HELMERICH & PAYNE INC
Form DEF 14A
January 27, 2012

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

HELMERICH & PAYNE, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

1437 South Boulder Avenue
Tulsa, Oklahoma 74119

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Annual Meeting of Stockholders of Helmerich & Payne, Inc. (the "Company"), will be held at Boulder Towers, Granite Room, First Floor, 1437 South Boulder Avenue, Tulsa, Oklahoma, at 12:00 noon, Tulsa time, on Wednesday, March 7, 2012, for the following purposes:

1. To elect three Directors comprising the class of Directors of the Company known as the "Third Class" for a three-year term expiring in 2015.

2. To ratify the appointment of Ernst & Young LLP as our independent auditors for fiscal 2012.

3. To cast an advisory vote to approve the compensation of our executives disclosed in this proxy statement.

4A. To approve an amendment to the Company's Amended and Restated Certificate of Incorporation to implement a declassification of the Board of Directors over a three-year period beginning with the election of the class of Directors known as the "First Class" for a one-year term at the Company's 2013 Annual Meeting of Stockholders.

4B. To approve an amendment to the Company's Amended and Restated Certificate of Incorporation to provide that from and after the 2015 Annual Meeting of Stockholders, Directors may be removed by the stockholders with or without cause.

5. To consider and transact any other business which properly may come before the meeting or any adjournment thereof.

In accordance with the By-laws, the close of business on January 10, 2012, has been fixed as the record date for the determination of the stockholders entitled to notice of, and to vote at, said meeting. The stock transfer books will not close.

The Company's proxy statement is submitted herewith and is first being sent or given to the stockholders on or about January 31, 2012. The Annual Report for the year ended September 30, 2011, accompanies this proxy statement.

STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND IN PERSON, BUT WISH THEIR STOCK TO BE VOTED ON MATTERS TO BE TRANSACTED, ARE URGED TO SIGN, DATE, AND MAIL THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE, TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES. YOU ALSO HAVE THE OPTION OF VOTING YOUR SHARES ON THE INTERNET OR BY TELEPHONE. VOTING INSTRUCTIONS ARE PRINTED ON YOUR PROXY. IF YOU VOTE BY INTERNET OR BY TELEPHONE, YOU DO NOT NEED TO MAIL BACK YOUR PROXY. THE PROMPT RETURN OF YOUR SIGNED PROXY, REGARDLESS OF THE NUMBER OF SHARES YOU HOLD, WILL AID THE COMPANY IN REDUCING THE EXPENSE OF ADDITIONAL PROXY SOLICITATION. THE GIVING OF SUCH PROXY DOES NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IN THE EVENT YOU ATTEND THE MEETING.

BY ORDER OF THE BOARD OF DIRECTORS

STEVEN R. MACKEY
Secretary

Tulsa, Oklahoma
January 27, 2012

1437 South Boulder Avenue
Tulsa, Oklahoma 74119

PROXY STATEMENT

General Information

The enclosed proxy is being solicited by and on behalf of the Board of Directors of Helmerich & Payne, Inc., and will be voted at the Annual Meeting of Stockholders on March 7, 2012. This proxy statement and the accompanying proxy, together with the Annual Report for the year ended September 30, 2011, are first being sent or given to stockholders on or about January 31, 2012.

Throughout this proxy statement, Helmerich & Payne, Inc. is referred to as the "Company," "we," "our" or "us."

Any stockholder giving a proxy may revoke it at any time before it is voted by voting in person at the Annual Meeting or by delivery of a later-dated proxy.

The cost of this solicitation will be paid by us. In addition, arrangements may be made with brokerage houses and other custodians, nominees, and fiduciaries to send proxies and proxy material to their principals. Solicitation of proxies may be made by mail, telephone, personal interviews or by other means by our officers and employees who will not be additionally compensated therefor.

At the close of business on December 9, 2011, there were 107,549,673 issued and outstanding shares of our common stock, the holders of which are entitled to one vote per share on all matters. We have no other class of securities entitled to vote at the meeting. Only stockholders of record at the close of business on January 10, 2012, will be entitled to vote at the Annual Meeting.

Security Ownership of Certain Beneficial Owners

The following table sets forth the name and address of each of our stockholders who, to our knowledge, beneficially owns more than 5% of our common stock, the number of shares beneficially owned by each, and the percentage of outstanding stock so owned, as of December 9, 2011.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership		Percent of Class
Common Stock	State Farm Mutual Automobile Insurance Company One State Farm Plaza Bloomington, Illinois 61710	8,283,428	(1)	7.70%
Common Stock	The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	6,322,016	(2)	5.88%

(1) This information is based upon State Farm Mutual Automobile Insurance Company's Schedule 13G Amendment filed with the SEC on February 8, 2011. Of the shares reported as beneficially owned, State Farm Mutual Automobile Insurance Company has sole voting and dispositive power over 8,257,200 shares and shared voting and dispositive power over 26,228 shares.

(2) This information is based on The Vanguard Group, Inc.'s Schedule 13G filed with the SEC on February 10, 2011. Of the shares reported as beneficially owned, The Vanguard Group, Inc. has sole dispositive power over 6,190,984 shares, shared dispositive power over 131,032 shares, and sole voting power over 131,032 shares.

Security Ownership of Management

The following table sets forth the total number of shares of common stock beneficially owned by each of the present Directors and nominees, our Chief Executive Officer ("CEO") and all other executive officers named in the Summary Compensation Table, and all Directors and executive officers as a group, and the percent of the outstanding common stock so owned by each as of December 9, 2011.

Directors and Named Executive Officers	Title of Class	Amount and Nature of Beneficial Ownership (1)		Percent of Class (2)
W. H. Helmerich, III	Common Stock	2,099,915	(3)	1.95%
Hans Helmerich	Common Stock	1,903,354	(4)	1.75%
John W. Lindsay	Common Stock	392,753	(5)	
Steven R. Mackey	Common Stock	142,930	(6)	
Juan Pablo Tardio	Common Stock	28,292	(7)	
Hon. Francis Rooney	Common Stock	94,028	(8)	
John D. Zeglis	Common Stock	52,546	(9)	
William L. Armstrong	Common Stock	48,546	(10)	
Edward B. Rust, Jr.	Common Stock	45,346	(11)	
Paula Marshall	Common Stock	31,588	(12)	
Randy A. Foutch	Common Stock	18,230	(13)	
Donald F. Robillard, Jr.	Common Stock			
All Directors and Executive Officers as a Group	Common Stock	4,857,528	(14)	4.45%

(1) Unless otherwise indicated, all shares are owned directly by the named person, and he or she has sole voting and investment power with respect to such shares. Shares owned include restricted shares over which the named person has voting but not investment power. Stock options held by the named person include options exercisable within 60 days of December 9, 2011.

