therefore of The Carlyle Group L.P.) under section 2(a)(43) of the Investment Company Act. The Carlyle Holdings partnerships are neither investment companies nor companies that rely on the exception from the definition of investment company in section 3(c)(1) or 3(c)(7) of the Investment Company Act. Accordingly, the interests in the Carlyle Holdings partnerships held by the Carlyle Intermediate Holding Companies are not investment securities. In addition, we note that, for reasons analogous to those discussed in greater detail below in our analysis of the general partner interests in the Carlyle investment funds held by the wholly-owned subsidiaries and majority-owned subsidiaries of the Parent Entities, the general partner interests in the Carlyle Holdings partnerships held by the Intermediate Holding Companies are not securities for purposes of the federal securities laws, including the Investment Company Act.

Carlyle Holdings Partnerships

Although this may change over time, immediately following the reorganization and the offering the primary assets of the Carlyle Holdings partnerships will be their interests in the Parent Entities. In addition to their 100% ownership interests in TC Group, L.L.C and TC Group Cayman, L.P., respectively, Carlyle Holdings I L.P. and Carlyle Holdings III L.P. will also "directly" (i.e., not through a Parent Entity) hold certain carried interests and capital interests in Carlyle investment funds and other assets. The Carlyle Holdings partnerships will own 100% of the

voting securities (and 100% of all of the interests) of each of the Parent Entities. Accordingly, the Parent Entities will be wholly-owned subsidiaries of the Carlyle Holdings partnerships (and therefore of the Intermediate Holding Companies and of The Carlyle Group L.P.) under section 2(a)(43) of the Investment Company Act. The Parent Entities are neither investment companies nor companies that rely on the exception from the definition of investment company in section 3(c)(1) or 3(c)(7) of the Investment Company Act. Accordingly, the interests of the Carlyle Holdings partnerships in the Parent Entities are not investment securities. In addition, we note that, for reasons analogous to those discussed in greater detail below in connection with an analysis of the Parent Companies' general partner interests in sponsored investment funds, the general partner and managing member interests of the Carlyle Holdings partnerships in the Parent Entities are not securities for purposes of the federal securities laws, including the Investment Company Act.

Parent Entities

As noted above, as of June 30, 2011, on a pro forma basis giving effect to the reorganization and the offering, investment securities amount to less than 2% of the total consolidated assets of each of the Parent Entities.

Assets of Carlyle Group

As noted above, we have provided to the Staff under separate cover the fair values of the various categories of assets of each of the Carlyle Holdings partnerships and each of the Parent Entities as determined in good faith by the board of directors of the general partner of The Carlyle Group L.P. and supported by an independent assessment of value conducted by Duff & Phelps, LLC.

Upon completion of the reorganization and offering, the vast majority of the value of the assets of Carlyle Group will be attributable to (1) investment advisory contracts with Carlyle investment funds providing for the receipt by Carlyle Group of management fees and incentive fees and contracts with Carlyle portfolio companies providing for the receipt by Carlyle Group of fees for transaction advisory and oversight services;⁵ (2) carried interests that take the form of a general partner interest (or, less frequently, a managing member interest) in the applicable Carlyle investment fund; or (3) capital interests in Carlyle investment funds that take the form of a general partner interest (or, less frequently, a managing member interest) in the applicable Carlyle investment fund. We do not believe that any of these categories of assets constitute investment securities.

⁵ We note that in a 1987 no-action letter, the Staff allowed the controlling person of an asset management business to use the fair value of that business, comprising primarily investment advisory contracts and goodwill, to determine whether the controlling person would be an investment company under what is now section 3(a)(1)(C) of the Investment Company Act. Oppenheimer Capital, L.P., SEC No-Action Letter, 1987 SEC No-Act. LEXIS 2306, at *1-*3, *9-*10 (July 29, 1987).

Contracts for Investment Advisory Transaction Advisory and Oversight Services. As discussed in further detail on pages 103 — 107 and 219 — 223 of Amendment No. 1 under the captions “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Measures—Revenues” and “Business—Structure and Operation of Our Investment Funds”, Carlyle Group enters into contracts with the Carlyle investment funds that provide for the receipt by Carlyle Group of management fees and incentive fees in exchange for the provision by Carlyle Group of investment advisory services. In addition, Carlyle Group enters into contracts with Carlyle portfolio companies that provide for the receipt by Carlyle Group of fees in exchange for the provision by Carlyle Group of transaction advisory and oversight services. These contracts are ordinary service contracts and not investment securities.

Carried Interests and Capital Interests Taking the Form of General Partner Interests. As discussed in further detail on pages 219 — 223 of Amendment No. 1 under the caption “Business—Structure and Operation of Our Investment Funds”, Carlyle Group conducts the sponsorship and management of its investment funds primarily through a partnership structure whereby Carlyle Group organizes funds as limited partnerships with a Carlyle Group entity that is a wholly-owned subsidiary or majority owned subsidiary of a Parent Entity serving as the general partner. Less frequently, Carlyle Group may organize a fund as a limited liability company with a Carlyle Group entity that is a wholly-owned subsidiary or a majority owned subsidiary of a Parent Entity serving as the managing member. The fund general partner (or managing member) is responsible for the management and administration of the fund’s affairs and makes all policy and investment decisions relating to the conduct of the investment fund’s business. The limited partners (or non-managing members) of the investment fund take no part in the conduct or control of the business of such funds.

The partnership agreements of Carlyle funds typically provide that the fund general partner is entitled to a special residual allocation of income from the fund (i.e., a “carried interest”) in the event that specified investment returns are achieved by the fund. In addition, and in accordance with standard practice in the alternative asset management industry, the fund general partner typically commits to fund a portion of the fund’s capital.

The courts and the Staff have consistently considered general partner and managing member interests not to be securities for purposes of the federal securities laws, including the Investment Company Act, when, as is the case here, the general partner or managing member retains actual control over the issuer of the interest.⁶ As noted above, the partnership (or limited liability company)

⁶ With respect to general partner interests in limited partnerships, see *Williamson v. Tucker*, 645 F.2d 404, 421–22 (5th Cir. 1981), *cert. denied*, 454 U.S. 897 (1981). The Staff has indicated that the analysis in *Williamson* should be used to evaluate whether general partner interests are securities under the Investment.

agreements of the Carlyle investment funds organized as limited partnerships (or limited liability companies) vest virtually all control over the funds in the Carlyle Group entities that serve as their respective general partners (or managing members). Accordingly, Carlyle Group's general partner (or managing member) interests in the Carlyle investment funds are not investment securities under the Investment Company Act.

In certain circumstances Carlyle Group makes investments in a Carlyle fund as a limited partner (or non-managing member) or invests alongside a Carlyle fund in securities issued by the underlying portfolio companies. Carlyle Group may also, in limited circumstances, receive a carried interest in a Carlyle fund in the form of a limited partner interest. For purposes of our analysis under section 3(a)(1)(C) of the Investment Company Act, we have assumed that all of such limited partner (or non-managing member) and "side-by-side" investments, and any other limited partner (or non-managing member) interests Carlyle Group may have in its funds, are investment securities.

We have provided to the Staff under separate cover a schedule detailing as of June 30, 2011, for each of Carlyle's significant funds (excluding one legacy fund that has already distributed substantially all investment proceeds to its investors), the values of the investments in these funds by the fund general partner/managing member, by Carlyle Group in the form of a limited partner/non-managing member interest, by Carlyle Group personnel and related persons, and by the third party investors in such funds.

Valuation Methodology

Carlyle retained Duff & Phelps, LLC to assist it in determining the values of the various assets of Carlyle Group.

In its analysis, Duff & Phelps predominantly relied on an income approach, namely a discounted cash-flow approach ("DCF"), in its assessment of the value of various cash-flow streams of Carlyle Group. A DCF provides an estimate of value by discounting the expected cash flows of an asset or security to present value at a discount rate commensurate with the timing and risk of collecting the projected cash flows and entails essentially a two-step process: (1) projecting the cash flows using assumptions either provided by management or through publicly available sources and (2) discounting the expected cash flows to present value at a

Company Act. *See, e.g.*, Colony Realty Partners 1986, L.P., SEC No-Action Letter, 1988 SEC No-Act. LEXIS 517, at *1 (Apr. 27, 1988); Oppenheimer Capital, L.P., SEC No-Action Letter, 1987 SEC No-Act. LEXIS 2306, at *2-*3 (July 29, 1987); Albert M. Zlotnick, SEC No-Action Letter, 1986 SEC No-Act. LEXIS 2361, at *1-*2 (June 9, 1986); FCA Realty Fund, SEC No-Action Letter, 1984 SEC No-Act. LEXIS 2799, at *2 (Nov. 13, 1984). With respect to managing member interests in limited liability companies, *see, e.g.*, Robinson v. Glynn, 349 F.3d 166, 174-75 (4th Cir. 2003); Nelson v. Stahl, 173 F. Supp. 2d 153, 163-66 (S.D.N.Y. 2001); Great Lakes Chem. Corp. v. Monsanto Co., 96 F. Supp. 2d 376, 383-94 (D. Del. 2000); Keith v. Black Diamond Advisors, Inc., 48 F. Supp. 2d 326, 332-34 (S.D.N.Y. 1999).

rate that reflects the time value of money and risk of collecting the expected cash flows.

In addition, Duff & Phelps utilized a market approach, namely a market multiple approach, to corroborate on a macro basis the results of the income approach. The market approach indicates the value of a business (or asset) based on prices from actual transactions of comparable companies or assets and/or by using the market value of comparable companies to estimate the value of the subject business or asset.

The above-described approaches were selected because they are well established and widely utilized methodologies for valuing businesses and assets of the type comprising Carlyle Group.

The Carlyle Group L.P. is not a Fund of Funds

An investor in the common units of The Carlyle Group L.P. owns an investment in an operating company and not in a fund of funds entity. The nature of Carlyle Group's business, its risks, and its economics are fundamentally different than those of a fund of funds. As more fully set forth in the Registration Statement, Carlyle Group is one of the world's largest and most diversified multi-product global alternative asset management firms, advising an array of specialized investment funds and other investment vehicles that invest across a range of industries, geographies, asset classes and investment strategies. Unlike a fund, Carlyle Group's focus is principally on the business of managing third-party capital as compared to its own assets. Carlyle Group has more than 1,100 employees, including more than 500 investment professionals, in 34 offices across six continents. A typical fund of funds has no operating office and few or no employees. This fundamental difference in the nature of Carlyle Group's business is reflected in the risks described in the Registration Statement, which differ significantly from the risks described in the private placement memorandum of a typical fund of funds. In addition, the value of The Carlyle Group L.P.'s common units is not simply an allocation across a number of funds, but is based on the cash flow that The Carlyle Group L.P., as an operating company, will receive. An investor's return and value in his or her investment in the common units of The Carlyle Group L.P. is simply not the same economically as that of an investment in a fund of funds. An investor in The Carlyle Group L.P. will benefit from Carlyle Group's receipt of management fees, fees for transaction advisory and oversight services, incentive fees and carried interests, none of which are income streams shared by investors in underlying Carlyle funds, which investors receive only their percentage interests of the actual return of the underlying funds (less the manager's management fees and incentive fees and carried interests). As Andrew J. Donohue, former Director of the Division of Investment Management, pointed out in testimony before the Domestic Policy Subcommittee of the Oversight and Government Reform Committee, U.S. House of Representatives concerning initial public offerings of managers of hedge and

private equity funds, "it is important to consider that the public investors are buying a share of the entity managing these funds, rather than a share in the underlying funds."⁷

6. We note that your statement that *The Carlyle Group L.P.* is not an investment company under section 3(b)(1) of the *Company Act*. Please explain your belief in light of certain prior Commission statements (see, e.g., *Paribas Corp.*, 40 S.E.C. 487, 490 n. 5 (1961); *Exemption from the Investment Company Act of 1940 for the Offer or Sale of Debt Securities and Non-Voting Preferred Stock by Foreign Banks or Foreign Bank Finance Subsidiaries*, *Investment Company Act Release No. 15314* (Sept. 17, 1986)) relating to the use of section 3(b)(1) by financial services companies.

As discussed in greater detail below, we do not believe the position of the SECURITIES AND EXCHANGE COMMISSION set out in *Paribas* (which was subsequently cited by the SECURITIES AND EXCHANGE COMMISSION in *Investment Company Act Release No. 15314*) is applicable to *The Carlyle Group L.P.*, and believe that *The Carlyle Group L.P.* is entitled to rely on section 3(b)(1) of the *Investment Company Act*. However, as investment securities will comprise less than 40% of the total assets of *The Carlyle Group L.P.* and *The Carlyle Group L.P.* is accordingly not an investment company under paragraph (1)(C) of section 3(a) of the *Investment Company Act*, it is not necessary for *The Carlyle Group L.P.* to rely upon section 3(b)(1) to avoid being deemed to be an "investment company" for purposes of the *Investment Company Act*.

As a threshold matter, we note that the language of section 3(b)(1) of the *Investment Company Act* does not differentiate between a financial services company and an industrial company and, specifically, does not preclude a financial services company from relying on that section. We respectfully question whether it is appropriate to impute to Congress an intent to so limit the section, particularly where the section itself has numerous specific instances where Congress differentiated the applicability of the section based on the nature of an issuer's business.

Regardless of the appropriateness of the Commission's position generally, we do not believe the position is applicable to *The Carlyle Group L.P.* The entity in question in *Paribas* was a bank, which was also the type of entity under consideration when Section 3(b)(1) was discussed before the Subcommittee on Banking and Currency in 1940, the legislative history upon which the *Paribas* position relies. An asset manager that is primarily engaged in the business of managing the assets of third parties, and the vast majority of the assets of which are not investment securities, is fundamentally different than a bank that invests

⁷ Testimony Concerning Initial Public Offerings of Investment Managers of Hedge and Private Equity Funds (July 11, 2007) at <http://www.sec.gov/news/testimony/2007/ts071107ajd.htm>

its own assets in investment securities. Finally, we note that the potential availability of Section 3(b)(1) to entities such as The Carlyle Group L.P. was noted in the above-referenced testimony of Mr. Donohue.⁸

The Carlyle Group L.P. has determined under Section 3(b)(1) that it is primarily engaged through wholly-owned subsidiaries in a business other than that of investing, reinvesting, owning, holding, or trading in securities. The analysis that supports this conclusion, including a discussion of the criteria that have been developed by the Commission and the courts in determining whether an issuer is engaged “primarily” in a non-investment business, is set forth above in the response to comment 5.

7. *Please explain whether the offering by The Carlyle Group L.P. should be considered an indirect offering of the Carlyle investment funds. In this context, please address rule 140 under the Securities Act of 1933 as well as section 48(a) of the Company Act as applied to the registration requirements for investment companies*

Pursuant to Rule 140 under the Securities Act of 1933, as amended (the “Securities Act”), The Carlyle Group L.P. would be engaged in the “distribution” of securities of the Carlyle investment funds under section 2(a)(11) of the Securities Act if the “chief part” of its business consisted of purchasing the securities of one or more Carlyle investment funds and selling its common units to the public to furnish the proceeds with which to acquire additional securities of the Carlyle investment funds.

Section 48(a) of the Investment Company Act makes it unlawful for any person, directly or indirectly, to do through or by means of any other person anything that would be unlawful if done by that person itself. The Staff has taken the position that any issuer whose investors consist of non-qualified investors and that was formed for the purpose of investing in a private fund may result in a violation of section 48(a).⁹ The Staff has considered that determining whether an issuer is “formed for the purpose” of investing in a private fund depends on the surrounding facts and circumstances. While not a strict limitation, the Staff has generally concluded that an issuer that has invested less than 40% of its capital in a particular private fund was not formed for the purpose of investing in that private fund.

We do not believe that the public offering of common units of The Carlyle Group

⁸ Testimony Concerning Initial Public Offerings of Investment Managers of Hedge and Private Equity Funds (July 11, 2007) at <http://www.sec.gov/news/testimony/2007/ts071107ajd.htm>.

⁹ American Bar Association Section of Business Law, SEC No-Action Letter, 1999 SEC No-Act. LEXIS 456, at *44-*47 (Apr. 22, 1999).

L.P. is an indirect offering of the Carlyle investment funds pursuant to Rule 140 under the Securities Act or section 48(a) of the Investment Company Act. As disclosed in the Registration Statement, Carlyle Group manages in excess of 80 funds and nearly 50 fund of fund vehicles, and far less than 40% of the value of The Carlyle Group L.P. is represented by indirect interests in any particular Carlyle investment fund.

Further, as discussed above in our response to the Staff's comment 5, the substantial majority of Carlyle Group's investments in the Carlyle investment funds is represented by general partner interests in the funds, which interests are not securities for the purposes of the federal securities laws, including the Securities Act and the Investment Company Act. Moreover, the largest share of Carlyle Group's income is and will continue to be derived from the management of third-party assets in the Carlyle investment funds and not from the investment of its own capital in the funds.

Accordingly, the "chief part" of The Carlyle Group L.P.'s business is not purchasing securities of any Carlyle investment fund or selling securities to the public to furnish the proceeds with which to acquire additional securities of any Carlyle investment fund, and The Carlyle Group L.P. was not "formed for the purpose" of investing in any Carlyle fund. Therefore, we respectfully submit that the public offering of common units of The Carlyle Group L.P. is not an indirect offering of any Carlyle investment fund.

Prospectus cover page

8. *In addition to the significant risks you include on the cover page and on page 9, please briefly note your intention to rely on the exemption from the requirement of the applicable exchange or market relating to the makeup of your nominating, corporate governance and compensation committees.*

Carlyle has added additional disclosure to the front cover and page 10 of Amendment No. 1 regarding its intention to rely on the exemption from the requirement of the applicable exchange or market relating to the makeup of its nominating/corporate governance and compensation committees.

Summary, page 1

The Carlyle Group, page 1

9. *Please revise your disclosure to briefly state how you generate revenues and income. Please briefly describe each type of fee, carried interest and other source of revenue, and briefly explain what the fee is based upon, or how it is structured or calculated. As indicated in the first paragraph on page 195, please disclose that your ability to generate carried interest is a significant factor in your*
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business and has historically accounted for a significant portion of your income. While we note that disclosures about your fees are made at various points throughout the prospectus, we believe it would be helpful for investors to be provided with this information at the outset of your summary in order to better understand disclosures that follow.