(2) Percentage calculation not included if beneficial ownership is less than one percent of class.

(3) Includes 124,000 shares owned by The Helmerich Foundation, an Oklahoma charitable trust, for which Mr. Helmerich is Trustee, and 40,000 shares owned by Ivy League, Inc., of which Mr. Helmerich is President and Director. Mr. Helmerich possesses sole voting and investment power over all indirectly owned shares.

(4) Includes options to purchase 1,000,000 shares; 36,666 restricted shares; 21,532 shares fully vested under our 401(k) Plan; 37,470 shares owned by Mr. Helmerich's wife and 39,300 shares held by Mr. Helmerich's children, with respect to which he has disclaimed all beneficial ownership; 29,600 shares held by Mr. Helmerich as Trustee for various trusts for members of his immediate family, as to which he has sole voting and investment power; 4,000 shares held by Mr. Helmerich as a Co-trustee for a family trust for which he shares voting and investment power; and 35,000 shares held by The Helmerich Trust, an Oklahoma charitable trust, for which Mr. Helmerich is a Co-trustee, and for which he shares voting and investment power.

(5) Includes options to purchase 293,500 shares; 36,166 restricted shares; and 9,253 shares fully vested under our 401(k) Plan.

(6) Includes options to purchase 96,500 shares; 16,750 restricted shares; and 3,597 shares fully vested under our 401(k) Plan.

(7) Includes options to purchase 8,000 shares; 14,334 restricted shares; and 1,125 shares fully vested under our 401(k) Plan.

(8) Includes options to purchase 28,028 shares and 66,000 shares held by entities controlled by Mr. Rooney

(9) Includes options to purchase 38,546 shares.

(10) Includes options to purchase 38,546 shares.

(11) Includes options to purchase 38,546 shares.

(12) Includes options to purchase 31,188 shares.

(13) Represents options to purchase 18,230 shares.

(14) Includes options to purchase 1,591,084 shares; 103,916 restricted shares; and 35,507 shares fully vested under our 401(k) Plan.

PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors ("Board") is divided into three classes First Class, Second Class, and Third Class whose terms expire in different years. The terms of the Directors of the Third Class expire this year, and their successors are to be elected at this Annual Meeting. The terms of the Directors of the First Class and the Second Class do not expire until 2013 and 2014, respectively, and consequently their successors are not to be elected at this Annual Meeting. Upon the conclusion of this Annual Meeting, the First and Third Classes of Directors will be comprised of three Directors each, and the Second Class of Directors will be comprised of two Directors.

The Directors belonging to the First Class and the Second Class, which are not coming up for election at this meeting, and Nominees for Directors of the Third Class, are set forth below. The information that follows, including principal occupation or employment for the past five or more years and a summary of each individual's experience, qualifications, attributes or skills that have led to the conclusion that each individual should serve as a Director in light of our current business and structure, is furnished with respect to each nominee and each of the continuing members of our Board.

Directors of the First Class

Hans Helmerich Mr. Helmerich, age 53, has served as President and Chief Executive Officer of the Company since 1989, and he holds positions of President and Chief Executive Officer of subsidiary companies. He has been a Director of the Company since 1987 and Chairman of the Board since January 10, 2012. Mr. Helmerich is a director of Atwood Oceanics, Inc., a publicly traded company engaged in the business of international offshore drilling, and Cimarex Energy Co., a publicly traded energy exploration and production company. He is also a trustee of The Northwestern Mutual Life Insurance Company. He is a graduate of Dartmouth College and completed the Harvard Business School Program for Management Development. Mr. Helmerich, the son of Mr. W. H. Helmerich, III, has worked for the Company since 1981. The Board believes that Mr. Helmerich brings to the Board and the Company in-depth experience as a business executive in the contract drilling industry. For over 20 years, as CEO, Mr. Helmerich has provided continuity of leadership and strategic vision which has resulted in the Company's significant growth and outstanding peer performance.

Paula Marshall Ms. Marshall, age 58, has served as a Director of the Company since 2002. She has served since 1984 as the Chief Executive Officer of The Bama Companies, Inc., a major bakery product manufacturing company with multiple facilities in the U.S. and China. She was a Director of publicly held BOK Financial Corporation from 2003 to 2009, and prior thereto served as a Director of the Federal Reserve Bank of Kansas City and American Fidelity Corporation (insurance holding company). In 2001, Ms. Marshall chaired the Tulsa Chamber of Commerce. Through her company leadership expertise, business background and entrepreneurial experience, the Board believes Ms. Marshall brings to the Board and the Company meaningful input and advice.

Randy A. Foutch Mr. Foutch, age 60, has served as a Director of the Company since 2007. In 2007, Mr. Foutch founded Laredo Petroleum, Inc., a publicly traded Mid-Continent focused oil and natural gas exploration and production company, where he serves as Chairman of the Board and Chief Executive Officer. He also founded Latigo Petroleum, Inc. in 2002 and served as its President and Chief Executive Officer until its sale to Pogo Producing Company in May 2006. In 1996, Mr. Foutch founded Lariat Petroleum, Inc. and served as its President until January 2001, when it was sold to Newfield Exploration, Inc. Since 2006, Mr. Foutch has been serving as a Director of Bill Barrett Corporation, a publicly traded exploration and production company. Mr. Foutch also serves on several nonprofit and private industry boards. As a result of Mr. Foutch's service as a chief executive officer and in other executive positions and as a director of several oil and gas exploration and development companies, the Board believes that he provides valuable business, leadership and management experience and insights into many aspects of the oil, natural gas and contract drilling industries.

Directors of the Second Class

John D. Zeglis Mr. Zeglis, age 64, has served as a Director of the Company since 1989. From 1999 until his retirement in 2004, Mr. Zeglis served as Chief Executive Officer and Chairman of the Board of AT&T Wireless Services, Inc. He served as President of AT&T Corporation from December 1997 to July 2001, Vice Chairman from June 1997 to November 1997, General Counsel and Senior Executive Vice President from 1996 to 1997 and Senior Vice President and General Counsel from 1986 to 1996. Mr. Zeglis is presently a Director of State Farm Mutual Automobile Corporation and Telstra Limited. He is a former Director of Georgia-Pacific Corporation (2001-2005), Sara Lee Corporation (1998-2000) and Illinois Power Company (1992-1996). Through his past service as a chief executive officer at a major corporation and service as a Director of large, publicly traded multi-national corporations, Mr. Zeglis brings to the Board large company leadership, expertise and experience in many areas including corporate governance, and general business and financial strategic oversight. The Board believes Mr. Zeglis provides significant insight and guidance to the Board and the Company and has the necessary expertise with respect to executive compensation matters to serve as the Chairman of the Human Resources Committee of the Board of Directors.

William L. Armstrong Mr. Armstrong, age 74, has served as a Director of the Company since 1992. He has been the President of Colorado Christian University since 2006 and has been Chairman of the Board of Trustees of Denver-based Oppenheimer Funds since 2003. Mr. Armstrong has started or purchased a number of private firms including four mortgage banking firms and was formerly the Chairman of Cherry Creek Mortgage Company (from 1990-2009). Mr. Armstrong has been a Director of six public companies and chairman/owner/operator of thirteen private companies, including radio and television stations, a daily newspaper, investment firms, a real-estate brokerage company, and a title insurance company. Mr. Armstrong also served in the U.S. House of Representatives from 1972-1978 and the U.S. Senate from 1978 to 1990. The Board believes that Mr. Armstrong's diverse and extensive business experience provides the Board and the Company with unique knowledge and perspective on a wide variety of matters, including corporate governance. The Board believes Mr. Armstrong's background provides the necessary expertise to serve as the Chairman of the Nominating and Corporate Governance Committee of the Board of Directors.

Nominees for Directors of the Third Class

Donald F. Robillard, Jr. Mr. Robillard, age 60, and a new nominee for director, has served since 2007 as the Senior Vice President and Chief Financial Officer of Hunt Consolidated, Inc., a private international company with interests in oil and gas exploration and production, refining, real estate development, private equity investments and land. He is also a Director of Hunt Consolidated, Inc. and Hunt Oil Company. Mr. Robillard is a Certified Public Accountant and an active member of Financial Executives International where he is Chairman of the Committee on Private Company Policy. Through his service as a chief financial officer at a major corporation directing the treasury, insurance and accounting functions, the Board believes that Mr. Robillard brings to the Board large company leadership, financial expertise and experience in the oil and gas industry.

Hon. Francis Rooney Amb. Rooney, age 58, has served as a Director of the Company since 2008. He is the Chief Executive Officer of Rooney Holdings, Inc., holding company with interests in construction, construction management, and electronics. Amb. Rooney is also a Director of Vetra Energy Group, LLC (since 2009), publicly traded Laredo Petroleum, Inc. (since 2010) and was previously a board member of publicly traded Bank of Florida Corporation (2008-2009), Cimarex Energy Co. (2002-2005), and BOK Financial Corporation (1995-2005). He is a trustee for The Center for the Study of the Presidency and Congress, in Washington D.C. Amb. Rooney is a member of the Advisory Board of the Panama Canal Authority and served as the U.S. Ambassador to the Holy See (2005-2008). Amb. Rooney was a Director of the Company from 1996 to 2005 when he assumed service as an Ambassador. Amb. Rooney serves or has served on several nonprofit and private industry boards. The Board believes that Amb. Rooney's broad business and financial experience and service as a Director of several, publicly traded corporations enables him to provide the Board and the Company with valuable input and guidance.

Edward B. Rust, Jr. Mr. Rust, age 61, has served as a Director of the Company since 1997. Mr. Rust has been since 1987 Chairman of the Board and Chief Executive Officer of State Farm Insurance Companies, the largest insurer of automobiles and homes in the United States. Mr. Rust was also President of State Farm Insurance Companies from 1985 to 1998, and was re-elected President in 2007. He has been a Director of Caterpillar, Inc. (manufacturer of construction and mining equipment) since 2003 and a Director of The McGraw-Hill Companies, Inc. (global information services provider serving the education, financial services and business information markets) since 2001. His role as chief executive officer at a major corporation and experience as a Director of large, publicly traded multi-national corporations enables Mr. Rust to provide significant input and guidance to the Board and the Company. The Board believes that Mr. Rust's significant financial and business experience is valuable to the Board and the Company and provides the necessary expertise to serve as Chairman of the Audit Committee of the Board of Directors.

Mr. W. H. Helmerich, III, Chairman of the Board since 1987 and Director since 1949, notified the Board on December 6, 2011 that he would not stand for re-election as a Director of the Third Class at the Company's March 7, 2012 Annual Meeting of Stockholders. Mr. Hans Helmerich, President, CEO and current Director of the Company, recommended to the Company's Nominating and Corporate Governance Committee that Mr. Donald F. Robillard, Jr. be nominated for election to the Third Class to fill the vacancy created by the decision of Mr. W. H. Helmerich, III to not stand for re-election.

Mr. Hans Helmerich is a Director of Atwood Oceanics, Inc. ("Atwood"), and the Company, through its wholly-owned subsidiary, owns common stock of Atwood. As a result, Atwood may be deemed to be an affiliate of the Company. Mr. Hans Helmerich is a son of Mr. W. H. Helmerich, III.

OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH OF THE PERSONS NOMINATED BY THE BOARD.

CORPORATE GOVERNANCE

The Board has adopted Corporate Governance Guidelines to address significant corporate governance issues. The guidelines, as well as all Board committee charters, our Code of Business Conduct and Ethics, applicable to all our Directors, officers, and employees, the Code of Ethics for Principal Executive Officer and Senior Financial Officers, the Related Person Transaction Policies and Procedures, the Foreign Corrupt Practices Act Compliance Policy, and certain Audit Committee Practices are available on our website, www.hpinc.com, under the "Governance" section. The information on our website is not incorporated by reference in this Proxy Statement. A printed copy of the above mentioned documents will be provided without charge upon written request to our Corporate Secretary.

Our Corporate Governance Guidelines provide a framework for our corporate governance initiatives and cover topics such as director independence and selection and nomination of director candidates, communication with the Board, Board committee matters, and other areas of import. Certain highlights from our Corporate Governance Guidelines, as well as other corporate governance matters, are discussed below.