Carlyle has added additional disclosure under the caption "The Carlyle Group" on page 2 of Amendment No. 1 addressing the matters identified in the Staff's comment.

Our Business, page 2

10. *We note your presentation of total segment revenues, total ENI and total distributable earnings. Please balance these disclosures with your most directly financial measures calculated in accordance with GAAP. Refer to Item 10(e)(1)(i) of Regulation S-K.*

Carlyle has revised page 2 of Amendment No. 1 to include a presentation of total revenues and income before provision for income taxes, which are the measures calculated in accordance with GAAP that are most directly comparable to total segment revenues and to total ENI and total distributable earnings.

Fund of Funds Solutions, page 4

11. *We note your disclosure in the last paragraph on page 11 regarding the allocation of carried interest with respect your arrangements with the historical owners and management team of AlpInvest. Since this acquisition resulted in a substantial increase in your AUM and represents a significant percentage of your Total AUM and Fee-earning AUM, please include a cross-reference to the discussion on page 11 so that investors can immediately realize your ability to benefit from historical commitments and future investments to your fund of funds vehicles.*

Carlyle has included on page 5 of Amendment No. 1 a cross reference to the discussion regarding the allocation of carried interest with respect to the historical investments of and the historical and certain future commitments to its fund of fund vehicles.

12. *In the second bulleted paragraph of your fund of funds risk factor on page 57, you indicate that AlpInvest's management team will manage operations without any day-to-day input from Carlyle personnel. Please revise the first paragraph in your disclosure to clearly indicate that you do not currently advise or otherwise participate in the management of the AlpInvest funds. Also clarify, if true, that you have not yet begun advising separate accounts and further indicate your anticipated timeline for commencing such activity.*
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Carlyle has revised the first and third paragraphs under the caption "Fund of Funds" on page 5 of Amendment No. 1 to include additional disclosure regarding the matters identified in the Staff's comment.

Carlyle advises the Staff that, although AlInvest's historical management team (who are Carlyle employees) will continue to exercise independent investment authority without involvement by other Carlyle personnel, Carlyle maintains ultimate control over AlInvest. Carlyle revised its risk disclosure on pages 41 and 60 of Amendment No. 1 accordingly.

Demonstrated Record of Investment Performance, page 6

13. *In addition to presenting gross internal rates of return and net internal rates of return, you present realized/partially realized gross internal rate of returns. Please expand your disclosures to clarify how these rates are determined and why you believe it provides useful information in addition to the gross internal rates of return and net internal rates of return. Please address any risk associated with using these rates as an indicator of investment performance. Address this comment as it relates to your presentation of this fund performance metric within Management's Discussion and Analysis as well.*

Carlyle has enhanced its disclosure in the footnote to the Investment Performance Table on page 7 of Amendment No. 1, and in the footnotes to the applicable investment performance tables in "Management's Discussion and Analysis of Financial Condition and Results of Operations," to address the matters identified in the Staff's comment.

14. *We note your disclosure in the first paragraph in smaller font immediately following the investment performance chart. Please revise to restore the larger font size as this disclaimer should be prominently displayed to potential investors in your company.*

Carlyle has increased the font size of the first paragraph following the investment performance table on page 7 of Amendment No. 1.

Financial Strength, page 7

15. *We note your presentation of ENI, a non-GAAP performance measure. Please balance this disclosure with your most directly financial measure calculated in accordance with GAAP. Refer to Item 10(e)(1) (i) of Regulation S-K.*

As noted above in response to the Staff's comment 10, Carlyle has included on page 2 of Amendment No. 1 a presentation of the measures calculated in accordance with GAAP that are most directly comparable to the ENI measures presented on pages 2-3. We respectfully submit that this prior presentation

complies with the requirement of Item 10(e)(1)(i) of Regulation S-K that such GAAP measures be given equal or greater prominence.

Investment risks, page 9

16. Please revise the third bullet point to further explain that the potential volatility of your revenue, income and cash flow is influenced by the following factors:

- You receive carried interest only when investments are realized and receive a certain level of return;
- The amount of your transaction fees;
- Changes in the carrying values and performance of the investments of the investment funds you advise; and
- The timing and receipt of carried interest depends on the life cycle of the carry funds.

Carlyle has revised the third bullet under the caption "Investment Risks" on page 9 of Amendment No. 1 to address the matters identified in the Staff's comment.

17. Please revise the second paragraph to clearly state the current status of the legislation and provide a cross-reference to the risk factor on page 31 to provide appropriate context so that investors are fully informed of the level of support the legislation received. Please also consider describing each of the significant tax-related risks you discuss in this paragraph after its own bullet point in order to better highlight and distinguish these risks.

Carlyle has revised the third (previously second) paragraph under the caption "Investment Risks" on page 10 of Amendment No. 1 in accordance with the Staff's comment.

Organizational Structure, page 10

18. Given the density of information disclosed in this section, please revise to provide appropriate subheadings to focus investors on key areas. For example, we note that the second paragraph on page 13 provides a brief discussion of material U.S. federal tax considerations.

Carlyle has revised its disclosure under the caption "Summary — Organizational Structure" to provide appropriate subheadings.

19. In the diagram provided on page 12, please show the estimated percentages that TCG Carlyle Global Partners L.L.C., Carlyle Group Management L.L.C and Public Investors will each own in Carlyle Group L.P. immediately following this offering. In this regard, also disclose the percentage economic rights the Existing Owners will have in Carlyle Holdings.
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Carlyle has revised the diagram on page 13 and page 81 of Amendment No. 1 to include placeholders for the percentages of the Carlyle Holdings partnership units that will be held by the partners of those partnerships. The diagram also makes clear that the Public Investors will have 100% of the economic rights in The Carlyle Group L.P. and includes placeholders for the percentages of limited partner voting power that will be held by the Public Investors and by TCG Carlyle Global Partners L.L.C.

The Offering, page 16

Cash Distribution Policy, page 17

20. *Where you discuss quarterly and annual distributions that you will cause Carlyle Holdings to make, please clarify, if true, that these distributions will be made to the limited partners as well as The Carlyle Group L.P.*

Carlyle respectfully advises the Staff that the following sentence is included on the third paragraph under the caption “The Offering — Cash distribution policy” on page 18 of Amendment No. 1: “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.”

21. *Where you discuss the tax distributions to partners of Carlyle Holdings partnerships, please clarify, whether distributions from the partnerships to your subsidiaries are required to be passed along to holders of common units. We note your disclosure elsewhere that while you intend to make annual distributions in an amount sufficient to cover anticipated taxes, it is possible that tax liabilities will exceed the cash distributions that holders of common units receive from you.*

Carlyle has revised its disclosure on page 19 of Amendment No. 1 to clarify that 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.

Exchange rights of holders of Carlyle Holdings partnership units, page 18

22. *Please revise to disclose that investors in common units will experience immediate dilution of their common units as a result of the exchange and provide a cross-reference to the risk factor on page 70*

Carlyle has revised its disclosure on page 20 of Amendment No. 1 to address the matter identified in the Staff’s comment and to provide a cross reference to the risk factor.

23. We assume that exchanges of Carlyle Holdings partnership units reduce the number of votes that TCG Carlyle Global Partners L.L.C. is entitled to vote as the holder of the special voting unit. If true, please describe this in this section.

Carlyle has included additional disclosure under the caption “The Offering — Exchange rights of holders of Carlyle Holdings partnership units” on page 19 of Amendment No. 1 clarifying that as the number of Carlyle Holdings partnership units held by the limited partners of the Carlyle Holdings partnerships declines, the number of votes to which TCG Carlyle Global Partners L.L.C. is entitled as a result of its ownership of the special voting unit will be correspondingly reduced.

Risk Factors, page 24

Risks Related to Our Company, page 24

Adverse economic and market conditions could negatively impact our business . . . , page 24

24. Please revise your disclosure in the second paragraph here or in the next risk factor to also address how the recent speculation regarding the potential inability of European countries to pay their national debt may impact your ability to secure debt financing. We note your disclosure in the last sentence of the third paragraph on page 97.

Carlyle has revised page 26 of Amendment No. 1 to include additional disclosure regarding the matter identified in the Staff’s comment.

Changes in the debt financing markets could negative impact the ability of certain . . . , page 25

25. If you are aware that any of your portfolio companies, or group of portfolio companies, are unable to repay or refinance debt, and if this may have a material impact on your financial condition, results of operations or liquidity, or that of any segment, please discuss this, providing quantifying information where available, in MD&A.

Carlyle advises the Staff that it is not aware of any portfolio companies, or group of portfolio companies, that are unable to repay or refinance debt which would cause a material impact on Carlyle’s financial condition, results of operations, liquidity, or that of any segment.

Regulatory changes in the United States could adversely affect our business . . . , page 34

26. We note your disclosure in the second bulleted paragraph. If any bank holding companies, insured depository institutions or other entities subject to the
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“Volcker Rule” are invested in your funds to a material extent, please revise your disclosure here to explain your exposure in this regard.

Carlyle respectfully advises the Staff that as of June 30, 2011, bank holding companies, insured depository institutions and their subsidiaries and affiliates did not represent a material portion of our total active carry fund commitments, and did not represent a material portion of the AUM of our other investment funds.

In addition, a number of our investors include foreign banks with a U.S. branch, agency or U.S. commercial lending subsidiary. At this time, Carlyle believes that these entities will have the flexibility to continue to invest in Carlyle funds consistent with the restrictions enumerated in the regulations proposed by the Federal Reserve and other financial regulators on October 11, 2011.

We may need to pay “giveback” obligations if and when they are triggered . . . , page 52

27. *We note your disclosure here and in the last paragraph on page 101 that realized carried interest may be clawed-back if the fund’s investment values decline below certain levels. Given that any distributions to common unit holders will be made on a quarterly basis and the fact that carried interest is determined on a deal-by-deal basis, please disclose how the giveback obligation will impact prior cash distributions made to common unit holders. If you will seek recovery of all or a portion of those cash distributions, please state so. Please also revise your disclosure in the Cash Distribution Policy section on page 87 accordingly.*

Carlyle advises the Staff that the provisions of the partnership agreement of The Carlyle Group L.P. will not permit Carlyle to claw back prior distributions made to its common unitholders, and Carlyle has no intention of seeking such recovery.

28. *Please disclose the amount of accrued giveback obligations as of June 30, 2011, as disclosed in the last paragraph on page 145. Please also disclose the estimated amount of cash you intend to reserve for repayment of any giveback obligations. Please also consider whether your intent in this regard impacts your Use of Proceeds disclosure on page 86.*

Carlyle has revised pages 54-55 of Amendment No. 1 to disclose the amount of accrued giveback obligations recorded as of June 30, 2011 and to discuss its intent regarding reserves.

We may hold or acquire certain investments through an entity . . . , page 76

29. *Please revise your disclosure to provide more specific disclosure regarding the adverse U.S. tax consequences to U.S. holders of common units who indirectly own an interest in a PFIC or CFC, or include a cross reference to a more complete discussion elsewhere in the prospectus.*
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Carlyle has revised page 78 of Amendment No. 1 to include a cross reference to the more complete discussion regarding the U.S. tax consequences to U.S. holders of common units who indirectly own an interest in a PFIC or CFC.

Organizational Structure, page 78

Reorganization, page 82

30. *Please revise the second paragraph to briefly state why you are making one or more cash distributions to the owners of the Parent Entities prior to the date of the offering.*

Carlyle has revised page 84 of Amendment No. 1 to discuss the rationale for the cash distributions to the owners of the Parent Entities prior to the date of the offering.

Holding Partnership Structure, page 84

31. *Please ensure that you avoid unnecessarily vague references here and throughout your disclosures. For example, in the penultimate paragraph of this section, you refer to "certain wholly-owned subsidiaries of The Carlyle Group L.P." that must pay taxes, rather than refer to the affected subsidiaries by name. Please revise this paragraph and other disclosures to simplify and clarify disclosures where possible.*

Carlyle acknowledges the Staff's comment and advises the Staff that, at this time, the only wholly-owned subsidiary of The Carlyle Group L.P. that is expected to be required to pay entity-level taxes is Carlyle Holdings I GP Inc., although one or more additional existing or future wholly-owned subsidiaries of The Carlyle Group L.P. could also be required to pay entity-level taxes in the future.

Carlyle has revised Amendment No. 1 on page 87 and elsewhere throughout accordingly.

Use of Proceeds, page 86

32. *Please revise the second paragraph to state the interest rate maturity date of the indebtedness. To the extent that any of the borrowings you are repaying were incurred within a year, please ensure that you describe their purpose. See Instruction 4 to Item 504 of Regulation S-K.*

Carlyle advises the Staff that Carlyle has not yet identified the borrowings that it will repay with the proceeds of the offering. Carlyle advises the Staff that it will include the required information in a subsequent pre-effective amendment once such borrowings have been identified. Carlyle understands that the Staff requires a reasonable amount of time for review.

33. *We note that you intend to use a portion of the proceeds to fund acquisitions and strategic investments. Please revise to comply with Instructions 5 and 6 to Item 504 of Regulation S-K or otherwise advise us accordingly.*

Carlyle advises the Staff that Carlyle has not identified specific assets or acquisitions to be funded with proceeds of the offering. Carlyle has revised pages 17 and 89 of Amendment No. 1 to disclose the nature of the acquisitions that may be sought and confirms that it will revise its disclosure in a subsequent pre-effective amendment if and when any such specific assets or acquisitions have been identified to include the information required by Item 504 of Regulation S-K. Carlyle understands that the Staff requires a reasonable amount of time for review.

Cash distribution policy, page 87

34. *Please revise the last paragraph on page 88 to provide the frequency and amount of cash distributions for the two most recent fiscal years. See Item 201(c) of Regulation S-K.*

Carlyle has revised page 91 of Amendment No. 1 to disclose the amount of cash distributions for fiscal year 2010.

Management's Discussion and Analysis, page 95

Trends Affecting our Business, page 96

35. *Please revise the second bulleted paragraph to identify the segments particularly impacted during the 2008 and 2009 economic downturn. In this regard, we note your disclosure in the second paragraph of the risk factor on page 24. Please also indicate whether you believe the volatility in August 2011 impacted certain segments more than others, and if so, please identify them.*

Carlyle has revised the second bulleted paragraph under the caption "— Trends Affecting our Business" on pages 99-100 of Amendment No. 1 to identify the segments particularly impacted during the 2008 and 2009 economic downturn, as well as the segments particularly impacted by the volatility in August 2011.

Key Financial Measures, page 100

Revenues, page 100

36. *To the extent materially different, describe and quantify the ranges of management fees and performance fee terms by segment. Please also disclose the specific terms of any individual management or performance fee arrangement that is material to an understanding of historical or future results of operations or cash flows. Terms should be disclosed in enough detail to allow a reader to have*
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a reasonable understanding of the impact such arrangements had or may have on results of operations and cash flows, on a consolidated and segment basis.

Carlyle has added additional disclosure on pages 104 — 107 of Amendment No. 1 to address the matters identified by the Staff. Carlyle advises the Staff that the specific terms for management fees and performance fees for Carlyle's closed-end carry funds do not vary materially between segments. In addition please refer to the management fee effective rates provided on pages 131, 142 and 152. Carlyle also advises the Staff that it has enhanced its disclosure throughout MD&A to add disclosure regarding individual funds contributing greater than 10% of total management fees or performance fees.

37. *Please provide a discussion about the recognition of management fees and performance fees to address the following:*

- *The measurement periods for fees (monthly, quarterly, annual);*
- *When amounts are paid;*
- *The types of situations which require repayment of amounts received;*
- *The amount of performance fees recognized, but still subject to giveback;*
- *The amount of performance fees recognized, but still subject to giveback, that have been distributed;*
- *The amount or performance fees reversed each period presented on a consolidated basis as well as by segment.*
- *The amounts of performance fees distributed. Quantify amounts held in segregated and/or collateralized accounts.*
- *The total amount of any deferred performance fees (presumably subject to giveback). Separately quantify distributed and undistributed performance fees.*
- *Quantify the existence of any material "high water marks" whereby you will not earn incentive fees even if the fund has positive returns until it surpasses the previous high water mark.*

If any individual fund had a material impact on segment management or performance fees for any period presented, or if any individual investment fund makes up a material amount of segment AUM for any period presented, the above information should also be provided for that individual fund.

Carlyle has added additional disclosure on pages 104 — 107 of Amendment No. 1 to address the matters identified by the Staff. Carlyle supplementally advises the Staff that:

- *The amounts of realized performance fees have historically closely approximated the amounts distributed. Amounts held back for reserves are generally held in related but unconsolidated entities. Carlyle has separately*
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disclosed under the caption "Cash Distribution Policy" its expectations with respect to distributions following completion of this offering.

- No performance fees have been deferred as Carlyle recognizes such fees based on the amount that would be due pursuant to the relevant fund partnership agreements at each period end as if the funds were terminated at that date.
- Carlyle has separately disclosed funds contributing greater than 10% of management fees and performance fees (please refer to the response to comment 62). In most of its funds, Carlyle is generally precluded from investing 20% of the fund into a single investment and it is unusual that a single investment will constitute more than 10% of the funds' total committed capital. In addition, Carlyle has also added sensitivity disclosure with respect to performance fees of its investment funds on a segment basis on page 174 of Amendment No. 1.
- Given Carlyle's diversification of funds, and the investment diversification within each fund, it is rare that a single investment will contribute greater than 10% of its total performance fees. However, Carlyle's investment in China Pacific Insurance (Group) Co. Ltd. has contributed greater than 10% of total performance fees in certain periods and Carlyle has reflected this in its disclosure accordingly.
- As of June 30, 2011, Carlyle has no material high water marks whereby Carlyle will not earn incentive fees even if the fund has positive returns. Two small funds managed by ESG are in such a situation, but they account for less than \$200 million of net assets and are not material to the segment or to Carlyle's consolidated results.

Non-GAAP Financial Measures — Economic Net Income, page 105

38. Clarify what you mean by the term "value creation."

Carlyle has revised its disclosure on page 109 of Amendment No. 1 to eliminate the use of the term "value creation."

Assets Under Management, page 105

39. On page 106, you state that total AUM tends to be a better measure of investment and fundraising performance as it reflects assets at fair value plus available uncalled capital. In this regard, please tell us what consideration you gave to presenting rollforwards for and discussing total AUM in addition to fee-earning AUM.

Carlyle has revised its disclosures under the caption "—Assets under Management" on page 113 Amendment No. 1 to include total AUM rollforwards and has also included segment AUM rollforwards under the caption "—Segment Analysis."

40. Please revise your rollforwards of fee-earning AUM to separately present and discuss each significant component, including the following:

- Changes due to market appreciation/(depreciation);
- Changes due to redemptions;
- Changes in capital commitments; and
- Changes in the collateral balances in CLOs.

Ensure you provide footnotes to the rollforwards to clearly explain the components of each line item and to clarify the interplay of the Available Capital, End of Period and Limited Partner Capital Deployed with your fee-earning AUM.

Carlyle has modified its fee-earning AUM rollforwards on page 111 of Amendment No. 1 and its fee-earning AUM rollforwards for each segment under the caption “—Segment Analysis” to address the matters identified by the Staff.

41. Please provide a reasonably detailed discussion accompanying each of your rollforwards of fee-earning AUM to help readers understand the impact that such performance/activity had on your results of operations and cash flows. Your discussion should include a comprehensive analysis of each of the significant components in your rollforward for each period presented on a consolidated basis as well as by segment, including market appreciation/(depreciation). Please ensure your discussion addresses material contributions or capital commitments, distributions, redemptions and market appreciation/(depreciation), including the identification and quantification of the material underlying sources that drove those activities.

Carlyle has enhanced its disclosures throughout “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Amendment No. 1 regarding changes in fee-earning and total AUM to address the matters identified by the Staff.

42. As part of your discussion of your fee-earning AUM, please provide readers with a meaningful understanding of the performance of each of your significant funds by type. For each significant fund impacting fee-earning AUM, please describe the underlying types of investments and overall strategy involved in the fund. To the extent necessary to provide investors with a sufficient understanding of the performance of your funds for each period presented, please also discuss the specific underlying assets and how the inherent risks of those assets impacted the market movements. Refer to Item 303(A)(3)(i) of Regulation S-K, Instruction 1 of Item 303(A) of Regulation S-K, and Section 501.12 of the Financial Reporting Codification for guidance.

Carlyle advises the Staff that for its Corporate Private Equity and Real Asset segments, as well as its carry funds and CLOs in its Global Market Strategies

segment, fund performance does not materially impact fee-earning AUM. Carlyle's carry funds in these segments as well as its CLOs are closed-end vehicles and accordingly are not subject to additional subscriptions and redemptions after their effective launch. Since fee-earning AUM based on invested capital is not fair value based, it can only decrease as investments are exited. Only fee-earning AUM based on net asset value (\$4,908 million as of June 30, 2011) and fee-earning AUM based on other (\$806 million as of June 30, 2011) is potentially impacted by performance.

Carlyle believes its modified disclosure of fee-earning AUM and the total AUM rollforward and related discussion on pages 111 and 113 of Amendment No. 1 provides a meaningful discussion of the underlying fee drivers. Additionally, within "—Segment Analysis" Carlyle provides disclosure of fund performance and within "Business", Carlyle provides a discussion of the investment strategy and industry focus of its investment funds.

43. *Please clarify how the amounts described in (a) through (e) under the Fee-earning Assets under Management heading on page 106 correspond to the amounts presented in the table detailing the components of fee-earning AUM at the top of page 107. This can be done by cross-referencing the descriptions on page 106 with the amounts on page 107. Please also clarify why the fee-earning AUM based on capital commitments would be significantly more than available capital presented in the table at the bottom of page 107. For example, fee-earning AUM based on capital commitments as of June 30, 2011 was \$42,507 compared to available capital of \$25,261 as of June 30, 2011.*

Carlyle advises the Staff that fee-earning AUM based on capital commitments is different than available capital. Fee-earning AUM based on capital commitments represents total limited partner capital commitments for carry funds that remain in the investment period. For such funds in the investment period, total committed capital is the basis upon which management fees are called regardless of how much capital has been invested to date. Accordingly, during the investment period fee-earning AUM based on capital commitments would include available capital of limited partners plus capital which has otherwise been invested or called. This is different than available capital, which is a component of total AUM but is not a basis upon which fees are earned and therefore not a separate component of fee-earning AUM. Available capital or dry powder represents all capital available to be called by its carry funds for investments.

Carlyle has modified its disclosure in the footnotes to the fee-earning AUM rollforwards on page 111 of Amendment No. 1 and in the footnotes to the fee-earning AUM rollforwards for each segment under the caption "—Segment Analysis" to clarify.

44. *Please disclose the extent of any significant changes in fee-earning AUM or total AUM subsequent to June 30, 2011. Quantify the portion of the change that was*
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attributable to performance as opposed to redemptions/investments. Disclose which investment types, segments, or individual investments were most significantly impacted. For any such significant changes, please disclose and quantify the impact on future results of operations and cash flows.

Carlyle has added additional disclosure on page 114 of Amendment No. 1 regarding the significant changes in fee-earning AUM and total AUM since June 30, 2011.

45. Please disclose the weighted average AUM balance during each period presented.

Carlyle respectfully advises the Staff it believes that the effective management fee rate for the period is a more relevant metric to the reader than the weighted-average AUM during the respective period. The weighted-average AUM during the period is generally not relevant as management fees are not based on weighted average AUM but rather AUM as of the respective call date, which is typically semi-annually (January 1 and July 1). Please refer to the response to comment 64.

Combined and Consolidated Results of Operations, page 108

General

46. You indicate in the headnote to your Selected Financial Data on page 92 that 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. Please highlight any significant changes in your disclosures and correspondingly address the impact on your results of operations for each period presented.

Carlyle has included additional disclosure on page 114 of Amendment No. 1 and has revised its disclosure in the Selected Historical Financial Data table on page 97 of Amendment No. 1 to include a footnote to highlight the significant changes in the funds Carlyle consolidates and the impact on its results of operations for each period presented resulting from these changes.

48. To the extent material to an understanding of your consolidated or segment results of operations, provide the following expanded disclosures:

- Discuss and quantify the management fees earned by an individual investment fund. It may also be necessary to provide a detailed discussion of the funds' underlying investments to fully explain;
 - Discuss if and how changes in the investment strategies of your assets under management have impacted your results;
 - Discuss if and how changes in the investment concentrations of your assets under management have impacted your results;
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- *Quantify performance fees earned by type individual investment fund. Discuss any increase/decrease in fees due to meeting performance targets and/or realization events from period to period. Discuss and quantify any reversals of incentive/performance fees during the period. Discuss and quantify any other factors affecting incentive/performance fees. It may also be necessary to provide a detailed discussion of the funds' underlying investments to fully explain;*
- *Discuss the reasonable likelihood of attaining specific thresholds in future periods to earn performance fees for any individual fund(s), if the realization or non-realization of such could have a material impact on the future results of operations. The timing and probability of future realization events should be discussed;*
- *Discuss and analyze the potential of material give-backs by segment or individual fund; and*
- *Discuss any trends that will materially affect future results of operations should be discussed in an appropriately balanced manner, such that readers can have an understanding of the probable future impact of the performance and activity by segment or any individual investment fund.*

Carlyle respectfully advises the Staff that it believes in most instances, the performance of individual investment funds will not be material to an understanding of its results of operations. As disclosed on page 1 of Amendment No. 1, Carlyle's approximately \$153 billion of AUM is spread across 86 funds and 49 fund of funds vehicles and related co-investment vehicles. These funds pursue a wide array of investments across industries, asset classes and geographies. Moreover, the partnership agreements which govern Carlyle's investment funds preclude investment concentration. Carlyle believes this diversity enhances the stability of its distributable earnings and management fee streams, reduces the volatility of its carried interest and performance fees and decreases its exposure to a negative event associated with any specific fund, investment or vintage. As described in further detail below, however, Carlyle has provided and will provide fund- and investment-level disclosures in those instances where such disclosures are material to an understanding of its consolidated or segment results of operations.

Carlyle advises the Staff that it has provided additional disclosure of the amount of management fees earned from a fund when such amounts exceed 10% of its total management fees. Carlyle has also provided further discussion of effective management fee rates by period and the related drivers of such rates.

Carlyle does not believe that changes in investment strategy or concentration are ordinarily material drivers of its performance. However, as Carlyle launches new funds and/or businesses, those changes may be relevant to an understanding of its performance. Carlyle has included disclosures regarding these "developments" in its AUM rollforwards as well as in its discussion in the Business section.

Carlyle has also provided additional disclosure for those funds which had a material impact on performance fees. Consistent with the approach discussed in the response to the Staff's comment 62, Carlyle has commented on specific funds in instances where the performance fees of a fund represented more than 10% of Carlyle's total performance fees for the periods presented. Individual investments are generally not significant to Carlyle's overall results due to its diversity of funds and fund concentration limits. However, Carlyle will also discuss individual investments when changes in their value are significant to its operating results as Carlyle has done with China Pacific Insurance (Group) Co. Ltd. in Carlyle Asia Partners L.P. Carlyle has also added sensitivity disclosure with respect to the performance fees of its investment funds on a segment basis on page 174 of Amendment No. 1.

Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

49. *Please separately disclose and discuss the amount of transaction and portfolio advisory fees.*

Carlyle has revised its disclosure on pages 115, 118 and 121 of Amendment No. 1 to include the total amount of transaction and portfolio advisory fee revenues for each period presented alongside the corresponding discussion of the changes in such amounts.

Compensation and Benefits, page 110

50. *You discuss pro forma performance related compensation expense, which includes compensation and carried interest allocated to your senior professionals, as a percentage of performance fees. Please avoid using the term pro forma as it does not appear that the amount presented includes all the adjustments identified in your pro forma financial statements.*

Carlyle has revised page 116 of Amendment No. 1 and elsewhere throughout the filing to eliminate the use of the term pro forma in this context.

51. *Given that compensation and benefits appears to be your most significant expense, please expand your discussion to also discuss changes in total compensation and benefits expense as a percentage of revenues. Please provide this discussion at both a consolidated and segment level.*

Carlyle has enhanced its disclosures on pages 116, 119, and 122 of Amendment No. 1 to discuss the changes in compensation and benefits expense as a percentage of revenues at a consolidated and segment level for all periods presented.

Interest and Other Income of Consolidated Funds, page 112**Interest and Other Expenses of Consolidated Funds, page 13**

52. Expand your disclosures to fully explain the nature of the underlying income and expenses related to your CLOs.

Carlyle has added additional disclosure on pages 115-121 of Amendment No. 1 to address the matters identified by the Staff.

Net Investment Gains (Losses), page 113

53. Your consolidated income (loss) before provision for income taxes appears to be materially impacted by the net investment gains (losses) of consolidated funds for most periods presented. For example, we note based on the disclosures provided on page F-32 that you recorded a \$752.4 million loss from the liabilities of CLOs. In this regard, please provide a comprehensive discussion and analysis of the investment activities generating these amounts for each period presented to allow investors to understand the material factors affecting the amounts recognized, realized and unrealized, and any material uncertainties or trends that may impact future results. In this regard, also discuss the gross realized gains, gross realized losses, gross unrealized gains, gross unrealized losses, gross unrealized gains reversed, and unrealized losses reversed. It may also be necessary to provide a detailed discussion of the funds and/or the funds' underlying investments to fully analyze the components of this line item. Refer to Item 303(A)(3) of Regulation S-K and the corresponding instructions and Section 501.12 of the Financial Reporting Codification for guidance.

Carlyle acknowledges the Staff's comment and referenced guidance. Under US GAAP, Carlyle is required to consolidate certain of its managed CLOs because they are variable interest entities and Carlyle has determined it is the primary beneficiary. However, Carlyle's economic interest in the CLOs is primarily derived from the management fees Carlyle earns. Substantially all of the net investment gains (losses) from the CLOs are attributable to the limited investors and allocated to non-controlling interests. As such, the effect of net investment gains (losses) from the consolidated CLOs on the earnings attributable to Carlyle Group is insignificant. Furthermore, the assets of the CLOs are not available to fund obligations of the firm and the liabilities of the CLOs only have recourse to the assets of the CLOs. Carlyle respectfully advises the Staff that it has considered these factors in assessing the appropriate prominence to be given to discussion regarding the impact of the CLOs. Carlyle notes, however, that it has enhanced its disclosure regarding the impact of the CLO investments throughout its discussion regarding its consolidated results.

54. For each period presented, please expand your disclosures to discuss net (income) loss attributable to non-controlling interests in consolidated entities to provide the investors with a better understanding of the underlying reasons for
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changes in this line item from period to period, including further discussion for the underlying reasons for changes in the net earnings/losses of your consolidated funds. In this regard we note that for the six months ended June 30, 2011 net (income) loss attributable to non-controlling interests in consolidated entities was a \$191 million loss compared to income of \$410.1 million for the six months ended June 30, 2010. We also noted that there was a significant increase in redeemable non-controlling interests from \$694 million at December 31, 2010 to \$1.01 billion at June 30, 2011. Please also discuss this amount as a percentage of total net income. Ensure your disclosure identifies the nature of each non-controlling interest for each period presented and, to the extent necessary, how such amounts are calculated.

Carlyle has enhanced its disclosure on pages 118 and 122 of Amendment No. 1 to address the matters identified by the Staff.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009, page 111

55. *Please address the above comments related to your results of operations discussion for the six months ended June 30, 2011 compared to the six months ended June 30, 2010 in your discussion of the results of operations for the year ended December 31, 2010 compared to the year ended December 31, 2009.*

Carlyle has revised its disclosures under the captions “—Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009” and “—Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008” where appropriate to address the Staff’s comments 49 — 54.

56. *Given the loss on CCC liquidation represented approximately 29% of your income (loss) before provision for income taxes, please provide additional background disclosures regarding the liquidation, including the terms of the liquidation and what the loss amount represents.*

Carlyle has added additional disclosure on page 122 of Amendment No. 1 to address the matters identified by the Staff.

Non-GAAP Financial Measures, page 115

57. *Your disclosure indicates that the table you present sets forth information in the format used by management when making resource deployment decisions and assessing performance of your segments. Compliance and Disclosures Interpretation 102.10 which is available on our website at <http://www.sec.gov/divisions/corpfin/guidance/nongaapinterp.htm> states that presenting full non-GAAP income statements may attach undue prominence to non-GAAP financial information. In this regard, we note that the level of detail in this table may be considered to be similar to the form and content of your full*
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GAAP statement of operations. Please address the meaningfulness and appropriateness of this presentation.

Carlyle has enhanced its disclosure on pages 109-110 of Amendment No. 1 regarding the meaningfulness of these non-GAAP financial measures to investors. Carlyle respectfully advises the Staff that it considered the guidance in Compliance and Disclosures Interpretation 102.10 when developing this table. Carlyle does not believe that this presentation has placed undue prominence on this non-GAAP information. This table is placed in the document following the discussion of Carlyle's results of operations which are presented on a GAAP basis. Furthermore, this table does not include all of the components of our income statement (e.g., the provision for income taxes, loss associated with early extinguishment of debt and other non-operating expenses) and is therefore, not a full non-GAAP income statement.

Carlyle believes that the level of detail it has provided in this table provides investors with meaningful insights into the information management uses in making resource deployment and compensation decisions and assessing the performance of Carlyle's four reportable segments.

58. *On page 105, you have identified Economic Net Income, Distributable Earnings, and Fee Related Earnings from Operations as Non-GAAP Financial Measures. Please reconcile Distributable Earnings and Fee Related Earnings from Operations to the most comparable GAAP financial measure pursuant to Item 10(e)(1)(i)(B) of Regulation S-K. In this regard, we note you reconcile economic net income to fee related earnings and fee related earnings to distributable earnings.*

Carlyle has revised its disclosure preceding the table on page 125 of Amendment No. 1 to expressly state that income (loss) before provision for income taxes is the GAAP financial measure most directly comparable to each of the non-GAAP measures presented: economic net income, distributable earnings and fee related earnings. In addition, Carlyle has enhanced its disclosure to clarify that the table that follows this discussion reconciles income (loss) before provision for income taxes to economic net income, to fee related earnings and to distributable earnings.

Carlyle respectfully advises the Staff that it believes the reconciliation provided on page 125 of Amendment No. 1 satisfies in a clear and concise manner, the requirements of Item 10(e)(1)(i)(B) of Regulation S-K. Income (loss) before provision for income taxes is first reconciled to economic net income. Rather than repeating all of the same reconciling items, economic net income is then reconciled to fee related earnings, which in turn is reconciled to distributable earnings.

59. Please re-label the line item “pro forma partner compensation” within your reconciliation of income (loss) before provision for taxes to economic net income to better indicate what this adjustment represents. In this regard, and based on footnote (1) this amount does not appear to be the pro forma partner compensation as presented in your pro forma financial statements but rather your historical compensation and carried interest allocated to your investment professionals that was accounted for equity distributions.

Carlyle has re-labeled the line item previously entitled “pro forma partner compensation” as “Partner compensation.”

Segment Analysis, page 118

Corporate Private Equity, page 119

60. Separately discuss material line item presented in your results of operations for your Corporate Private equity segment. In this regard, we note you first discuss Economic Net Income, Distributable Earnings and Fee Related Earnings before presenting a discussion of each line item which impacts such amounts. Please consider revising your presentation to provide your segment results of operations discussion that begins with a discussion and analysis of fund level fee revenues and the underlying components of such revenues. Similarly, you should separately discuss performance fees and its underlying components. In a similar fashion, segment expenses and their underlying components should then be discussed. Address this comment as it relates to your other segment discussions as well.

Carlyle has revised its disclosure under the caption “—Corporate Private Equity” on pages 127-130 of Amendment No. 1 such that it now begins with a discussion and analysis of fund level fee revenues and their underlying components, followed by a discussion of performance fees and their underlying components and then segment expenses and their underlying components.