Director Independence

Our Corporate Governance Guidelines provide that a majority of the Board must meet the requirements for being an independent director under the listing standards of the New York Stock Exchange ("NYSE") and applicable law, including the requirement that the Board affirmatively determine that the Director has no material relationship with us. To guide its determination of whether a Director is independent, the Board has adopted the following categorical standards:

A Director will not be independent if: (i) the Director is, or has been, within the last three years, our employee, or an immediate family member is, or has been within the last three years, our executive officer; (ii) the Director has received, or an immediate family member has received, during any twelve-month period within the last three years, more than $120,000 in direct compensation from us, other than Director and committee fees and pension and other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); (iii) the Director is a current partner or employee of a firm that is our internal or external auditor; (iv) the Director has an immediate family member who is a current partner of a firm that is our internal or external auditor; (v) the Director has an immediate family member who is a current employee of a firm that is our internal or external auditor and who personally works on the Company's audit; (vi) the Director or an immediate family member was within the last three years a partner or employee of a firm that is our internal or external auditor and personally worked on our audit within that time; (vii) the Director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of our present executive officers at the same time serves or served on that company's compensation committee; or (viii) the Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, us for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1,000,000 or two percent (2%) of such other company's consolidated gross revenues.

In addition, the following commercial and charitable relationships will not be considered material relationships that would impair a director's independence: (i) the Director (or an immediate family member of the Director) is, or during the last fiscal year has been, an affiliate or executive officer of another company (including banks or financial institutions) to which we were indebted, or to which such other company was indebted to us, during the last or current fiscal year and the total amount of indebtedness did not exceed two percent (2%) of the total consolidated assets of the indebted entity at the end of such fiscal year; (ii) the Director (or an immediate family member of the Director) is, or during the last fiscal year has been, an executive officer, director or trustee of a charitable organization where our annual discretionary charitable contributions to the charitable organization, in the last or current fiscal

year did not exceed the greater of $1,000,000 or two percent (2%) of that organization's consolidated gross revenues; (iii) the Director (or an immediate family member of a Director) is a member of, employed by, or of counsel to a law firm or investment banking firm that performs services for us, provided the payments made by us to the firm during a fiscal year do not exceed two percent (2%) of the firm's gross revenues for the fiscal year, and the Director's relationship with the firm is such that his or her compensation is not linked directly or indirectly to the amount of payments the firm receives from us; or (iv) a relationship arising solely from a Director's position as a director of another company that engages in a transaction with us shall not be deemed a material relationship or transaction that would cause a Director to not be independent.

Finally, a Director who is a member of our Audit Committee will not be independent if such Director: (i) other than in his or her capacity as a member of the Audit Committee, the Board or any other Board committee, accepts directly or indirectly any consulting, advisory or other compensatory fee from us or any subsidiary (except for retirement benefits to the extent permitted by applicable rules of the Securities and Exchange Commission ("SEC")); or (ii) is an affiliated person (as defined by the SEC) of us or any subsidiary.

Generally, relationships not addressed by the NYSE rules or otherwise described above will not cause an otherwise independent Director to be considered not independent. For relationships that do not fall within the categories delineated above, the Directors who are otherwise independent under the guidelines will determine whether a relationship is material and, therefore, whether the Director would be independent.

In determining the independence of Ms. Marshall and Messrs. Armstrong, Foutch, Rooney, Rust, and Zeglis, the Board of Directors considered (i) State Farm Mutual Automobile Insurance Company's ownership of our common stock and that it held approximately $3 million of our long-term unsecured debt, (ii) Mr. Rust's position as Chairman, President and Chief Executive Officer of State Farm Mutual Automobile Insurance Company, and (iii) that Mr. Zeglis is also a director of State Farm Mutual Automobile Insurance Company.

After applying the standards set forth above in our Corporate Governance Guidelines, the Board determined that Ms. Marshall and Messrs. Armstrong, Foutch, Rooney, Rust and Zeglis, our current directors, and Mr. Robillard, a new nominee for director, had no material relationship with the Company and that each is independent under the categorical standards and the applicable requirements of the NYSE and applicable law.

Director Identification, Evaluation, and Nomination

General Principles and Procedures. We are of the view that the continuing service of qualified incumbents promotes stability and continuity in the boardroom, contributing to the Board's ability to work as a collective body, while giving us the benefit of familiarity and insight into our affairs that our Directors have accumulated during their tenure. Accordingly, the process for identifying nominees shall reflect our practice of re-nominating incumbent Directors who continue to satisfy the Nominating and Corporate Governance Committee's ("Committee") criteria for membership on the Board, whom the Committee believes continue to make important contributions to the Board, and who consent to continue their service on the Board.

In general, and as more fully outlined in the Corporate Governance Guidelines, in considering candidates for election at annual meetings of stockholders, the Committee will (i) consider if the Director continues to satisfy the minimum qualifications for director candidates as set forth in the Corporate Governance Guidelines, (ii) assess the performance of the Director during the preceding term, and (iii) determine whether there exist any special, countervailing considerations against re-nomination of the Director.

If the Committee determines that (i) an incumbent Director consenting to re-nomination continues to be qualified and has satisfactorily performed his or her duties as Director during the preceding term, and (ii) there exist no reasons, including considerations relating to the composition and functional needs of the Board as a whole, why in the Committee's view the incumbent should not be re-nominated, then the Committee will, absent special circumstances, propose the incumbent Director for re-election.

The Committee will identify and evaluate new candidates for election to the Board where there is no qualified and available incumbent, including for the purpose of filling vacancies or a decision of the Directors to expand the size of the Board. The Committee will solicit recommendations for nominees from persons that the Committee believes are likely to be familiar with qualified candidates. The Committee may also determine to engage a professional search firm to assist in identifying qualified candidates.

As to each recommended candidate that the Committee believes merits consideration, the Committee will (i) cause to be assembled information concerning the background and qualifications of the candidate, (ii) determine if the candidate satisfies the minimum qualifications required by our Corporate Governance Guidelines, (iii) determine if the candidate possesses any of the specific qualities or skills that the Committee believes must be possessed by one or more members of the Board, (iv) consider the contribution that the candidate can be expected to make to the overall functioning of the Board, and (v) consider the extent to which the membership of the candidate on the Board will promote diversity among the Directors.

Based on all available information and relevant considerations, the Committee will select and recommend to the Board a candidate who, in the view of the Committee, is most suited for membership on the Board.

Stockholder Recommendations. The Committee shall consider recommendations for the nomination of qualified Directors submitted by holders of our shares entitled to vote generally in the election of Directors. The Committee will give consideration to these recommendations for positions on the Board where the Committee has determined not to re-nominate a qualified incumbent Director.

For each annual meeting of stockholders, the Committee will accept for consideration only one recommendation from any stockholder or affiliated group of stockholders. The Committee will only consider recommendations of nominees for Director who satisfy the minimum qualifications prescribed by our Corporate Governance Guidelines.