Carlyle has also revised its disclosures regarding its other segments to conform to this revised presentation.

61. Please expand your discussion and analysis of your total performance fees each period presented to provide investors with a more comprehensive explanation of the underlying investments in the portfolios of Carlyle Partners IV, L.P., Carlyle Partners V, L.P., and Asia Buyout in addition to any other funds materially impacting your net performance fees or that you expect to materially impact your net performance fees in the near future. To the extent that a reduction in the amount of performance fees created in a fund has occurred during any of the periods presented, please disclose this fact along with the underlying reasons. Further, to the extent that a material difference has occurred between the amount of performance fees created and the actual performance fees received by the fund, please disclose this fact along with the underlying reasons for the differences. For

example, your disclosures on page F-27, state that approximately 31% of your accrued performance fees at December 31, 2010 and 79% of accrued performance fees at December 31, 2009 are related to an investment in a publicly-traded foreign company by a corporate private equity fund and related external co-investments. Performance fees from this investment were gains of \$9.7 million for the year ended December 31, 2010, gains of \$525.5 million for the year ended December 31, 2009, and losses of \$391.4 million for the year ended December 31, 2008, or approximately 1% of total performance fees for the year ended December 31, 2010, 106% of total performance fees for the year ended December 31, 2009, and 44% of total performance fees for the year ended December 31, 2008. Given that it appears that this fund has significantly impacted both your accrued performance fees and performance fees recorded each period, please provide a discussion regarding this fund and in a similar manner identify the fund.

Carlyle refers the Staff to the response to comment 62.

Performance fees reflect revenue from carried interest from carry funds and incentive fees from hedge funds. In Carlyle's discussion of Key Financial Measures on pages 105 — 107 and elsewhere in Amendment No. 1, Carlyle discloses that performance fees are recognized by Carlyle upon appreciation of the valuation of its funds' investments above certain return hurdles and are based upon the amount that would be due Carlyle at each reporting date if the funds were liquidated at their then current fair values. Accordingly, performance fees are generally recognized in advance of realizing cash. Carlyle separately discloses realized and unrealized performance fees to show the cash impact on performance fees. Negative realized performance fees would generally result from the actual payment of a clawback obligation and therefore occurs rarely; whereas negative unrealized performance fees can occur from realization of the previously unrealized balance, a decrease in valuation or valuations not increasing at a rate to keep pace with the hurdle rate.

Carlyle has provided additional disclosures throughout its discussion of its results of operations regarding funds that have materially impacted total performance fees, including reversals of previously accrued performance fees. Consistent with the approach discussed in the response to the Staff's comment 62, Carlyle will comment on specific funds in instances where at least 10% of total performance fees for the periods presented is attributable to such funds. In addition, Carlyle refers the Staff to its enhanced disclosure in response to comment 36, which specifically addresses Carlyle Partners IV, L.P., Carlyle Partners V, L.P. and Carlyle Asia Partners L.P., including the investment in China Pacific Insurance (Group) Co. Ltd. (which is also referenced on F-27 and related revisions thereto).

During the periods presented, no individual investment has materially impacted Carlyle's consolidated results, other than the investment in China Pacific Insurance (Group) Co. Ltd.

62. We note that you have identified significant investment funds for each segment. For those funds which materially impacted your segment revenues and economic net income (loss) for each period presented, please provide the following disclosures:

- A description of the underlying fund investment(s). For example, identification of the actual underlying equity investment (name of company(s)), or type of investments if no underlying investment is material to the fund;
- A description of the overall strategy involved in the investment, including the timing, thresholds and significant assumptions involved in managing the investment;
- A discussion of the results of operations and fair value of the underlying investments, or individual investments material to an understanding of the fund performance.

Carlyle concurs with the Staff's observation that additional disclosure is required for those funds "which materially impacted its segment revenues and economic net income." In determining the appropriate financial statement disclosures for those funds that materially impact Carlyle's results, Carlyle is guided by the disclosure framework that currently exists for significant customers. Specific disclosures have been included in the notes to its consolidated financial statements regarding concentrations and instances where total revenues recorded from a single investment fund exceeds 10% of total consolidated revenues for the periods presented.

In determining the appropriate disclosures in its Management Discussion and Analysis section related to its investment funds, Carlyle is also guided by the disclosure framework for significant customers. Carlyle recognizes that there may be instances where a discussion of fund performance may be necessary when commenting on revenues and ENI for the periods presented. Carlyle has commented on specific funds in instances where the performance fees of a fund represented more than 10% of Carlyle's total performance fees for the periods presented. Carlyle has also added a table which discloses the impact of a change in fair value of 10% on our performance fee revenue for each segment.

In addition, Carlyle will continue to consider the need to provide additional disclosure related to other funds (e.g., those not meeting the quantitative thresholds identified above) that collectively or individually have an impact on its performance.

63. *Please discuss and quantify any increase/decrease in fees due to changes in fee-earning AUM balances from period to period as well as any other factors affecting management fees. In this regard, fund management fees decreased from \$271.3 million for the six months ended June 30, 2010 to \$259.6 million for the six months ended June 30, 2011 for the corporate private equity segment. You state that the decrease reflects lower fees from your third European buyout fund as well as the natural decrease in management fees that occurs on funds outside of their investment period as they sell investments. Funds during their investment period earn management fees based upon committed capital whereas funds outside of their investment period earn management fees based upon remaining invested capital. Please quantify each of these factors. Please further disclose how this decrease correlates to the Fee-Earning AUM amounts you present. Given that there was a slight increase in your fee-Earning AUM from June 30, 2010 to June 30, 2011, please disclose why there is a net decrease in management fees.*

Carlyle has enhanced its disclosures regarding changes in fees due to changes in fee-earning and total AUM on pages 111 and 113 of Amendment No. 1 and under the caption “—Segment Analysis” to address the matters identified by the Staff.

64. *Please disclose and analyze the average percentage of management fees earned for each segment during each period presented with an explanation of any significant changes.*

Carlyle has added additional disclosure on pages 131, 142 and 152 of Amendment No. 1 regarding the weighted average management fees for each segment.

65. *In addition to your current presentation of inception to June 30, 2011 internal rate of returns, please tell us what consideration you gave to presenting and discussing the internal rate of returns for each period presented. It appears that this would provide additional meaningful information regarding your revenues recorded each period.*

In order to provide investors with what it believes is the most meaningful information to them, Carlyle has presented periodic performance information for its open-ended investment funds and inception to date performance information for its closed-end carry funds. Carlyle respectfully advises the Staff that closed-end carry funds are not typically evaluated based upon annual or interim internal rates of return, but rather investors evaluate such funds based upon their inception to date returns, and Carlyle believes that inception to date internal rates of return are a more useful indicator of investment performance for its closed-end carry funds. However, as noted above, the impact of the performance of Carlyle's closed-end carry funds during the periods presented is reflected in its discussion of its performance fees for such periods.

66. *Please ensure that you discuss each of the significant components of performance fee revenue recorded for each period presented. For example, in your discussion of Corporate Private Equity's net performance fees for the year ended December 31, 2010 compared to the year ended December 31, 2009, you discuss performance fees recorded for Carlyle Partners IV LP which represented approximately 53% of the performance fee revenues for this business segment. Please discuss any other significant components of the remaining 47% of performance fee revenue recorded during the period. Please also identify the specific funds so that a reader can determine which of the funds included in your tables the performance fees relate to. In a similar manner, you should discuss the specific funds for which you reversed performance fees during each period presented.*

Carlyle refers the Staff to its enhanced fund-specific disclosures regarding performance fees throughout its discussion of its results of operations, as well as to the additional tabular disclosure of segment performance fees and fair value sensitivity on pages 174 of Amendment No. 1.

Real Assets, page 126

Global Market Strategies, page 133

67. *To the extent applicable, please address the above comments related to your Corporate Private Equity segment to your Real Assets and Global Market Strategies segment disclosures.*

Carlyle advises the Staff that it has, to the extent applicable, added additional disclosure to address the above comments with respect to its other segments.

Fund Performance Metrics, page 137

68. *Please disclose how you determined which funds in your Global Market Strategies Funds segment to include in the tables.*

Carlyle advises the Staff that consistent with the presentation of fund performance information for its other segments, Carlyle has presented performance information for specific funds in its Global Market Strategies segment that, as of the periods presented, had at least \$1.0 billion in capital commitments, cumulative equity invested or total equity value. Carlyle has added disclosure to pages 155 and 156 of Amendment No. 1 to clarify this criteria. In addition to presenting fund performance for individual funds that satisfy the above criteria, Carlyle has considered whether the presentation of aggregate investment performance across the Global Market Strategies segment would be meaningful to investors. Carlyle respectfully advises the staff that due to the disparate nature of the underlying asset classes in which its Global Market Strategies funds participate (e.g., syndicated loans, bonds, distressed securities, mezzanine loans, emerging markets equities, macroeconomic products) and the inherent difficulties in aggregating the performance of closed-end and open-end funds, the presentation of aggregate investment performance across the segment would not be meaningful. Please refer to the response to the Staff's comment 104.

Liquidity and Capital Resources

General, page 138

69. *You indicate on page 215 that as a result of the size of the increases in the tax basis of tangible and intangible assets of Carlyle Holdings, the payments that you*
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may make under the tax receivable agreement will be substantial and that there may be a material negative effect on your liquidity, if, as a result of timing discrepancies or otherwise, the payments under the tax receivable agreement exceed the actual cash tax savings that the corporate taxpayers realize in respect of the tax attributes subject to the tax receivable agreement and/or distributions to the corporate taxpayers by Carlyle Holdings are not sufficient to permit the corporate taxpayers to make payments under the tax receivable agreement. You further disclose on page 65 that it is possible that the actual cash tax savings realized by the corporate taxpayers may be significantly less than the corresponding tax receivable agreement payments. Please address these liquidity concerns within your Management Discussion and Analysis.

Carlyle has included additional disclosure regarding the payments it may make under the tax receivable agreement on pages 165 -166 of Amendment No. 1 under the caption “—Contractual Obligations.”

Cash Flows, page 138

70. *You only present and discuss cash flows excluding the effect of your Consolidated Funds and CLOs. These amounts constitute non-GAAP measures. Your current presentation and disclosures place too much prominence on Non-GAAP amounts. Please revise your presentation and disclosures to present and discuss GAAP amounts. If you continue to also present and discuss these Non-GAAP amounts, please ensure that you comply with Item 10(e) of Regulation S-K.*

Carlyle has revised page 157 of Amendment No. 1 to present its cash flows on a GAAP basis prior to its presentation of cash flows excluding the effect of Consolidated Funds. Carlyle has also included on page 158 textual discussion regarding the cash flows of its Consolidated Funds that permits a reader to reconcile the differences between the measures.

Our Sources of Cash and Liquidity Needs, Page 139

71. *You have multiple sources of liquidity which include funds from your senior credit facility. Please clearly disclose the amounts available under your credit facility.*

Carlyle has revised page 159 of Amendment No. 1 to include the amount available under its revolving credit facility as of June 30, 2011.

72. *Please disclose how you intend to fund your quarterly distributions to the general partner and tax distributions. Please also disclose the risk to your operations by making such distributions to investors.*

Carlyle has revised page 159 of Amendment No. 1 to address the matters identified by the Staff.

73. *Please disclose whether or not you are dependent upon this offering to meet your liquidity needs for the next 12 months.*

Carlyle has revised page 159 of Amendment No. 1 to state that it is not dependent on this offering to meet its liquidity needs for the next 12 months.

Our Balance Sheet and Indebtedness, page 141

74. *Please file the agreements governing the Senior Secured Credit Facility, the Claren Road Loan, and the Subordinated Notes, including all exhibits and schedules, as exhibits to your registration statement.*

Carlyle advises the Staff that it is in the process of amending the agreement governing its Senior Secured Credit Facility (which amendment it anticipates concluding prior to the circulation of a preliminary prospectus to potential investors) and will file such agreement with a subsequent pre-effective amendment. Carlyle understands that the Staff requires a reasonable amount of time for review.

Carlyle advises the Staff that amounts outstanding under the two Claren Road Loan facilities as of September 30, 2011 were less than \$50 million and \$30 million, respectively. In these circumstances, Carlyle respectfully submits that the agreements governing such loans are not material contracts required to be filed as exhibits to the Registration Statement pursuant to Item 601(b)(10) of Regulation S-K.

Carlyle will file the agreement governing the Subordinated Notes as an exhibit with a subsequent pre-effective amendment. Carlyle understands that the Staff requires a reasonable amount of time for review.

Contractual Obligations, page 144

75. *Please provide the information as of the latest fiscal year end balance sheet date. Also, revise your table to include all required periods. You have not provided information for the periods of "1-3 years" and "3-5 years". See Item 303(a)(5)(i) of Regulation S-K.*

Carlyle acknowledges the Staff's comment as well as the guidance in Item 303 (a)(5)(i) of Regulation S-K. Carlyle respectfully submits that its current presentation is in the format required by Item 303(a)(5)(i) of Regulation S-K, but includes data which is updated as of June 30, 2011 as opposed to the latest audited balance sheet of December 31, 2010. Recognizing that the goal of this disclosure is to present a meaningful snapshot of cash requirements arising from contractual payment obligations, Carlyle believes that its existing disclosure achieves this goal by presenting its contractual obligations as of its most current reporting period. For example, capital commitments to Carlyle funds were approximately

\$280 million higher as of June 30, 2011 compared to those as of December 31, 2010. Carlyle's existing disclosure includes these additional \$280 million of capital commitments whereas a presentation as of December 31, 2010 would not. In this regard, Carlyle believes that its existing disclosure is a more meaningful presentation of current contractual payment obligations.

Carlyle believes that its existing disclosure is clear, understandable and appropriately reflects its current obligations that are meaningful in light of its capital structure and business. Furthermore, its existing disclosure is consistent with its other Item 303(a) disclosures provided under the headings Liquidity and Capital Resources, Its Sources of Cash and Liquidity Needs, and Its Balance Sheet and Indebtedness.

Finally, Carlyle understands that there is diversity in the presentation of this disclosure among registrants, particularly in the context of an initial Registration Statement. Carlyle is not aware of the Staff's objection to such diversity.

Critical Accounting Policies, page 147

General

76. *If significant judgment is involved in the calculation of AUM, and this judgment materially impacts the determination of revenue, it would appear that a separate critical accounting policy regarding the calculation of AUM should be provided as well as an expanded discussion of your current critical accounting policy related to fair value measurements. The following disclosures may be useful to investors:*

- *The portion of AUM in which you have a role in estimating fair value;*
 - *The amount or percentage of assets under management that are valued using (a) level 1 inputs, (b) level 2 inputs, and (c) level 3 inputs, as defined in ASC 820. Describe the types of investments in each level;*
 - *For each type of asset included in level 2, explain the significant other observable inputs being used. If relying on a third party pricing services, explain the inputs they are using to estimate the fair value of these assets;*
 - *For each type of asset included in level 3, provide a detailed explanation of the methodology used to estimate fair value, the assumptions used in the fair value method, including quantification of such assumptions, and a sensitivity analysis of those assumptions. If relying on third party pricing services, disclose the methodologies and assumptions used;*
 - *Include a discussion of the potential risks and uncertainties associated with the fair value estimates of your assets under management and how they may impact your results;*
 - *Clarify why the fair value of certain securities may be different from the closing market price; and*
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- *Include a sensitivity analysis that demonstrates the impact that changes in the fair value of your assets under management could have on your results.*

Carlyle does not believe that the calculation of AUM is a critical accounting policy as (1) the judgmental aspect of AUM is already addressed in "Fair Value Measurement" within its critical accounting policies and (2) the judgmental aspect of AUM does not materially impact its management fees. "Performance Fees" are also addressed in critical accounting policies and their recognition is based upon fair value measurements.

As Carlyle notes under "Quantitative and Qualitative Disclosures about Market Risk," its management fees are not materially affected by valuations of its portfolio. Its unrealized performance fees are impacted by changes in valuations. Accordingly, Carlyle has added sensitivity disclosure regarding performance fees in its segment discussions for its larger funds as well as in total in "Quantitative and Qualitative Disclosures about Market Risk." Carlyle has also added sensitivity disclosure of the portion of its total assets under management which are impacted by changes in valuation and also disclose the percentage of net asset value classified as Level 3 under ASC 820 by segment.

Footnote 4 to the financial statements and its discussion under Fair Value Measurements provide a reasonable discussion of the methodologies used to estimate fair value for its various investment types.

The risk factor disclosures include a discussion of the risks related to valuation methodologies and their potential impact on fund performance and performance fees (see pages 44-45 of Amendment No. 1).

The fair value of securities will be the closing market price if such security is traded in an active market and is not legally restricted. If a security is legally restricted then a discount to the closing market price is applied based upon the length of the restriction period and the volatility of the security.

As shown in note 4 to the financial statements, substantially all of the consolidated investments on Carlyle's balance sheet are classified as Level 3. The Level 2 values on the balance sheet relate to investments in hedge funds and are classified as level 2 because their net asset value is redeemable without significant restrictions.

Fair Value Measurement, page 149

77. *Your disclosures in Note 4 to the financial statements indicate that the most significant assets measured at fair value on a recurring basis are hedge funds, bonds, and loans. In terms of liabilities, it appears that the most significant are loans payable of the CLOs. Please provide a more detailed discussion of the*
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methodologies and assumptions used to determine fair value for each of these. Please also include a sensitivity analysis that demonstrates the impact that changes in the fair value could have on your results.

Carlyle has enhanced its disclosure under the caption “—Fair Value Measurement” on page 172 of Amendment No. 1 to address the matters identified by the Staff.

78. Please disclose the nature and type of assets underlying any asset-backed securities, for example, the types of loans (sub-prime, Alt-A, or home equity lines of credit) and the years of issuance as well as information about the credit ratings of the securities, including changes or potential changes to those ratings.

Carlyle respectfully advises the Staff that the substantial majority of the CLO investments (94% as of June 30, 2011) are in bank loans, which are generally not considered asset backed securities.