Only those recommendations whose submission complies with the following procedural requirements will be considered by the Committee:
(1) *Stockholder Nominations to the Committee.* The Committee will consider qualified nominees recommended by stockholders who may submit recommendations to our Corporate Secretary at our headquarters address. To be considered by the Committee, stockholder nominations must be submitted before our fiscal year-end and must include the information listed in paragraph 2(i) and (ii)(a), (c) and (d) below, together with a statement of the number of shares of our stock beneficially owned by the stockholder making the nomination and by any other supporting stockholders. (2) *Stockholder Nominations at the Annual Meeting*. Our By-laws provide that any stockholder who is entitled to vote for the election of Directors at a meeting called for such purpose may nominate persons for election to the Board. A stockholder desiring to nominate a person or persons for election to the Board must send a timely (see Stockholder Proposals on page 43) written notice to the Corporate Secretary setting forth in reasonable detail the following: (i) as to each person whom the stockholder proposes to nominate for election all information relating to such person that is required to be included in a proxy statement filed pursuant to the proxy rules of the SEC (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); and (ii) as to the stockholder giving notice (a) the name and address of the stockholder making the nomination, (b) a representation that the stockholder is a holder of record of our stock entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present the nomination, (c) the class or series and number of shares of our capital stock which are owned beneficially or of record by the stockholder,

and (d) a description of all arrangements or understandings between the stockholder and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by the stockholder.

Candidates for Director who are properly recommended by our stockholders will be evaluated in the same manner as any other candidate for Director. The Committee may require the candidate to furnish other information as the Committee may reasonably request to assist the Committee in determining the eligibility of the candidate to serve as a Director. The Committee (or the presiding officer at any meeting of the stockholders) may disregard the purported nomination of any person not made in compliance with these procedures.

Director Qualification Standards

All persons nominated to serve as one of our Directors should possess the following minimum qualifications more fully discussed in our Corporate Governance Guidelines: all candidates (i) must be individuals of personal integrity and ethical character; (ii) should be free of conflicts of interest that would materially impair his or her judgment; (iii) must be able to represent fairly and equally all of our stockholders; (iv) must have demonstrated achievement in business, professionally, or the like; (v) must have sound judgment; (vi) must have a general appreciation regarding major issues facing public companies of a size and operational scope similar to ours; (vii) must have, and be prepared to devote, adequate time to the Board and its committees; and (viii) must not conflict with any of our term or age limits for Directors. The Committee will also ensure that: (i) at least a majority of the Directors serving at any time on the Board are independent, as defined under the rules of the NYSE and applicable law; (ii) at least three of the Directors satisfy the financial literacy requirements required for service on the Audit Committee under the rules of the NYSE; and (iii) at least some of the independent Directors have experience as senior executives of a public or substantial private company.

Our Corporate Governance Guidelines also provide, in lieu of a formal diversity policy, that as part of the nomination process, the Committee will consider diversity in professional background, experience, expertise, perspective, age, gender, and ethnicity with respect to Board composition as a whole. With respect to diversity, we place particular emphasis on identifying candidates whose experiences and talents complement and augment those of other Board members with respect to matters of importance to the Company. We attempt to balance the composition of the Board to promote comprehensive consideration of issues. Our current Board composition achieves this through widely varying levels and types of business and industry experience among current Board members. We monitor the composition and functioning of our Board and Committees through both an annual review of our Corporate Governance Guidelines and a self-evaluation process undertaken each year by our Directors.

The foregoing qualification attributes are only threshold criteria, however, and the Committee will also consider the contributions that a candidate can be expected to make to the collective functioning of the Board based upon the totality of the candidate's credentials, experience, and expertise, the composition of the Board at the time, and other relevant circumstances.

Board Leadership Structure

The Company's By-laws provide that, in general, any two or more offices may be held by the same person, including the offices of Chairman of the Board ("Chairman") and CEO. The Board believes that this flexibility in the allocation of the responsibilities of these two roles is beneficial and enables the Board to adapt the leadership function to changing circumstances. Since 1989, two different individuals have held the positions of Chairman and CEO at the Company. Mr. W. H. Helmerich, III, a Director since 1949, served as Chairman of the Board from 1987 to January 10, 2012. Mr. W. H. Helmerich, III was also the CEO from 1987 to 1989. His son, Mr. Hans Helmerich, has served as a Director since 1987 and became the President and CEO in 1989. Mr. W. H. Helmerich, III's long experience with the Company and the drilling

industry provided him with institutional knowledge of the Company, its business, operations and industry that allowed him to effectively carry out the Chairman's responsibilities and provide leadership to the Board. Mr. Hans Helmerich, who has over 20 years of successful experience as CEO and possesses in-depth knowledge of the Company, its operations and the evolving drilling and energy industry, has been responsible for the general supervision, direction and control of the Company's business and affairs. Mr. Hans Helmerich became the Chairman of the Board on January 10, 2012. The Board believes that the interests of all stockholders will best be served at this time by this leadership model of a combined Chairman and CEO. The experience and knowledge of Mr. Hans Helmerich will provide the Board and the Company with continuity of leadership that has enabled the Company's success for more than 20 years.

In addition, the Board has demonstrated its commitment and ability to provide independent oversight and management. We believe that the most effective board structure is one that emphasizes board independence and ensures that the board's deliberations are not dominated by management. With the exception of Mr. Hans Helmerich, our Board is composed entirely of independent Directors. The Board position previously held by Mr. W. H. Helmerich, III will be filled by a seventh independent Director. Each of our standing Board committees is comprised of only independent Directors. Further, while the Board does not currently have a lead independent Director, it appoints a presiding, independent Director for each executive session of the Board when it meets without Mr. Hans Helmerich or management. While the Board believes this practice provides for independent leadership without the need to designate a single lead director, the Board intends to periodically examine whether the appointment of a lead Director would enhance the Board's effectiveness. Our Board's oversight of risk management (discussed below) has had no effect on our leadership structure to date.

Board Meeting Attendance

There were four regularly scheduled meetings of the Board held during fiscal 2011. We require each Director to make a diligent effort to attend all Board and Committee meetings as well as the Annual Meeting of the Stockholders. All of our Directors attended the 2011 Annual Meeting of the Stockholders. During fiscal 2011, no incumbent Director attended fewer than 75% of the aggregate of the total number of meetings of the Board and its committees of which he or she is a member.

Board Committees

Messrs. Rust (Chairman), Foutch and Rooney are members of the Audit Committee. The Board has adopted a written charter for the Audit Committee. The primary functions of the Audit Committee are to assist the Board in fulfilling its independent and objective oversight responsibilities of financial reporting and internal financial and accounting controls of the Company and to monitor the qualifications, independence, and performance of our independent registered public accounting firm. The Board has determined that Mr. Edward B. Rust, Jr. is an "audit committee financial expert" as defined by the SEC. During the fiscal year ended September 30, 2011, the Audit Committee held twelve meetings.

Ms. Marshall and Messrs. Armstrong and Zeglis (Chairman) are members of the Human Resources Committee (which functions as our compensation committee). The Board has adopted a written charter for the Human Resources Committee. The primary functions of the Human Resources Committee are to evaluate the performance of our executive officers, to review and make decisions regarding compensation of our executive officers and make recommendations regarding compensation of non-employee members of our Board, and to review and make recommendations or decisions regarding incentive compensation and equity-based compensation plans. The Human Resources Committee may not delegate any of its authority to other persons or committees. During the fiscal year ended September 30, 2011, the Human Resources Committee held six meetings.

Ms. Marshall and Messrs. Armstrong (Chairman), Foutch, Rooney, Rust, and Zeglis are members of the Nominating and Corporate Governance Committee. The Board has adopted a written charter for the

Nominating and Corporate Governance Committee. The primary functions of the Committee are to identify and to recommend to the Board the selection of Director nominees for each annual meeting of stockholders or for any vacancies on the Board, to make recommendations to the Board regarding the adoption or amendment of corporate governance principles applicable to us, and to assist the Board in developing and evaluating potential candidates for executive positions and generally oversee management succession planning. During the fiscal year ended September 30, 2011, the Nominating and Corporate Governance Committee held four meetings.

The non-management Directors, in fiscal 2011, met in executive session without management, prior to each regularly scheduled Board meeting. Mr. Armstrong was presiding Director for all executive sessions.

Transactions with Related Persons, Promoters and Certain Control Persons

The Company has adopted written Related Person Transaction Policies and Procedures. The Audit Committee is responsible for applying such policies and procedures. The Audit Committee reviews all transactions, arrangements, or relationships in which the aggregate amount involved will or may be expected to exceed $120,000 in any fiscal year, the Company is a participant, and any related person has or will have a material direct or indirect interest. In general, a related person is any Company executive officer, Director, or nominee for election as a Director, any greater than 5 percent beneficial owner of our common stock, and immediate family members of any of the foregoing.

The Audit Committee applies the applicable policies and procedure by reviewing the material facts of all interested transactions that require the Audit Committee's approval and either approves or disapproves of the entry into the interested transaction, subject to the exceptions described below. Any member of the Audit Committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote respecting approval or ratification of the transaction. In determining whether to approve an interested transaction, the Audit Committee takes into account, among other factors it deems appropriate, the nature of the related person's interest in the interested transaction, the material terms of the interested transaction including whether the interested transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the materiality of the related person's direct or indirect interest in the interested transaction, the materiality of the interested transaction to us, the impact of the interested transaction on the related person's independence (as defined in our Corporate Governance Guidelines and the New York Stock Exchange Listing Standards), and the actual or apparent conflict of interest of the related person participating in the transaction (as contemplated under our Code of Business Conduct and Ethics). The following transactions are deemed to be pre-approved under the applicable policies and procedures: (i) Director and executive officer compensation otherwise required to be disclosed in our proxy statement, (ii) transactions where all of our stockholders receive proportional benefits, (iii) certain banking related services, and (iv) transactions available to our employees generally.

Except for consulting arrangements pertaining to Mr. W. H. Helmerich, III discussed below under the Director Compensation Table, there are no related person transactions required to be reported in this proxy statement.

Compensation Committee Interlocks and Insider Participation

During fiscal 2011, the members of our Human Resources Committee were Ms. Marshall and Messrs. Armstrong and Zeglis. No executive officer or Director of the Company has any relationship covered by the SEC's Compensation Committee Interlock and Insider Participation regulations.

Communication with the Board

The Board has established several means for employees, stockholders, and other interested persons to communicate their concerns to the Board. If the concern relates to our financial statements, accounting

practices or internal controls, the concern may be submitted in writing to the Chairperson of the Audit Committee in care of our Corporate Secretary at our headquarters address. If the concern relates to our governance practices, business ethics, or corporate conduct, the concern may be submitted in writing to the Chairperson of the Nominating and Corporate Governance Committee in care of our Corporate Secretary at our headquarters address. If the concern is intended for the presiding Director or the non-management or independent Directors as a group, the concern may be submitted in writing to such presiding Director or groups in care of our Corporate Secretary at our headquarters address. If the employee, stockholder, or other interested person is unsure as to which category his or her concern relates, he or she may submit it in writing to the Board or any one of the Directors in care of our Corporate Secretary at our headquarters address. Our headquarters address is 1437 South Boulder Avenue, Tulsa, OK 74119.

Each communication intended for any management or non-management or independent Director(s) or for the entire Board and received by the Corporate Secretary which is related to our operations will be promptly forwarded to the specified party(ies).

The Board's Role in Risk Management

The Audit Committee reviews and discusses with management the Company's processes and policies with respect to risk assessment and risk management, including the Company's enterprise risk management program. In addition, the Company's risk oversight process involves the Board receiving information from management on a variety of matters, including operations, legal, regulatory, finance and strategy, as well as information regarding any material risks associated with each matter. The full Board (or the appropriate Board committee, if the Board committee is responsible for the oversight of the matter) receives this information through updates from the appropriate members of management to enable it to understand and monitor the Company's risk management practices. When a Board committee receives an update, the chairperson of the relevant Board committee reports on the discussion to the full Board during the Board committee reports portion of the next Board meeting. This enables the Board and the Board committees to coordinate the risk oversight role.

Compensation Risk Assessment

Management has undertaken, with input from the Human Resources Committee's independent compensation consultant, a review of our compensation programs and practices applicable to all employees, including executive officers, in order to assess the risks presented by such programs and practices. Management analyzed the likelihood and magnitude of potential risks, focusing on program elements that may create risk, including pay mix and amount, performance metrics and goals, the balance between annual and long-term incentives, the terms of equity and bonus awards, and change-in-control arrangements. The review also took into account mitigating features associated with our compensation programs and practices which include elements such as capped payouts levels for both annual bonuses and equity grants under the Company's stock plan, the Human Resources Committee's authority to exercise negative discretion over bonus payouts, stock ownership guidelines aligning the interests of executive officers with stockholders, claw-back provisions contained in stock plan award and other agreements, the use of multiple performance measures, and multi-year vesting schedules for equity awards.

Management discussed the findings of the risk assessment with the Human Resources Committee and the full Board. Based on the assessment, we have determined that our compensation programs and practices applicable to all employees, including executive officers, are aligned with the interests of stockholders, appropriately reward pay for performance, and are not reasonably likely to have a material adverse effect on the Company.