Quantitative and Qualitative Disclosures About Market Risk, page 152

79. You discuss your exposure to market risk and the impact to your fund management fees of changes in market value of your investments. Please tell us what consideration you gave to also discussing the impact to your performance fees.

Carlyle has included additional disclosure regarding the sensitivity of its performance fees on page 174 of Amendment No. 1.

Unaudited Pro Forma Financial Information, page 154

General

80. You indicate on page 32 that you will expend significant financial and other resources to comply with the requirements of being a public company. Please highlight this fact in your pro forma financial information.

Carlyle has enhanced its disclosures on pages 178 -179 of Amendment No. 1 to be consistent with the existing disclosures on page 34.

81. Prior to the date of the offering, the Parent Entities will also make to their owners one or more cash distributions of previously undistributed earnings and accumulated cash. Please tell us what consideration you gave to SAB Topic 1:B.3 in regards to providing pro forma per share data regarding these distributions.

Carlyle acknowledges the Staff's comment and advises the Staff that appropriate consideration will be given to SAB Topic 1:B.3 and the presentation of pro forma per share data to the extent these distributions exceed its current year's earnings.

82. *In regards to the restructuring and purchase of certain third party interests, we have the following comments.*

- *Please disclose how you will determine which third party interests should be purchased and which should be restructured;*
- *Please disclose the purpose of restructuring the ownership of certain carried interest rights and whether each former owner will receive the exact same carried interest rights as prior to the restructuring, and whether consideration in any form will be exchanged; and*
- *Please clarify under how you determined which of the remaining beneficial interests would be held directly by such beneficial owners and which would be reflected as non-controlling interests in your financial statements.*

Carlyle respectfully advises the Staff that it anticipates that it will acquire from certain existing and former owners of the Parent Entities certain beneficial interests in investments in or alongside its funds that were funded by such persons indirectly through the Parent Entities, at their current fair value. Carlyle also currently anticipates that the beneficial interests that are not acquired in this process will be distributed to the beneficial owners and held by them directly. As these latter beneficial interests will be distributed to the beneficial owners, they will not be included in Carlyle's financial statements and therefore will not be reflected as non-controlling interests. Carlyle has revised its placeholder disclosures, as necessary, throughout the unaudited pro forma financial information for these transactions.

With regard to the restructuring of certain carried interest rights allocated to former owners, Carlyle respectfully advises the Staff that its retired senior Carlyle professionals who have existing carried interest rights through their ownership interests in the Parent Entities will not participate in the exchange transaction described under "Reorganization" on page 84 of Amendment No. 1. Their carried interest rights will be restructured such that they will exchange their existing carried interest rights (through their ownership interests in the Parent Entities) for an equivalent amount of carried interest rights in the general partners of its funds. The individuals maintain the exact same carried interest rights before and after this restructuring, and no consideration in any form will be provided to them in this restructuring. Carlyle has expanded its disclosure, as necessary, throughout the unaudited pro forma financial information for this transaction.

83. *In regards to the contribution of the parent entities and other interests to Carlyle Holdings, your senior Carlyle professionals, Mubadala and CalPERS will contribute all of their interests in:*

- *TC Group, L.L.C. to Carlyle Holdings I.L.P.;*
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- *TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. to Carlyle Holdings II L.P.; and*
- *TC Group Cayman, L.P. to Carlyle Holdings III L.P.; and*
- *your senior Carlyle professionals and other individuals engaged in your business will contribute to the Carlyle Holdings partnerships a portion of the equity interests they own in the general partners of your existing carry funds.*

Carlyle acknowledges the Staff's comment as being factually accurate.

84. *In consideration of these contributions your existing owners will receive Carlyle Holdings partnership units. Please clearly disclose the terms of this exchange in the pro forma financial information. Please provide us with following additional information regarding the terms of the reorganization:*

Carlyle refers the Staff to the response to comment 134 for additional information related to the current ownership structure of Carlyle Group, which should be read in conjunction with its response below. Carlyle has added additional disclosure on pages 178 and 187 of Amendment No. 1 to include the terms of the exchange in the unaudited pro forma financial information.

On a supplemental basis, below Carlyle has separately responded to each request related to the additional information regarding the terms of the reorganization.

- *Please clearly identify each entity that is part of the reorganization, including the entities that existed prior to the reorganization and the entities that will exist after the reorganization;*

As described in greater detail under "Reorganization" on page 85 of Amendment No. 1, Carlyle advises the Staff that the existing owners will contribute to Carlyle Holdings all of the legal entities included in its historical combined and consolidated financial statements. All of the entities that existed prior to the reorganization will exist after the reorganization is complete.

The partnerships comprising Carlyle Holdings will be established in conjunction with the reorganization. Each of the three Carlyle Holdings partnerships: Carlyle Holdings I L.P., Carlyle Holdings II L.P., and Carlyle Holdings III L.P., will be formed to hold its interests in different Carlyle-related businesses.

- *For owners in each entity that existed prior to the reorganization, please help us understand how you determined how many units would be given to them of the newly created entities and of which entities they would be given units. Please clarify the exchange ratio used to determine the appropriate number of units to be given to the existing owners of each entity. Please clarify if the*
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same exchange ratio was used for all of the existing owners of each entity. If not, please disclose your accounting for any preferential rights given;

Each of the three Carlyle Holdings partnerships will have an identical number of partnership units outstanding. Carlyle uses the term "Carlyle Holdings partnership unit" to refer collectively to a partnership unit in each of the three Carlyle Holdings partnerships. The reorganization is structured as a fair value exchange where the existing owners will exchange their interests in the contributed businesses for an equivalent fair value of Carlyle Holdings partnership units. Each existing owner will receive a number of Carlyle Holdings partnership units that is based on his/her individual interest in the contributed businesses, but in each case the individual will receive an equal number of partnership units in each of the three Carlyle Holdings partnerships.

Carlyle is currently in the process of determining the exchange ratio to use in the reorganization. The calculated exchange ratio will be applied to all of the existing owners at the time of the reorganization. The exchange will be determined such that the fair value of the Carlyle Holdings partnership units received is equivalent to the fair value of the interests in the contributed businesses. No preferential rights will be given.

- *Please clarify whether anyone who is not an existing owner will receive units of the newly created entities in the reorganization. If so, please tell us the terms under which these units will be given to these non-existing owners, including if any consideration will be paid. Please also help us understand why units of the newly created entities would be given to them.*

In connection with the reorganization, certain individuals who are not presently owners of the Parent Entities will contribute to Carlyle Holdings a portion of their carried interest rights in its funds in exchange for Carlyle Holdings partnership units.

These carried interest rights have historically been accounted for as compensatory profit sharing arrangements. The exchange of these interests for Carlyle Holdings partnership units will be accounted for as the settlement of a liability. Carlyle anticipates that the fair value of the Carlyle Holdings interests exchanged in this transaction will exceed the carrying value of the compensation liability associated with the carried interest rights. The excess of the fair value of the Carlyle Holding partnership units over the carrying amount of the liability will be recorded as a loss in its combined and consolidated statement of operations. Carlyle's Unaudited Pro Forma Statements of Operations will reflect a pro forma adjustment for the reduction of historical performance fee compensation expense associated with the carried interest rights that will be exchanged for Carlyle Holdings partnership units. The loss associated with the settlement of the liability also will be appropriately disclosed in its pro forma financial statements.

85. *You will enter into a tax receivable agreement with your existing owners that will provide for the payment by the corporate taxpayers to your existing owners of 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax that the corporate taxpayers realize as a result of increases in tax basis and certain other tax benefits related to your entering into the tax receivable agreement. Please disclose the significant terms of the tax receivable agreement and how you intend to account for it.*

Carlyle advises the Staff that the offering transactions (in which its existing owners will not receive any cash or common units of The Carlyle Group L.P.) will not result in increases in tax basis that would give rise to payments under the tax receivable agreement. Also, Carlyle has not assumed any exchanges by the holders of the Carlyle Holdings partnership units for The Carlyle Group L.P. common units in the unaudited pro forma financial information. Accordingly, no pro forma adjustment related to the tax receivable agreement is necessary. Carlyle has added disclosure on page 178 of Amendment No. 1 to indicate its assumptions in the pro forma financial information related to the tax receivable agreement. In response to the Staff's comment, Carlyle has revised pages 243-244 of Amendment No. 1 to disclose the significant terms of the tax receivable agreement and how it anticipates that it will account for such increases in tax basis and payments under the tax receivable agreement in respect of future transactions.

86. *Please show precisely how you arrived at each adjustment amount, which should include a discussion of any significant assumptions and estimates to arrive at the amount. Please separately present and show precisely how you computed each component of an adjustment if there are multiple components. Your additional disclosures should include revisions to the following adjustments:*

- *Adjustment 1(f) on page 160;*
- *Adjustment 1(f) on page 168;*
- *Adjustment 2(b) and (c) on page 168; and*
- *Adjustment 3(b) on page 171*

Carlyle has revised its disclosures under the caption "Unaudited Pro Forma Financial Information" regarding the adjustment amounts to clarify how such amounts have been derived, to the extent that the amounts have been quantified at this time. Carlyle respectfully advises the Staff that due to updates to its unaudited pro forma financial information in Amendment No. 1, adjustment 2(c) from page 168 noted by the Staff is now adjustment 3(a) on pages 197-198 of Amendment No. 1, and adjustment 3(b) on page 171 noted by the Staff is now adjustment 2(a) on pages 193-194 of Amendment No. 1.

Notes to the Unaudited Condensed Combined and Consolidated Pro Forma Balance Sheet**Note 1. Business Acquisitions, page 158**

87. You acquired a 60% equity interest in AlInvest Partners B.V. on July 1, 2011. Based on the pro forma financial information provided, you intend to consolidate this entity as of July 1, 2011. On page 57, you disclose the following regarding your relationship with AlInvest Partners B.V.:

- You will restrict your day-to-day participation in the AlInvest Partners B.V. business;
- The management team of AlInvest Partners B.V. will continue to carry out independent asset management operations without day-to-day participation by your personnel;
- Your representatives will serve on the board of AlInvest Partners B.V. but you will observe substantial restrictions on your ability to access investment information or engage in day-to-day participation in the investment business of AlInvest Partners B.V., including a restriction that its investment decisions are made and maintained without involvement by your personnel and that no specific investment data, other than data on the investment performance of its client mandates, will be shared.

Carlyle acknowledges the Staff's comment as factually accurate.

88. Please tell us whether the above listed restrictions are by your choice or whether the terms of the acquisition agreement require you to comply with these restrictions. Please help us better understand the business purpose for the acquisition in light of the above restrictions. Please provide us with a summary of your significant rights and obligations as a 60% equity owner in this entity, including the number of the board seats that will be occupied by your representatives as well as the total number of board members that serve on the board of AlInvest Partners B.V.

AlInvest is one of the world's largest investors in private equity and advises a global private equity fund of funds program. Carlyle acquired AlInvest to enter the fund of funds market and thereby increase the investment offerings available to Carlyle's limited partner investors. Carlyle expects to leverage AlInvest's existing fund of funds business by advising additional investors either through customized separate managed accounts or co-mingled multi-investor vehicles.

The restrictions under which Carlyle has agreed to operate were not contained in the acquisition agreement. Instead, these restrictions are contained in a set of operating Policies and Procedures that were adopted by the Board of AlInvest. These policies can be amended by the Board of Directors of AlInvest. AlInvest Partners B.V. is governed by its Board of Directors. All significant decisions are governed by a majority vote of the Board. These significant actions include: i)

approving the annual business plan and budget, ii) incurring any new indebtedness, iii) the hiring of certain executive officers, including the CEO and CFO, and iv) approving the entrance into new lines of business or changes in investment policies. Initially, the Board is composed of four members; two of whom are appointed by Carlyle and two of whom are appointed by certain managers of AlInvest who own 40% of the common equity of AlInvest and manage the day to day affairs of AlInvest, including its investment activities. The initial two Board members appointed by the management owners have also been admitted as partners in Carlyle effective upon the closing of the acquisition. Carlyle holds a portion of its equity in the form of non-voting shares that are convertible at the option of the holder to voting shares. Upon conversion of the non-voting shares Carlyle would own 60% of the voting securities of AlInvest and would be entitled to unilaterally appoint a third voting member to the Board. Carlyle may convert the non-voting shares to voting shares, at any time in its sole discretion and without cost. By virtue of the aforementioned rights, Carlyle has a controlling financial interest in AlInvest.

89. For adjustment (a), it appears that certain of the amounts reflected in the table of estimated fair value of assets acquired, liabilities assumed, and non-controlling interests on page 160 do not agree to the historical or total business acquisitions column amounts. For example, it is not clear how you arrived at the Investments of Consolidated Funds amounts on page 159 compared to the amounts provided on page 160. It is also not clear how you arrived at the cash and cash equivalents amounts on page 159 compared to the amounts provided on page 160. Please clarify your disclosures as necessary for each of the amounts.

Carlyle has supplementally provided to the Staff the following tables to clarify how it arrived at each of the amounts identified by the Staff.

Table 1

Account	AlInvest	ESG
Investments of Consolidated Funds	\$8,226.4	\$361.9
Add: Cash and cash equivalents held at Consolidated Funds	3.2	8.9
Add: Due from affiliates and other receivables of Consolidated Funds, net	96.4	27.3
Assets of Consolidated Funds	\$8,326.0	\$398.1

Table 2

Account	AlpInvest	ESG
Cash and cash equivalents	\$150.6	\$ 6.7
Add: Restricted cash	0.5	—
Add: Due from affiliates and other receivables, net	0.4	4.6
Add: Cash associated with non-controlling interest	17.5	—
Cash and receivables	\$169.0	\$11.3

Carlyle has also added additional disclosure on page 183 of Amendment No. 1 to include footnote descriptions of what is included in the accounts "Assets of Consolidated Funds" and "Cash and receivables."

90. *You present the total amount of acquisition-date fair value of equity interests and other contingent consideration. Please expand you disclosures to separately disclose those amounts related to contingent consideration. For each of these components, please disclose any estimates or assumptions you used to arrive at these amounts.*

Carlyle has revised its disclosures on page 183 of Amendment No. 1 to include additional information related to the contingent consideration associated with the AlpInvest and ESG acquisitions.

91. *Please discuss the extent to which total consideration could increase and the events or circumstances that would result in the amount increasing. Please also disclose the maximum amount of any additional potential payments, if applicable. Finally, disclose when you expect the purchase price allocation to be finalized.*

Carlyle advises the Staff that the total consideration paid for the AlpInvest and ESG acquisitions could increase from the amounts disclosed based on the ultimate resolution of contingent consideration provisions in the acquisition agreements. For the AlpInvest acquisition, the contingent consideration relates to potential carried interest in certain existing AlpInvest funds that will be payable to the AlpInvest sellers if such carried interest is realized. There is no maximum amount for this potential payment as it is based on the amount of carried interest that those funds ultimately generate. For the ESG acquisition, the contingent consideration relates to performance-based contingent payments of up to \$110.5 million, which is the maximum amount of additional consideration that could be paid.

Carlyle has revised its disclosures on page 183 of Amendment No. 1 to include additional information on the maximum amount of potential payments as well as its estimate on when Carlyle expects the purchase price allocation will be finalized.

Note 2. Reorganization and Other Adjustments, page 161

92. *You indicate under the caption IPO Equity Awards on page 213 that at the time of the offering and under your Equity Incentive Plan that you intend to grant deferred restricted units and phantom deferred restricted units to your employees and that you intend to settle those units in cash. Please address the need to reflect these grants as liabilities in your pro forma balance sheet. Please also address the need to discuss the funding of this liability within the section Our Sources of Cash and Liquidity Needs on page 139.*

With regards to the deferred restricted units, Carlyle respectfully advises the Staff that these units will be settled in common units of The Carlyle Group L.P. upon vesting. At the time of the offering, Carlyle intends to grant deferred restricted units to its employees, all of which will be subject to vesting based on service conditions. Pursuant to ASC 718, *Compensation — Stock Compensation*, the grant date fair value of the deferred restricted units will be charged to compensation expense over the vesting period. As the deferred restricted units are stock-settled and subject to vesting based on service conditions, they will be accounted for as equity awards and therefore no liability will be recorded. Carlyle will include a pro forma adjustment in the Unaudited Pro Forma Statements of Operations to reflect compensation expense associated with the grant of the deferred restricted units.

With regards to the phantom deferred restricted units, Carlyle respectfully advises the Staff that the phantom deferred restricted units granted at the time of the offering will be subject to vesting based on service conditions and will be settled in cash upon vesting. Pursuant to ASC 718, *Compensation — Stock Compensation*, the fair value of the phantom deferred restricted units will be remeasured each reporting period until settlement and charged to compensation expense over the vesting period. Because the awards are subject to vesting, no liability will be recorded upon grant and thus no pro forma adjustment is reflected in our Unaudited Pro Forma Balance Sheet. Carlyle will include a pro forma adjustment in the Unaudited Pro Forma Statements of Operations to reflect compensation expense associated with the grant of the phantom deferred restricted units.

With respect to the discussion of Our Sources of Cash and Liquidity Needs on pages 159 — 160 of Amendment No. 1, Carlyle respectfully advise the Staff that it believes that its existing disclosures adequately address the funding requirements associated with its operating expenses, including compensation arrangements, and thus provide sufficient information as to the funding of these obligations.

93. *For adjustment (c), expand your disclosure to clarify why this adjustment is necessary. Also clarify whether you have reduced the deferred tax asset amount*
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with a valuation allowance. If so, disclose the gross amount of the deferred tax asset and the related valuation allowance. If not, please address your consideration of whether a valuation allowance needs to be recorded.

Carlyle has expanded its disclosure on pages 186 — 187 of Amendment No. 1 related to adjustment 3(b) (formerly adjustment 2(c)) to clarify why this adjustment is necessary and its consideration of whether a valuation allowance needs to be recorded.

Carlyle supplementally advises the Staff that based on the existence of sufficient taxable income, Carlyle does not expect to record a valuation allowance on its pro forma deferred tax asset as it is more likely than not to be realized. In considering the sources of taxable income, no apparent negative evidence, as contemplated in Accounting Standards Codification 740, Income Taxes, was identified that would suggest a valuation allowance would be necessary.

94. *For adjustment (e), please clearly show how you arrived at the amount of equity interests to issue to Mubadala. Please also address the accounting implications related to the 7.5% discount to the IPO price.*

Carlyle has revised its disclosures on page 187 of Amendment No. 1 related to adjustment 3(d) (formerly adjustment 2(e)) to clarify how the equity interests that will be issued to Mubadala will be derived.

Carlyle advises the Staff that the 7.5% discount to the IPO price will result in a charge to income (equivalent to the difference between the fair value of the Carlyle Holdings partnership units issued to Mubadala and the carrying value of the liability). Carlyle will include this charge in its disclosures of material nonrecurring charges directly attributable to the transaction.

Carlyle also advises the Staff that in October 2011, Carlyle redeemed 50% of the outstanding principal amount of the subordinated loan payable to Mubadala for cash proceeds of \$265.5 million (including \$5.5 million of accrued and unpaid interest). Carlyle has added a pro forma adjustment to its Unaudited Pro Forma Balance Sheet to reflect this partial redemption of the loan and revised its disclosures to reflect that the remaining \$250 million principal amounts of the subordinated loan payable to Mubadala will be exchanged for equity interests in Carlyle Holdings.

95. *For adjustment (h), please disclose the terms of this restructuring of ownership of certain carried interest rights allocated to former owners of the Parent Entities such that you clarify how you determined the amount to classify to non-controlling interests.*

Carlyle refers the Staff to the response to comments 82 and 102 for information related to the restructuring of the carried interest rights allocated to former owners

of the Parent Entities. Carlyle also advises the Staff that the amount of this pro forma adjustment is based on the carrying amount of such interests as of the pro forma balance sheet date. Carlyle has revised its disclosure on page 186 of Amendment No. 1 related to adjustment 2(e) (formerly adjustment 2(h)) to include additional information on how this adjustment was determined.

3. Adjustments for Non-Controlling Interests, page 163

96. *For component (3) to adjustment (a), please disclose the terms of this restructuring of ownership of certain carried interest rights allocated to former owners of the Parent Entities such that you clarify how you determined the amount to reduce Carlyle Group's members' equity and accordingly, reduce the balance of non-controlling interests in consolidated entities. If this adjustment relates to the purchase of a portion of the beneficial interests at fair value, clarify why there does not appear to be a related cash adjustment. In addition, your explanation for this component does not appear to be consistent with the explanation provided in adjustment 2(h) on page 163 which relates to an increase in non-controlling interests in consolidated entities.*

Carlyle refers the Staff to the response to comment 95 for information related to the restructuring of the carried interest rights allocated to former owners of the Parent Entities. Carlyle also respectfully advises the Staff that the intended purpose of pro forma adjustment 4(a) (formerly 3(a)) is to reclassify the equity interests in Carlyle Holdings that will not be owned by The Carlyle Group L.P. (i.e., the equity interests in Carlyle Holdings partnership units held by its existing owners subsequent to the offering) from members' equity to non-controlling interests in consolidated entities to arrive at the pro forma balance sheet of The Carlyle Group L.P.

The table provided in pro forma adjustment 4(a) on pages 187 - 188 of Amendment No. 1 is being provided to disclose clearly how this adjustment has been derived. The table begins with Carlyle Group's historical members' equity (from its combined and consolidated financial statements), all of which is owned by its existing owners and which, absent the reorganization and offering transactions, would be classified as non-controlling interests of The Carlyle Group L.P. Items (2) through (7) of the table are the amounts from the reorganization and offering transactions which would increase or decrease the amount of members' equity attributable to the existing owners. The total of this table represents the pro forma members' equity owned by its existing owners which will be reclassified from members' equity to non-controlling interests in consolidated subsidiaries of The Carlyle Group L.P.

Notes to Unaudited Condensed Combined and Consolidated Pro Forma Statements of Operations, page 166**General**

97. *It appears that there may be material nonrecurring charges which result directly from the business acquisitions, reorganization and offering transactions which will be included in your income within the 12 months succeeding the transactions. For example, it would appear that you would have nonrecurring acquisition costs for AlpInvest and ESG. In addition, it appears that you may incur material nonrecurring compensation expenses as part of the Reorganization related to the issuance of vested partnership units. Please address the following comments in this regard:*

- *Separately disclose and reflect these transactions in your pro forma balance sheet as necessary. Refer to Rule 11-02(b)(5) of Regulation S-X.*
- *Revise your pro forma statement of operations caption "net income" to "income from continuing operations before nonrecurring charges directly attributable to the transaction" and quantify such nonrecurring charges. Refer to Rule 11-02(b)(5) of Regulation S-X.*

Carlyle has revised the caption on the Unaudited Condensed Combined and Consolidated Pro Forma Statements of Operations to "income from continuing operations before nonrecurring charges directly attributable to the transaction."

Carlyle respectfully advises the Staff that it will quantify and disclose its material nonrecurring charges resulting from the reorganization and offering transactions and will reflect these amounts in its Unaudited Pro Forma Balance Sheet. Carlyle also respectfully advises the Staff that the nonrecurring charges associated with the acquisitions of AlpInvest and ESG were not material to its financial statements (\$9.6 million).

1. Business Acquisitions, page 166

98. *For adjustment (d), please help us understand how you are arriving at the adjustment amount. The amount borrowed of \$116.6 million multiplied by the variable interest rate range disclosed does not appear to equal to the adjustment amount of \$9.9 million for the year ended December 31, 2010. Please advise or revise as necessary.*

Carlyle respectfully advises the Staff that the pro forma adjustment for the year ended December 31, 2010 also includes pro forma interest expense associated with loans associated with the Claren Road acquisition. The pro forma interest expense on these loans totaled \$6.9 million. Carlyle has revised its disclosures on page 193 of Amendment No. 1 to include information on these borrowings.

99. *For adjustment (e), please disclose the nature of the deferred tax liabilities, why you are amortizing these liabilities, the estimated amortization periods, and how you determined the estimated amortization periods.*

Carlyle has revised its disclosure for adjustment (e) on page 193 of Amendment No. 1 to clarify that the deferred tax liabilities relate to the identifiable intangible assets recognized in the AlInvest and ESG acquisitions, and these deferred tax liabilities are reduced over the same period as the related intangible assets are amortized.

2. Reorganization and Other Adjustments, page 168

100. *We refer you to footnote (3) to Adjustment 2(b) on page 168. As part of the Reorganization, there will be a reallocation of carried interest to senior Carlyle professionals and other individuals who manage your carry funds, such that the allocation to these individuals will be approximately 45% of all carried interest, on a blended average basis. Prior to the reorganization, the level of such allocations vary by fund, but generally are at least 50% of the carried interests in the fund. Please clarify whether these professionals and individuals will be compensated in some form for this reduction in allocation.*

Carlyle advises the Staff that in connection with the reorganization, certain of its existing owners and certain individuals who manage its carry funds will contribute to Carlyle Holdings a portion of their individual carried interest rights in its funds in exchange for Carlyle Holdings partnership units. Carlyle refers the Staff to the response to comment 84 for a discussion of the exchange of individuals' carried interest rights in its funds for Carlyle Holdings partnership units.

101. *As part of the reorganization, your existing owners will receive Carlyle Holdings partnership units as well as unvested deferred restricted units and phantom deferred restricted units will be granted to your employees at the time of this offering. Note 2 (c) on page 169 appears to address your accounting for the grant of the unvested deferred restricted units. Please disclose and discuss how you intend to account for the phantom deferred restricted units that will be granted to your employees.*

Carlyle refers the Staff to the response to comment 92 for a discussion of the accounting for the phantom deferred restricted units. Carlyle has revised its disclosures on pages 197 — 198 of Amendment No. 1 related to adjustment 3(a) (formerly adjustment 2(c)) to discuss the accounting for the phantom deferred restricted units and the pro forma adjustment that will be recorded related to these units.

3. Adjustments for Non-Controlling Interests, page 171

102. Please help us better understand the nature of adjustment (a) and why this would result in a pro forma adjustment as it appears that these amounts would already be reflected in the historical financial statements.

Carlyle respectfully advises the Staff that this adjustment relates to net income attributable to carried interest rights held by retired senior Carlyle professionals. Carlyle also advises the Staff to refer to its response to comment 82 related to the restructuring of these rights.

Retired senior Carlyle professionals who have existing carried interest rights through their ownership interests in the Parent Entities will not participate in the exchange transaction described under "Reorganization" on page 85 of Amendment No. 1. Their carried interests rights will be restructured such that they will exchange their existing carried interest rights (through their ownership interests in the Parent Entities) for an equivalent amount of carried interest rights in the general partners of its funds.

In its historical combined and consolidated financial statements, the income attributable to these carried interest rights were included in net income attributable to Carlyle Group because their interests are part of the controlling interest in Carlyle Group. Carlyle refers the Staff to the response to comment 134. Carlyle advises the Staff that prior to the reorganization the individual senior Carlyle professionals (including the retired senior Carlyle professionals) hold their ownership interests in the Parent Entities indirectly through four holding partnerships that we refer to herein as the "Partner Holding Entities."

ASC 810-10-20 defines, "noncontrolling interest" as:

The portion of equity (net assets) in a subsidiary **not attributable, directly or indirectly, to a parent** [emphasis added]. A noncontrolling interest is sometimes called a minority interest.

Based on the ASC's definition of "noncontrolling interest", Carlyle's individual partners' interests in the Partner Holding Entities represent interests in the "parent". As a result, the interests of the retired senior Carlyle professionals in the Parent Entities would not have been attributed as a non-controlling interest in the historical combined and consolidated financial statements.

After the reorganization, the retired senior Carlyle professionals' carried interests rights will be held directly in the general partners of its funds, and not held through a "parent" directly or indirectly. Accordingly, an adjustment is necessary to classify these interests as a non-controlling interest.

Business, page 178**Competitive Strengths, page 176**

103. *Please revise to distinguish a carry fund from an active carry fund.*

Carlyle has revised page v of Amendment No. 1 to clarify the distinction between “active” investment funds and “inactive” investment funds.

Demonstrated Record of Investment Performance, page 178

104. *Please further explain to us why the diversified nature of the strategies used in your Global Market Strategies segment limits your ability to provide an aggregate investment performance for this segment.*

Carlyle advises the Staff that, due to the disparate nature of the underlying asset classes in which its Global Market Strategies funds participate (e.g., syndicated loans, bonds, distressed securities, mezzanine loans, emerging markets equities, macroeconomic products) and the inherent difficulties in aggregating the performance of closed-end and open-end funds, the presentation of aggregate investment performance across the segment would not be meaningful. Carlyle has included additional disclosure to this effect on pages 7 and 204 of Amendment No. 1.

Business Segments, page 180

105. *We note the use of “active investments” and “active funds” in the tables presented in this section. Please define these terms.*

Carlyle has revised page v of Amendment No. 1 to define these terms.

Corporate Private Equity, page 180

106. *Please revise your disclosure with respect to your growth capital funds to further describe your investment mandate by indicating what constitutes a “leading” company and what factors you consider in determining whether a company has unrealized growth potential.*

Carlyle has revised page 207 of Amendment No. 1 to remove the term “leading” and provide additional clarity regarding the types of companies in which Carlyle’s growth capital funds seek to invest.

107. *Please revise the first paragraph under the chart on page 181 to indicate what you mean when you state that an investment is “fully realized”.*
-

Carlyle has revised page 207 of Amendment No. 1 to explain that investments are fully realized when its funds have completely exited, and no longer own an interest in, such investments.

Global Market Strategies, page 183

108. *Please revise your disclosure in the third bulleted paragraph to quantitatively define “middle-market mezzanine investments”.*

Carlyle has revised the third bulleted paragraph under the caption “— Global Market Strategies” on page 209 of Amendment No. 1 to clarify that its corporate mezzanine investment team advises funds that invest in mezzanine loans of middle-market companies, typically defined as companies with annual EBITDA ranging from \$10 million to \$50 million that lack access to the broadly syndicated loan and bond markets.

109. *Please revise your disclosure in the first bulleted paragraph on page 184 to briefly describe how long/short credit hedge funds operate.*

Carlyle has revised the fifth bulleted paragraph under the caption “— Global Market Strategies” on page 210 of Amendment No. 1 to address the matters identified in the Staff’s comment.

Fund of Funds Solutions, page 184

110. *Please revise the first paragraph to explain how your advising of customized separate accounts and co-mingled vehicles will be different from the segment’s current operations. Please also clarify whether Carlyle professionals will advise these accounts. Also, indicate when you expect to begin engaging in these new activities.*

Carlyle has revised the fourth paragraph under the caption “— Fund of Funds Solutions” on page 211 of Amendment No. 1 to explain that separate accounts and co-mingled vehicles for clients other than AlInvest’s anchor clients do not currently represent a significant portion of its AUM.

Investment Approach, page 185

Fund of Funds Solutions, page 189

111. *In the second bulleted paragraph, please revise your disclosure as follows:*

- *Discuss who conducts the rigorous investment analysis and decision process for selecting investments. For example, does AlInvest have a dedicated Investment Committee? Please also indicate who has ultimate authority to approve new investments.*
-

- *Disclose the frequency of “regular reviews” and disclose who conducts these reviews.*

Carlyle has revised pages 215 — 216 of Amendment No. 1 to address the matters identified in the Staff’s comment.

Our Family of Funds, page 190

112. *Please explain to us why you determined to present total capital commitments for your carry and structured credit funds and fund of funds and assets under management for your hedge funds.*

Carlyle advises the Staff that it presents total capital commitments (as opposed to assets under management) for its closed-end investment funds because Carlyle believes this metric provides the most useful information regarding the relative size and scale of such funds. In the case of Carlyle’s hedge funds, which are open-ended and accordingly do not have permanent committed capital, Carlyle believes the most useful metric regarding relative size and scale is assets under management.

Carlyle has included additional disclosure to this effect on pages 216 — 217 of Amendment No. 1.

Properties, page 200

113. *Please file all material leases as exhibits to your registration statement. See Item 601(b)(10)(ii)(D) of Regulation S-K.*

Carlyle has filed as exhibits with Amendment No. 1 its leases for its corporate headquarters in Washington, D.C. and its offices in Arlington, VA.

Legal Proceedings, page 200

114. *Please revise your disclosures throughout this section to provide complete information as required by Item 103 of Regulation S-K. For example, we note that you have not disclosed the relief sought in several of your disclosed complaints, specifically identified the parties in all cases, indicated the court in which the Guernsey liquidators filed suit and provided complete information regarding the suit in Kuwait.*

Carlyle has revised pages 227 — 229 of Amendment No. 1 to provide additional information as required by Item 103 of Regulation S-K, including the matters identified in the Staff’s comment.

Composition of the Board of Directors after this Offering, page 203

115. *Please confirm to us that if you identify the persons who will be appointed as directors prior to effectiveness, you will include the information for them required by Item 401 of Regulation S-K, as well as the consent required by Rule 438 of Regulation C.*

Carlyle confirms that if it identifies persons who will be appointed as directors prior to effectiveness, it will in a subsequent pre-effective amendment provide the information required by Item 401 of Regulation S-K as well as the consent required by Rule 438 of Regulation C. Carlyle understands that the Staff requires a reasonable amount of time for review.

Executive Compensation, page 206

116. *Please provide compensation information for your most recently completed fiscal year, 2010, in CD&A, the summary compensation table, and other disclosures.*

Carlyle acknowledges the Staff's comment and refers the Staff to its response to the Staff's comment 117 below.

Compensation Elements, page 206

117. *Please note that while we allow registrants to omit certain pricing information from the preliminary prospectus of an initial public offering in the early stages of the review process, disclosure of items that do not constitute pricing information, such as executive compensation disclosure, should not be omitted. Please include all compensation information in the next amendment. We may defer further review of your filing until you provide the information in an amended registration statement.*

Carlyle acknowledges the Staff's comment and advises the Staff that it is highly cognizant of the demands upon the Staff's time and resources. Carlyle advises the Staff that it will not circulate a preliminary prospectus to potential investors or seek effectiveness prior to 2012 and the inclusion within the prospectus of audited financial statements for 2011 and that, accordingly, the Compensation Discussion and Analysis and other aspects of the compensation disclosure required in the prospectus will at that time relate to 2011. Carlyle also advises the Staff that its CD&A for 2011 differs meaningfully from that which it would present for 2010 due to a change in the composition of its "named executive officers". In particular, Carlyle notes that its Chief Financial Officer joined the firm in 2011 and would accordingly not be a NEO for 2010. Carlyle has included in Amendment No. 1 compensation disclosure for 2011 that it believes to be complete, except for information that is not yet available. Carlyle advises the Staff that it will update its compensation disclosure in a subsequent pre-effective amendment to include this missing information once such information becomes

available. Carlyle understands that the Staff requires a reasonable time for review of all new disclosures that it may include in subsequent pre-effective amendments. In light of the foregoing, Carlyle respectfully requests that the Staff not defer its review of Amendment No. 1 and of Carlyle's responses to the Staff comments not relating to compensation disclosure.

118. *Please be advised that we may have additional comments on your disclosures in this section after you provide the missing information, including the amounts in the Summary Compensation Table.*
Carlyle acknowledges the Staff's comment.

Annual Bonuses, page 206

119. *Please revise your disclosure to describe, for each named executive officer, the individual contributions you considered in determining the awarding of and amount of the discretionary bonuses.*

Carlyle respectfully refers the Staff to its response to the Staff's comment 117 above and advises the Staff that it has included on page 234 of Amendment No. 1 "placeholder" disclosure wherein it will include, for each named executive officer, the individual contributions it considered in determining the awarding of and amount of the discretionary bonuses for 2011.

Summary Compensation Table, page 207

120. *Please disclose the actual amounts of cash distributions that you paid out to each of your named executive officers for 2010.*

Carlyle respectfully refers the Staff to its response to the Staff's comment 117 above and advises the Staff that it has included on page 237 of Amendment No. 1 "placeholder" disclosure wherein it will include the actual amounts of cash distributions paid each of its named executive officers for 2011.

Material U.S. Federal Tax Considerations, page 253

121. *Please note that we may have further comments on this section once we have reviewed the tax opinion.*

Carlyle acknowledges the Staff's comment.