EXECUTIVE COMPENSATION DISCUSSION & ANALYSIS

Summary

During fiscal 2011, the Company, under our CEO's leadership, achieved the highest level of revenue and activity in the Company's history, while maintaining significantly higher premiums in daily rig revenue and margin than our U.S. land drilling competitors. We experienced record breaking net income for fiscal 2008, 2009 and 2011, which ranked respectively as the first, fourth and third best in our history. The Company's total stockholder return for the period 2007 through 2011 ranked in the 87th percentile relative to its peers within the Company's Compensation Peer Group. For these reasons, the CEO received a $1,654,662 bonus for 2011 as shown in both the "Bonus" and "Non-Equity Incentive Plan Compensation" columns in the Summary Compensation Table on page 25, an 18.4% base salary increase and was awarded 40,000 non-qualified option shares and 20,000 shares of restricted stock as shown in the Grants of Plan-Based Awards in Fiscal 2011 table on page 27.

The Helmerich & Payne, Inc. 2010 Long-Term Incentive Plan was approved by our stockholder at our 2011 Annual Meeting of Stockholders. No stock-based awards were granted under this plan in fiscal 2011.

As part of its annual review of executive compensation and related matters, the Human Resources Committee (the "Committee") noted that Deloitte Consulting LLP ("Deloitte") had served as the Committee's executive compensation consultant since 2003 and determined that it was appropriate to rotate consultants. After the completion of a due diligence process, the Committee, during 2011, appointed Pay Governance as its executive compensation consultant.

Compensation Process, Philosophy and Objectives

The Committee has the responsibility for establishing, implementing and monitoring our executive compensation program. All compensation decisions relating to our CEO, Chief Financial Officer and the other executive officers identified in the Summary Compensation Table ("named executive officers") are made by the Committee after soliciting input from all independent Directors. For purposes of deciding upon named executive officer compensation, the Committee generally meets in late November and early December following the end of each fiscal year to consider salary adjustments and equity-based compensation awards for the next calendar year and bonus compensation for the completed fiscal year. Prior to making final compensation decisions, the Committee reviews proposed executive compensation with the independent Directors as a group. Generally, the types of compensation and benefits paid to our named executive officers are the same as those provided to other key employees. There are no material individual differences in compensation policies and decisions for our named executive officers.

The objectives of our executive compensation program are to compensate executives in a manner that advances the interests of the stockholders while ensuring that we are able to attract and retain qualified executives. To that end, we have designed our executive compensation program to reward the achievement of short- and long-term corporate goals that enhance stockholder value. The Committee monitors both performance and compensation to ensure that we maintain our ability to attract and retain qualified executives and that compensation paid to our executives remains competitive relative to compensation paid to executives of competitor companies. Our compensation elements consist of:

- Base salary
- Bonus
- Long-term equity incentive compensation
- Retirement benefits
- Other benefits

We believe the Company should have the ability to recover compensation paid to executive officers and key employees under certain circumstances. As a result, we have two policies addressing recoupment of bonus and equity compensation from executive officers and certain other key employees. The following is a summary of those policies:

- In the event the Board determines that any fraud or intentional misconduct caused or was a substantial contributing factor to a restatement of our financials, the Board may require reimbursement of any bonus compensation paid to an executive officer or certain other key employees to the extent the bonus paid exceeded what would have been paid had the financial results been properly reported. This policy applies to all bonuses paid after September 30, 2008, which coincide with the fiscal years that are subject to the restatement.

- If the Committee reasonably believes that a participant under our 2005 and 2010 Long-Term Incentive Plans ("Plans") has committed certain acts of misconduct, including fraud, embezzlement, or deliberate disregard of our rules or policies, that may reasonably be expected to result in damage to us, the Committee may cancel all or part of any outstanding award under the Plans whether or not vested or deferred. Additionally, if the misconduct occurs during a fiscal year in which there was also an exercise or receipt of an award under the Plans, the Committee may recoup any value received from such award.

Role of Executive Officers in Compensation

The Committee annually evaluates the performance of the CEO and determines the CEO's compensation in light of the objectives of our compensation program. The CEO provides an annual assessment of his performance and the performance of the other named executive officers, together with his recommendations as to the compensation of the other named executive officers. The Committee considers the CEO's recommendations and, in its discretion, may modify his recommendations. The other named executive officers do not play a role in their own compensation decisions, other than discussing individual performance objectives with the CEO. The Executive Vice President and General Counsel and the Director of Human Resources review the compensation consultant's annual draft of its compensation analysis and provide comments for the consultant's consideration. They also attend Committee meetings and provide requested information to the Committee.

Role of Compensation Consultant

In 2011, the Committee engaged Pay Governance as its independent compensation consultant to provide research, market data, and survey information regarding executive and director compensation. At the Committee's request, Pay Governance advised the Committee on all principal aspects of executive compensation including the competitiveness of program design and award values. It provided the Committee with a written executive compensation analysis with respect to the named executive officers. The written analysis for fiscal 2011 addressed, among other things:

- Comparison and assessment of named executive officers' compensation values to peer group proxy and survey data

- Total shareholder return comparison between Helmerich & Payne, Inc. and the peer group discussed below

- Consultant recommendations

- Emerging issues and trends in executive compensation

The Committee generally reviews the compensation of the named executive officers in late November and early December following the end of a particular fiscal year. During 2011, Pay Governance attended

one meeting and presented its written compensation analysis and recommendations covering the named executive officers.

The Committee's compensation consultant periodically provides the Committee with a written director compensation analysis. The Committee reviews the analysis and determines whether to recommend to our Board a compensation increase for non-employee directors. The executive officers do not play a role in determining or recommending the amount or form of director compensation.

Pay Governance reports directly to the Committee although they may meet with management from time to time to gather information or to obtain management's perspective on executive compensation matters. The Committee has the sole authority under its Charter to retain or terminate the compensation consultant at any time. In addition, the Committee may conduct or authorize investigations of matters within its scope of responsibilities and may retain, at our expense, independent counsel or other advisors as it deems necessary.