Taxation of our Partnership and the Carlyle Holdings Partnerships, Page 253

122. *In your discussion of qualifying income, please elaborate on what type of income (qualifying versus non-qualifying) is produced by the various activities you conduct and income you generate. For example, is carried interest expected to be qualifying or non-qualifying income?*
-

Carlyle has revised its disclosure under the caption “— Taxation of our Partnership and the Carlyle Holdings Partnerships” on page 282 of Amendment No. 1 to address the matters identified in the Staff’s comment.

Taxation of Carlyle Holdings I GP Inc., page 255

123. *Based on your discussion of the Qualifying Income Exception, we assume that the activities you conduct that are not expected to produce qualifying income will be organized under Carlyle Holdings I GP Inc., a Delaware corporation, and its subsidiaries. In this way, Carlyle Holdings I GP Inc. may receive or generate non-qualifying income, but will be able to distribute qualifying income to you in the form of dividends. If true, please disclose this.*

Carlyle has revised page 283 of Amendment No. 1 to address the matters identified in the Staff’s comment.

Consequences to U.S. Holders of Common Units, page 256

124. *We note the discussion in the third paragraph of this section regarding qualified foreign corporations. Please clarify whether it is your intention that Carlyle Holdings III GP L.P. will be a qualified foreign corporation. We note disclosure on page 255 that it is taxable as a foreign corporation for U.S. federal income tax purposes.*

Carlyle has revised page 285 of Amendment No. 1 to address the matters identified in the Staff’s comment.

Section 754 Election, page 260

125. *Please clarify what impact the Section 754 election made by Carlyle Holdings I L.P. will have and on whom. We note disclosure that there will be no adjustment for a transferee of common units in respect of Carlyle Holdings I L.P. or Carlyle Holdings III L.P. regardless of whether a Section 754 election is made in respect of those partnerships because you own your interests in these entities through Carlyle Holdings I GP L.P. and Carlyle Holdings III GP L.P. Will holders and transferees of your common units be impacted differently from existing holders and their transferees as a result of the Section 754 election by Carlyle Holdings I L.P.?*

Carlyle has revised page 288 of Amendment No. 1 to address the matters identified in the Staff’s comment.

Pricing of the Offering, page 276

126. *We note your statement that the estimated initial public offering price range is subject to change. Please note that your estimate of the price range at the time of effectiveness must be bona fide, and that any change in the price range provided in*
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the preliminary prospectus will be subject to our review and further comment. See Instruction 1 to Item 501(b)(3) of Regulation S-K.

Carlyle acknowledges the Staff's comment.

Certain ERISA Considerations, page 271

127. *Please remove the description of the discussion that it is "general" in nature, as this may suggest to investors that you are not responsible for the disclosure.*

Carlyle has revised page 300 of Amendment No. 1 to remove the description of the discussion as being general in nature.

Legal Matters, page 277

128. *Please revise to also indicate that Simpson Thacher & Bartlett, LLP will also provide a legal opinion regarding tax matters.*

Carlyle has revised page 305 of Amendment No. 1 to also indicate that Simpson Thacher & Bartlett LLP will also pass upon certain tax matters.

Where You Can Find More Information, page 277

129. *You are responsible for providing accurate and complete disclosure in your prospectus. Accordingly, please clarify that you have discussed the material terms of contracts, agreements and other documents you refer to in the fourth sentences as being incomplete.*

Carlyle acknowledges its responsibility for providing accurate and complete disclosure in the prospectus and advises the Staff that it has removed the fourth sentence under the caption "Where You Can Find More Information" on page 305 of Amendment No. 1.

Financial Statements

General

130. *Please tell us what consideration you gave to providing a balance sheet of your general partner, Carlyle Group Management L.L.C. If applicable, please provide the following disclosures regarding your relationship:*
- *Any material transactions with the general partner, such as a substantial receivable from or payable to a general partner, or any affiliate of the general partner. Disclose the pertinent terms of any material transactions;*
 - *Any commitment, intent or reasonable possibility that the general partner will fund cash flow deficits or provide other direct or indirect financial assistance.*
-

Describe the nature and extent of the any funding or financial support arrangement; and

- *Any commitment by an affiliate of the general partner to increase or maintain the general partner's capital, if the commitment could reasonably be expected to impact you. For example, disclose when an affiliate has committed to maintain the general partner's capital when there is a commitment, intent or reasonable possibility that the general partner will provide financial support to you. Describe the nature and extent of the affiliate's commitment to the general partner.*

Carlyle advises the Staff that it has considered whether it should include within the Registration Statement a balance sheet of its general partner, Carlyle Group Management L.L.C., in light of Staff Accounting Bulletin 113 and the guidance set forth in Section 2805 of the Division of Corporation Finance Financial Reporting Manual and concluded that the inclusion of such balance sheet is not required. Carlyle respectfully supplementally advises the Staff that:

- it has not engaged in any material transactions with Carlyle Group Management L.L.C., the sole general partner of The Carlyle Group L.P., and has included disclosure within the Registration Statement as to any material transactions with affiliates of Carlyle Group Management L.L.C.
- Carlyle Group Management L.L.C. has not made, and does not intend to make, any commitment to fund cash flow deficits or provided, or intend to provide, other direct or indirect financial assistance to Carlyle and Carlyle does not believe there is any reasonable possibility that it will do so in the future; and
- there is no commitment by an affiliate of Carlyle Group Management L.L.C to increase or maintain the general partner's capital that could reasonably be expected to impact Carlyle.

Carlyle Group

Audited Financial Statements

Combined and Consolidated Balance Sheets, page F-6

131. As indicated in Note 5, your line item Investments relates mostly to accrued performance fees. Please re-label this caption accordingly or separately present accrued performance fees.
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Carlyle has re-labeled “Investments” to “Investments and accrued performance fees” throughout its combined and consolidated financial statements in Amendment No. 1.

Combined and Consolidated Statements of Changes in Equity, page F-8

132. Please revise the title of this statement to also refer to the changes in redeemable non-controlling interests in consolidated entities.

Carlyle has changed the title of the statement to “Combined and Consolidated Statement of Changes in Equity and Redeemable Non-controlling Interests in Consolidated Entities.”

Notes to the Financial Statements General

133. Please disclose how you account for your joint venture with Riverstone Investment Group L.L.C.

Carlyle respectfully advises the Staff that it is not carrying out its services to the Carlyle/Riverstone funds through a corporate joint venture (as defined in ASC 323-10-20) with Riverstone Investment Group L.L.C. Carlyle has revised its disclosures throughout Amendment No. 1 to clarify that Carlyle is not party to a corporate joint venture with Riverstone Investment Group L.L.C. Rather, Carlyle has entered into an arrangement directly with each Carlyle/Riverstone fund to provide advisory services to those funds; Riverstone Investment Group L.L.C. also advises these funds. Carlyle does not control any of the Carlyle/Riverstone funds that it advises. Pursuant to its arrangement with each of the Carlyle/ Riverstone funds, Carlyle is entitled to receive management fees and performance fees as compensation for its advisory services, which is consistent with the type of compensation it receives for advising its other funds. Carlyle accounts for its management fees and performance fees from the Carlyle/Riverstone funds consistent with the accounting policies disclosed on pages F-13 — F-14 of Amendment No. 1.

Note 1. Organization and Basis of Presentation, page F-11

134. Your financial statements combine the accounts of four affiliated entities: TC Group, L.L.C., TC Group Cayman L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P., as well as their majority-owned subsidiaries, which you determined are under common ownership and control by your individual partners, California Public Employees’ Retirement System, and Mubadala Development Company. Please provide a comprehensive explanation as to how you determined which entities should be included in your combined financial statements. Your explanation should address the following:
-

- *The specific individuals, families, or affiliated groups in your control group and why they should be included in the control group. For any agreements entered to vote in concert, please state when you entered into each agreement and its duration; and*
- *For each of the entities included in your historical combined financial statements, please address:*
 - *The percentage owned of this individual entity by each member of the control group as well as the percentage owned by the aggregate control group; and*
 - *How you determined each of these members should be included in the control group of this individual entity and why. For any agreements entered to vote in concert, please state when you entered into each agreement and its duration.*

All of Carlyle's business is conducted through four affiliated legal entities: TC Group, L.L.C., TC Group Cayman L.P., TC Group Investment Holdings, L.P., and TC Group Cayman Investment Holdings, L.P., collectively the "Parent Entities". Were it not for legal, regulatory and tax considerations, all of Carlyle's business could be conducted through a single Parent Entity. In order to capture all of the business activities of Carlyle, the activities of all four Parent Entities must be combined. TC Group, L.L.C. and TC Group Cayman L.P. receive all management fees from the funds, while TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. receive substantially all carried interest from the funds.

At December 31, 2010 ownership of each of the four Parent Entities was as follows.

- approximately 85% owned collectively by our individual partners through four separate legal entities—i.e., one for each Parent Entity—referred to as the "Partner Holdings Entities,"
- approximately 10% owned by Mubadala Development Company ("Mubadala"); and
- approximately 5% owned by California Public Employees' Retirement System ("CalPERS").

Carlyle's individual partners hold their ownership interest in the Parent Entities through their ownership interests in each of the four Partner Holdings Entities. Upon initial admittance as a Carlyle partner, the individual receives an equal percentage interest in each of the four Partner Holdings Entities. Each of the four Partner Holdings Entities owns an approximate 85% controlling interest in each of the four Parent Entities. Each Partner Holdings Entity serves as either the managing member or general partner of each Parent Entity, and accordingly the Partner Holdings Entities control the Parent Entities. The rights and responsibilities of the individual Carlyle partners are governed by each Partner

Holdings Entity's partnership agreement. The Parent Entities as well as the Partner Holdings Entities were formed between 1993 and 2000 at which time the associated partnership agreements and related governance agreements were adopted.

ASC 810-10-55-1B states:

There are circumstances, however, in which combined financial statements (as distinguished from consolidated financial statements) of **commonly controlled entities** [*emphasis added*] are likely to be more meaningful than their separate financial statements. For example, combined financial statements would be useful if one individual owns a **controlling financial interest in several entities that are related in their operations** [*emphasis added*]. Combined financial statements might also be used to present the financial position and results of operations of **entities under common management** [*emphasis added*].

In accordance with ASC 810-10-55-1B, Carlyle's historical financial statements combine the accounts of the Parent Entities because they are commonly controlled by Carlyle's individual partners through their ownership of each of the Partner Holdings Entities. Furthermore, the Parent Entities are related in their business operations — they each individually represent one aspect of the overall Carlyle business — and are under common ownership and management.

Fund Management Fees, page F-13

135. Please further clarify the significant terms of your management contractual agreements separately for affiliates and nonaffiliates by addressing the following:

- Please disclose the typical length of time of the management agreements;
- Management fees for corporate private equity and real assets funds generally range from 1% to 2% of commitments during the investment period of the relevant fund. Please also address what the range of management fees is subsequent to the investment period; and
- You disclose the management fee range for CLOs. Please also disclose the range for other funds in the global market strategies segment.

Carlyle respectfully advises the Staff that all of its management contractual agreements are with affiliates of Carlyle. Carlyle has revised its disclosure under the caption "Fund Management Fees" on pages F-13 — F-14 and F-72 — F-73 of Amendment No. 1 to include the typical length of time of the management agreements, the management fee range for corporate private equity and real assets funds subsequent to the investment period, and the management fee range for other funds in its global market strategies segment.

136. *Disclose the significant terms of your transaction advisory and oversight services covered by separate contractual agreements and separately quantify your transaction advisory and oversight service fees earned for each period presented.*

Carlyle has revised pages F-14 and F-73 of Amendment No. 1 to include the amounts of transaction and portfolio advisory fees for all periods presented.

Cash and Cash Equivalents, page F-16

137. *Please clarify in your disclosures the differences between the amounts disclosed in this note as the cash held from carried interest distributions for potential giveback and the amounts disclosed in on page F-39 as the accrual for potential repayment of previously received performance fees in your discussion of contingent giveback obligations.*

Carlyle withholds a portion of the cash from distributions of carried interest to employees of Carlyle Group and, in some instances, from its senior Carlyle professionals. The cash is withheld in the event that a giveback obligation would be required to be funded. For certain carry funds, the cash is held by an entity that is included in the combined and consolidated balance sheets and is disclosed on page F-17 of Amendment No. 1 (\$51.8 million and \$59.6 million as of December 31, 2010 and 2009, respectively). A liability associated with the cash withheld from employees is included in accrued compensation and benefits on the combined and consolidated balance sheets. A liability associated with the cash withheld from its senior Carlyle professionals is included in Due to Carlyle partners on the combined and consolidated balance sheets.

For the remaining carry funds, the cash withheld from distributions of carried interest is held by an entity that is not included in the combined and consolidated balance sheets and is disclosed on page F-40 (\$193.6 million and \$202.6 million as of December 31, 2010 and 2009, respectively).

The amount disclosed for potential repayment of previously received performance fees of \$119.6 million on page F-39 represents the giveback accrual if the funds were liquidated at their current fair values at December 31, 2010. This amount includes giveback obligations that would be required to be funded by its senior Carlyle professionals as well as employees. The amounts calculated for its giveback obligation, while related, will generally not equal the cash that has been withheld. As of December 31, 2010, Carlyle had withheld more cash than what had been recorded as a giveback obligation.

Derivative Instruments, page F-17

138. *Based on your Combined and Consolidated Statements of Changes in Equity, it appears that you have derivative instruments that you have entered into other than those related to your CLOs for which you have disclosed in Note 12. Please*
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address the need to provide the additional disclosures required by ASC 815 for your non-CLO derivative instruments.

The Staff is correct in noting that Carlyle has derivative instruments other than those related to its CLOs.

Carlyle entered into an interest rate swap in March 2008 to fix the interest rate on a portion of its term loan borrowings at 5.319% through August 20, 2013. Carlyle has designated this instrument as a cash flow hedge. Included in accumulated other comprehensive income in its combined and consolidated balance sheets is the effective portion of losses related to the change in the fair value of the interest rate swap of \$7.3 million, \$3.8 million and \$12.2 million for the years ended December 31, 2010, 2009 and 2008. The ineffective portion of losses recognized in earnings was not significant for any period presented. This is the only derivative instrument that Carlyle has entered into other than those related to its CLOs.

Carlyle respectfully directs the Staff to its disclosure of its interest rate swap on page F-35 of Amendment No. 1, which we believe is sufficient given the amounts involved.

Note 3. Acquisitions and Acquired Intangible Assets, page F-19

139. *Please expand your disclosures to disclose the terms of the contingently issuable equity interest, including, if known, the maximum number of units that may be issued and the deemed per unit fair value of such units.*

Carlyle has revised its disclosures on page F-20 in Amendment No. 1 to address the matters identified by the Staff. Carlyle advises the Staff that Carlyle has not yet unitized and therefore a maximum number of units and per unit value have not been provided.

Fair Value Measurement, page F-22

140. *You disclose on the bottom of page F-23 that the fair value of CLO assets was based on quotations from reputable dealers or relevant pricing services. The fair value of CLO loans payable was determined based on both discounted cash flow analyses and third-party quotes. Please clarify which assets and liabilities you are referring to in the table provided on page F-24. If you are also referring to the bonds, loans, and loans payable of the CLOs included in your table, please reconcile between this disclosure and your classification of these assets and liabilities as Level III based on the descriptions provided on page F-22. Please further clarify how you are using third party quotations.*

Carlyle respectfully advises the Staff that it has disclosed on F-24 of Amendment No. 1 that it determines the fair value of the assets held by the CLOs

based on dealer quotations and pricing services. Generally, such pricing services and dealer quotations are based on their respective models as the related assets are not actively traded. In such cases, Carlyle classifies such fair values as level 3 because they are fundamentally model driven. Accordingly, the table on F-24 reflects the CLO investments in bonds and loans as level 3. The investments in redeemable hedge funds are classified as level 2 based on their redemption value.

The liabilities of the CLOs are fair valued based on both discounted cash flows and third party quotations. Since these liabilities are not actively traded and are valued primarily based on its own models, Carlyle has classified them as level 3 as shown in the table on F-24.

Carlyle does not use dealer/broker quotations in isolation. Carlyle will always prepare its own valuation model and use this in conjunction with the broker quotes. For securities where broker quotes are obtained, Carlyle evaluates the broker's knowledge of the market and security. If the broker quote differs significantly from its income approach calculation, Carlyle tries to reconcile the differences through expanded discussion with the respective broker and/or refine its model inputs to ensure that both the broker and the model are taking into account all relevant market participant considerations.

Note 5. Investments, page F-26

141. *We note you separately present investment and investments of consolidated funds on your balance sheet. For clarity purposes, please consider presenting the disclosures related to your investments of consolidated funds in a separately labeled footnote.*

Carlyle has revised its disclosure on page F-26 of Amendment No. 1 to include a separately labeled sub-section for "Investments of Consolidated Funds" within Note 5 — Investments, therefore Carlyle believes the investments of consolidated funds are clearly labeled and identified. Carlyle created a sub-heading for "Investments and accrued performance fees" with equal prominence as the "Investments in Consolidated Funds" sub-heading.

142. *You state that there were no individual investments with a fair value greater than five percent of total assets. Please confirm, and revise to clarify if true, that you have no individual investments, including derivative instruments, which constitute more than 5% of your net assets or provide the disclosures called for by ASC 946-210-50(c).*

As stated above in the response to the Staff's comments 5 and 6, Carlyle does not believe that The Carlyle Group L.P. is an investment company under the Investment Company Act. Moreover, Carlyle is not an investment company as described in ASC 946-10-15-2 because it is engaged primarily in the business of providing asset management services and not in the business of investing,

reinvesting or trading securities. Furthermore, Carlyle is not a nonregistered investment partnership as described in ASC 946-210-50-4 because it is not a hedge fund, limited liability company, limited liability partnership, limited duration company, offshore investment company with similar characteristics or commodity pool subject to regulation under the Commodity Exchange Act of 1974. As a result, Carlyle does not believe that it is in the scope of ASC 946-210-50-6 and therefore is not subject to its disclosure requirements.

However, Carlyle acknowledges that its Consolidated Funds are investment companies representing nonregistered investment partnerships and recognize that the disclosures called for by ASC 946-210-50-6 are required in the financial statements of the Consolidated Funds. Carlyle contemplated whether the disclosure requirements of the Consolidated Funds should be retained in consolidation by Carlyle Group. Accordingly, Carlyle considered the following guidance originally issued under EITF 85-12:

The Task Force reached a consensus that, assuming that the specialized industry **accounting principles** [*emphasis added*] are appropriate at the subsidiary level, those principles should be retained in consolidation.

ASC 810-10-25-15 codified the guidance issued under EITF 85-12 and states:

The application of guidance in an industry-specific Topic of this Codification to a subsidiary within the scope of that industry-specific Topic shall be retained in consolidation of that subsidiary.

Carlyle believes that the industry specific accounting principles required by ASC 946-210-50-6 must be retained in consolidation, but not the industry specific financial statement disclosure requirements. To view this otherwise would result in the inclusion of disclosures that are required for an investment company, but are clearly not useful to an investor in Carlyle (e.g., the financial highlights called for by ASC 946-205-50).

Nevertheless, Carlyle believes certain of the disclosures required by ASC 946-210-50-6 are useful to a user of its financial statements in understanding its Consolidated Funds. As such, Carlyle has included a schedule of investments in its footnotes in a similar format as that required by ASC 946-210-50-6, separately disclosing all individual investments in excess of 5% of its total assets.

Note 6. Non-Controlling Interests in Consolidated Entities, page F-32

143. *To help reconcile the amounts presented in this note to the amounts reflected on your Combined and Consolidated Statements of Changes in Equity, please separately disclose the net income (loss) attributable to equity appropriated for consolidated funds and to provide a subtotal for the net income (loss) attributable*
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to other non-controlling interests in consolidated entities. In a similar manner, in Note 7, please separately disclose the comprehensive income (loss) attributable to equity appropriated for consolidated funds and the comprehensive income (loss) attributable to other non-controlling interests in consolidated entities.

Carlyle has revised its disclosure under Note 6 — Non-controlling Interests in Consolidated Entities to separately present (i) net income (loss) attributable to equity appropriated for Consolidated Funds/CLOs, (ii) net income (loss) attributable to other non-controlling interests in consolidated entities, and (iii) net income (loss) attributable to redeemable non-controlling interests in consolidated entities (if applicable). Carlyle has also revised its disclosure in Note 7 — Other Comprehensive Income (Loss) to separately present comprehensive income (loss) attributable to these same three categories.

144. Please include a table to show the effects of changes in your ownership interest on the equity attributable to you. Please refer to ASC 810-10-50-1A.d. and ASC 810-10-55-4M for guidance.

Carlyle respectfully advises the Staff that there have been no significant changes in its ownership interests in its consolidated entities for the periods presented. Carlyle has revised its disclosure on pages F-32 — F-33 of Amendment No. 1.

Note 9. Loans Payable

Subordinated Loan Payable to Affiliate, page F-35

145. Please disclose how you determined the fair value of the 2% equity interests and disclose the deemed per unit value of those interests.

Carlyle has added additional disclosure on page F-36 of Amendment No. 1 to discuss how the fair value of the 2% equity interests was determined. Carlyle advises the Staff that Carlyle has not yet unitized and therefore a per unit value has not been provided.

Debt Covenants, page F-36

146. Please disclose the specific terms of any material debt covenants with any required ratios. Please disclose the actual ratios as of each reporting date for any material debt covenants for which it is reasonably likely that you will not be able to meet such covenants. Please also consider showing the specific computations used to arrive at the actual ratios with corresponding reconciliations to US GAAP amounts. See Sections I.D and IV.C of the SEC Interpretive Release No. 33-8350 and Compliance and Disclosures Interpretation 102.09 which is available on our website at <http://www.sec.gov/divisions/corpfin/guidance/nongaaipinterp.htm>.
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Carlyle advises the Staff that it is unlikely that Carlyle will be unable to meet any of its material debt covenants. Carlyle has revised pages its disclosure on F-35 and F-93 — F-94 of Amendment No. 1 to add the specific terms of any material debt covenants and ratios and that Carlyle is in compliance with all material financial and non-financial covenants as of the dates presented.

Note 10. Commitments and Contingencies

Contingent Obligations (Giveback), page F-39

147. *You have withheld \$193.6 million and \$202.6 million from distributions of carried interest to partners and employees for potential giveback obligations as of December 31, 2010 and 2009, respectively. Such amounts are held by an entity not included in the accompanying combined and consolidated balance sheets. Please help us better understand the nature of these amounts, including whether you have recorded the performance fee revenue associated with these, how you determined that you do not need to record these obligations, and which entity is holding these amounts.*

As discussed in the response to the Staff's comment 137, \$193.6 million and \$202.6 million has been withheld from distributions of carried interest to partners and employees for potential giveback obligations as of December 31, 2010 and 2009, respectively. The performance fee revenue associated with the cash withheld from distributions of carried interest has been recorded. The cash is held in entities through which its partners and employees have invested into its carry funds. These entities are not consolidated in Carlyle's combined and consolidated financial statements.

Legal Matters, page F-40

148. *For certain of the matters listed you state that you believe the claims are without merit and you will vigorously contest all allegations or you state that you are currently unable to anticipate what impact the matter may have on you. If there is at least a reasonable possibility that a loss exceeding amounts already recognized may have been incurred, please either disclose an estimate (or, if true, state that the estimate is immaterial in lieu of providing quantified amounts) of the additional loss or range of loss, or state that such an estimate cannot be made. Please refer to ASC 450-20-50.*

Carlyle advises the Staff that, as required under ASC 450-20-25-2, the Company establishes an accounting reserve for contingent liabilities when a loss is deemed both probable and reasonably estimable. If no reserve is established, then the Company further assesses whether disclosure should be made in the event there is a reasonable possibility that a loss may be incurred. In response to the Staff's comment, Carlyle has revised the first paragraph of its footnote disclosures under

the caption "Legal Matters" on pages F-40, F-41 and F-99 to include the following additional statements:

"Certain of these matters are described below. The Company is not currently able to estimate for any such matters the reasonably possible amount of loss or range of loss."

The Company respectfully submits that its revised footnote disclosure is consistent with the guidance in paragraphs 3 through 5 of ASC 450-20-50 as it discloses both the nature of the contingency and an estimate of the possible loss or range of loss, or includes a statement that such an estimate cannot be made as provided in ASC 450-20-50 paragraph 4.

149. *If you conclude that you cannot estimate the reasonably possible additional loss or range of loss, please supplementally: (1) explain to us the procedures you undertake to attempt to develop a range of reasonably possible loss for disclosure and (2) for each material matter, what specific factors are causing the inability to estimate and when you expect those factors to be alleviated. We recognize that there are a number of uncertainties and potential outcomes associated with loss contingencies. Nonetheless, an effort should be made to develop estimates for purposes of disclosure, including determining which of the potential outcomes are reasonably possible and what the reasonably possible range of losses would be for those reasonably possible outcomes.*

Carlyle supplementally advises the Staff that, in carrying out the analyses required by ASC 450-20-50, it, with the assistance of its counsel, analyzes each potentially material matter, taking into consideration the procedural posture of the case, including any recent rulings by the court, advice of experts and counsel, information from settlement discussions and other developments that may impact its analysis. Based upon these inputs and data points, it then determines whether an amount of a loss is probable or reasonably possible and whether or not it is estimable.

As stated in its footnote disclosures, Carlyle does not believe it is probable that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect it or its financial statements. Carlyle has, however, included in such footnote disclosures a description of the nature of certain matters, together with a statement that it is not currently able to estimate for any such matters the reasonably possible amount of loss or range of loss. In response to the Staff's request, Carlyle supplementally advises the Staff that the specific factors described below are among those causing the inability to estimate:

- *Foy v. Austin Capital*: The Attorney General of New Mexico has moved to dismiss the Carlyle defendants from the *qui tam* suit, and has not at this time brought an action against the Carlyle defendants. Carlyle is unable to predict at this time whether or when this factor will be alleviated.
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- *Carlyle Capital Corporation Limited (CCC) Matters*: Carlyle believes the claims in each of these actions are without merit and that the most likely outcome is that no loss will ultimately be recognized. However, at this stage of the proceedings there remain a number of different actions in different phases in different jurisdictions within and without the United States that creates a level of uncertainty that cause Carlyle to be unable to estimate with reasonable certainty. Carlyle is unable to predict at this time whether or when this factor will be alleviated.
- *Investigation by Antitrust Division of the U.S. Department of Justice*: The DOJ has not at this time threatened or initiated any legal proceedings. Carlyle is unable to predict at this time whether or when this factor will be alleviated.
- *Police and Fire Retirement System of the City of Detroit v. Apollo Global Management, LLC*: This matter is still in the fact discovery phase, which is ongoing. The number of transactions to be included in the case remains undecided and will not be determined until after fact discovery concludes in April 2012 (unless further extended) and only then after the court determines motions to dismiss on statute of limitations or other grounds any damages claims related to any proposed new transactions. In addition, plaintiffs have yet to move for certification of their putative class. Whether any putative class of plaintiffs will be certified is therefore uncertain and will remain so through most of 2012. In addition, the parties have not conducted any expert discovery, including discovery of plaintiffs' experts on alleged damages. This phase of discovery is not likely until late 2012 or possibly 2013. There are additional dispositive motions such as motions for summary judgment that may not be made or decided until 2013. Carlyle believes it is possible that this factor may be alleviated during 2012 or 2013.

Note 13. Income Taxes, page F-47

150. *Please provide the tabular reconciliation of unrecognized tax benefits required by ASC 740-10-50-15A as well as disclose the net difference between the tax bases and the reported amounts of your assets and liabilities. Refer to ASC 740-10-50-16.*

Carlyle respectfully advises the Staff that the total amount of its unrecognized tax benefits, excluding interest and penalties, was \$13.3 million and \$9.9 million, or 0.09% and 0.6% of total liabilities as of December 31, 2010 and 2009, respectively. Carlyle believes such amounts are not material to the financial statements or its results of operations, and Carlyle does not believe it has any tax positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

Carlyle has revised its disclosure on page F-48 of Amendment No. 1 to provide additional clarity of this position.

Carlyle also considered the requirements of ASC 740-10-50-16. Carlyle disclosed on page F-15 of Amendment No. 1 that no provision is made for U.S. federal income taxes since Carlyle is a group of pass-through entities and taxes are borne by its partners. Carlyle advises that Staff that it understands the purpose of the disclosure of net differences between tax bases and reported amounts required by ASC 740-10-50-16 is to provide users of the financial statements an indication of what future taxable income or deductions might be available to them as an owner. However, Carlyle does not have the information to know what each partners' tax basis in Carlyle would be as Carlyle does not know each of their individual tax accounting or positions taken on their tax returns. As such, Carlyle does not believe that disclosure of aggregate tax basis differences would be meaningful to the users of its financial statements and did not provide disclosure of that information.

Note 14. Segment Reporting, page F-48

151. *Please disclose the methodology used to allocate overhead costs to each segment and whether there have been any changes in that methodology during any of the periods presented. Refer to ASC 280-10-50-29.*

Carlyle has revised its disclosure under the caption "Note 14 — Segment Reporting" on pages F-49 and F-107 of Amendment No. 1 to clarify that the overhead costs are allocated based on direct base compensation expense for the funds comprising each segment.

152. *Please clearly present and discuss any significant components of the total reconciling items in your notes to the table. For example, in your description of the expenses reconciling items of \$(576.0) million, you refer to the charges and credits associated with Carlyle corporate actions and non-recurring items as detailed in item (d). It is not clear which charges and credits you are referring to.*

Carlyle has revised footnote (b) on pages F-53 — F-54 and F-110 of Amendment No. 1 to include a table summarizing the significant components of the expenses reconciling items.

Unaudited Financial Statements

153. *Please address the above comments, as applicable.*

Carlyle advises the Staff that, to the extent applicable, it has revised the unaudited financial statements to address the above comments.

Notes to the Financial StatementsNote 9. Loans PayableSubordinated Loan Payable to Affiliate, page F-93

154. You elected the fair value option to measure the subordinated notes at fair value. At June 30, 2011, the fair value of the subordinated notes was \$511.7 million. You refer to Note 4 for additional disclosures related to the fair value of these instruments as of June 30, 2011; however it does not appear that there are any specific disclosures regarding how you determined the fair value of these notes. Please advise or expand your disclosures as necessary.

Carlyle has added additional disclosure on pages F-36 and F-95 of Amendment No. 1 to address the matters identified by the Staff.

Item 17. Undertakings, page II-2

155. Please delete the undertaking provided in paragraph 2 as it appears to be inapplicable to your offering. Please revise to include the undertakings required by Items 512(f) and 512(i) of Regulation S-K.

Carlyle acknowledges the Staff's comment and has revised the undertakings set forth under Item 17 of Part II of Amendment No. 1 in accordance with the Staff's comment.

* * * * *

Please do not hesitate to call Joshua Ford Bonnie at 212-455-3986 with any questions or further comments you may have regarding this filing or if you wish to discuss the above responses.

Very truly yours,

/s/ Simpson Thacher & Bartlett LLP

cc: Securities and Exchange Commission
Pamela Long, Esq.
Nudrat Salik
Jeanne Baker

The Carlyle Group L.P.
Jeffrey W. Ferguson, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP
Jennifer A. Bensch, Esq.
Phyllis G. Korff, Esq.

[_____], 2012

The Carlyle Group L.P.
1001 Pennsylvania Avenue, NW
Washington, D.C. 20004-2505

Ladies and Gentlemen:

We have acted as counsel to The Carlyle Group L.P., a Delaware limited partnership (the "Partnership"), in connection with the Registration Statement on Form S-1 (the "Registration Statement") filed by the Partnership with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), relating to the issuance by the Partnership of up to [_____] common units representing limited partner interests in the Partnership (together with any additional common units representing limited partner interests that may be issued by the Partnership pursuant to Rule 462(b) (as prescribed by the Commission pursuant to the Act) in connection with the offering described in the Registration Statement, the "Common Units").

We have examined the Registration Statement and the form of the Amended and Restated Agreement of Limited Partnership of The Carlyle Group L.P. (the "Partnership Agreement") among Carlyle Group Management L.L.C., a Delaware limited liability company and the general partner of the Partnership (the "General Partner"), and the limited partners party thereto (collectively, the "Limited Partners"), which has been filed with the Commission as part of the Registration Statement. We also have examined the originals, or duplicates or certified or conformed copies, of such records, agreements, documents and other instruments and have made such other investigations as we have deemed relevant and necessary in connection with the opinions hereinafter set forth. As to questions of fact material to this opinion, we have relied upon certificates or comparable documents of public officials and of officers and representatives of the Partnership and the General Partner.

In rendering the opinion set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us

as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies and the authenticity of the originals of such latter documents. We also have assumed that at the time of issuance and delivery of the Common Units, the Partnership Agreement will have been duly authorized, executed and delivered by the General Partner. We have assumed further that the Limited Partners will not participate in the control of the business of the Partnership.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that upon payment and issuance and delivery in accordance with the Partnership Agreement and the applicable definitive underwriting agreement approved by the General Partner, the Common Units will be validly issued and holders of the Common Units will have no obligation to make payments or contributions to the Partnership or its creditors solely by reason of their ownership of the Common Units.

We do not express any opinion herein concerning any law other than the Delaware Revised Uniform Limited Partnership Act.

We hereby consent to the filing of this opinion letter as Exhibit 5 to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Prospectus included in the Registration Statement.

Very truly yours,

[_____], 2012

The Carlyle Group L.P.
1001 Pennsylvania Avenue, NW
Washington, D.C. 20004-2505

Ladies and Gentlemen:

We have acted as counsel to The Carlyle Group L.P., a Delaware limited partnership (the "Partnership"), in connection with the Registration Statement on Form S-1 (the "Registration Statement") filed by the Partnership with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, relating to the issuance of an aggregate of up to [_____] common units representing limited partnership interests in the Partnership (together with any additional common units representing limited partner interests that may be issued by the Partnership pursuant to Rule 462(b) (as prescribed by the Commission pursuant to the Act) in connection with the offering described in the Registration Statement, the "Common Units").

We have examined the Registration Statement and the representation letter of the General Partner delivered to us for purposes of this opinion (the "Representation Letter"). We have also examined the form of the Amended and Restated Partnership Agreement of The Carlyle Group L.P. (the "Partnership Agreement"), among Carlyle Group Management L.L.C., a Delaware limited liability company and the general partner of the Partnership (the "General Partner"), and the limited partners party thereto; the form of the Amended and Restated Limited Partnership Agreement of Carlyle Holdings I L.P.; the form of the Amended and Restated Limited Partnership Agreement of Carlyle Holdings II L.P.; and the form of the Amended and Restated Limited Partnership Agreement of Carlyle Holdings III L.P., which forms have been filed with the Commission as part of the Registration Statement. We have also examined originals or duplicates or certified or conformed copies, of such records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the Partnership and the General Partner, and have made such other

and further investigations, as we have deemed necessary or appropriate as a basis for the opinion hereinafter set forth. As to matters of fact material to this opinion, we have relied upon certificates and comparable documents of public officials and of officers and representatives of the Partnership and the General Partner.

In rendering the opinion set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies, and the authenticity of the originals of such latter documents. We have further assumed that any documents will be executed by the parties in the forms provided to and reviewed by us and that the representations made by the General Partner in the Representation Letter are true, complete and correct and will remain true, complete and correct at all times.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein and in the Registration Statement, the discussion set forth in the Registration Statement under the caption "Material U.S. Federal Tax Considerations", insofar as it expresses conclusions as to the application of United States federal income tax law, is our opinion as to the material United States federal income tax consequences of the purchase, ownership and disposition of the Common Units.

We do not express any opinion herein concerning any law other than the federal tax law of the United States.

We hereby consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement and to the discussion of our opinion and the references to our firm under the captions "Material U.S. Federal Tax Considerations" and "Legal Matters" in the prospectus included in the Registration Statement.

Very truly yours,