Determining Executive Compensation

In making compensation decisions, the Committee compares each element of compensation against a peer group of publicly-traded contract drilling and oilfield service companies (collectively "Compensation Peer Group") and against published survey data. The Compensation Peer Group consists of companies that are representative of the types of companies that we compete against for talent. The companies in the Compensation Peer Group are as follows:

Diamond Offshore Drilling, Inc.	FMC Technologies, Inc.
Dresser-Rand Group Inc.	Noble Corporation
Cameron International Corporation	Nabors Industries Ltd.
Pride International, Inc.	ENSCO PLC
Rowan Companies, Inc.	Patterson-UTI Energy, Inc.
Unit Corporation	Atwood Oceanics, Inc.
Key Energy Services, Inc.	Hercules Offshore, Inc.
	Parker Drilling Company

The Committee also uses survey data to assist in compensation decisions, including those instances in which a named executive officer's position or duties do not match the position or duties of Compensation Peer Group executives. The data from these surveys is statistically regressed according to our revenue. This survey data includes oilfield services, energy, and general industry data. The surveys referenced in Pay Governance's 2011 compensation report were:

2011 Mercer Energy Sector Compensation Survey

2011 Pearl Meyer & Partners Drilling Management Survey

2011 Stone Partner's Oilfield Manufacturing and Services Industry Executive Compensation Survey

2010 Towers Watson Oilfield Services Compensation Survey

The Committee sets target total direct compensation for named executive officers to generally approximate the median level of compensation paid to similarly situated executives of the companies comprising the Compensation Peer Group. Variations to this objective may occur as dictated by corporate performance, experience level, internal equity, nature of duties, market factors, and retention issues. At the time the Committee makes compensation decisions, it uses prior fiscal year peer data and available survey data. This data provides peer compensation comparisons on a historical basis. However, the Committee is unable to determine how current pay of the named executive officers compares to current pay of peer executives.

A significant portion of total compensation is variable based on corporate performance and relative stockholder return. The Committee considers individual performance during its annual review of base salary and equity awards. However, no specific individual performance criteria or guidelines are used by the Committee as a controlling factor in the Committee's ultimate judgment and final decision. In deciding on the type and amount of executive compensation, the Committee focuses on both current pay and the opportunity for future compensation. The Committee does not have a specific formula for allocating each element of pay, but instead bases the allocation on peer and survey data and the Committee's judgment.

When considering long-term equity incentive compensation, the Committee primarily awards stock options to the named executive officers. Stock option awards are based on an executive's base pay and the current Black-Scholes value of our common stock. Under this methodology, the Committee has generally limited the value of annual stock option awards to a range of 250% to 300% of the CEO's base salary and 150% to 250% of the base salary of the other named executive officers. To determine the actual number of shares awarded to a named executive officer, the dollar value of the award is divided by the applicable Black-Scholes value. In determining the Black-Scholes value for stock option awards, the Committee uses an average price for our common stock over a 10-day trading period ending on the Friday before the week that stock option awards are considered by the Committee. Exceptions to this policy have occurred and may occur in the future as dictated by retention considerations and market factors. For example, the Committee has periodically awarded grants of time-vested restricted stock to the named executive officers.

The Committee generally limits annual salary adjustments to the same percentage that is applicable to all office-based employees.

2011 Executive Compensation Components

The principal components of compensation for named executive officers for the fiscal year ended September 30, 2011, are described below.

Base Salary

We provide named executive officers and other employees with a base salary to compensate them for services rendered during the fiscal year. Base salaries of named executive officers are set to generally approximate the median level of base salaries of similarly situated executives of companies included in the Compensation Peer Group. If base salaries of our named executive officers consistently fall below such median level, then the Committee will consider market adjustments to base salaries. Salary levels are typically considered annually as part of our review process as well as upon a promotion. Although named executive officers generally receive the same percentage salary increase applicable to office-based employees, the named executive officers may receive greater increases as a result of market adjustments, changes in duties or retention considerations.

Effective January 1, 2011, office-based employees generally received a 3% base salary increase. All named executive officers received market salary adjustments effective January 1, 2011, ranging from 12.8% to 32%.

Bonus

The Annual Bonus Plan for Executive Officers ("Bonus Plan") is a cash incentive plan for calculation of annual non-equity incentive-based compensation. These cash incentive awards are designed to reward short-term performance and achievement of strategic goals. Combined salaries and target bonus levels are intended to generally approximate the median of the Compensation Peer Group's combined salary and annual bonus levels.

Pursuant to the terms of the Bonus Plan, each named executive officer is assigned a threshold, target and reach bonus award opportunity expressed as a percentage of base salary. These bonus award

opportunities range from 40% to 130% for the CEO and 25% to 100% for the other named executive officers and do not include the up to 100% bonus adjustment described below. An executive officer's bonus opportunity is based upon three weighted corporate performance criteria. These performance criteria and their weightings are: earnings per share (35%); return on invested capital (35%); and operating earnings before interest, taxes, depreciation, and amortization (30%). At the beginning of each fiscal year, the Committee approves the assignment of a threshold, target, and reach objective for each performance criterion based upon the operating and capital budget approved by the Board. The target objective is established with an approximate 60 to 70 percent probability of achievement with threshold objective adjusted 20% below and the reach objective adjusted up to 50% above the target objective. Actual fiscal year financial results are compared to plan objectives in order to determine the amount of any executive officer bonus. If actual financial results fall between the threshold and target or the target and reach objectives, then bonuses are proportionately increased as a result of the threshold or target objective being exceeded. Notwithstanding the other provisions of the Bonus Plan, the Committee has the right to reduce or eliminate any bonus due a named executive officer based upon the Committee's determination of individual performance, and the Committee has the discretion to adjust performance criteria during a fiscal year if, for example, the initially-established performance criteria are rendered unrealistic in light of circumstances beyond the control of the Company and its management. No adjustments were made to the corporate performance criteria during fiscal 2011.

The approved corporate performance criteria for fiscal 2011 were:

	Threshold	Target	Reach
Earnings Per Share	$ 1.65	$ 2.35	$ 3.53
Return on Invested Capital	6.1%	8.7%	13.1%
Operating EBITDA	$ 500,000,000	$ 715,000,000	$ 1,072,000,000

The bonus, if any, is then subject to being increased or decreased by up to 100% based on the Committee's overall assessment of our dayrates, utilization and continued industry leading safety performance (20% weighting) and our stockholder returns relative to both the returns of our U.S. land drilling peers within the Compensation Peer Group and all companies within our peer group (80% weighting). In determining operational success, the Committee compared our dayrates, utilization and safety performance to that of our U.S. land drilling competitors, all of which are included in the Compensation Peer Group.

With the exception of the safety criterion, no specific criteria or objectives are used by the Committee when assessing our dayrates or utilization or relative stockholder returns. The Committee does consider Company safety statistics and compares those statistics to industry safety statistics. Whether the bonus of a named executive officer is increased or decreased by up to 100% is primarily dependent upon the Committee's judgment as to the named executive officer's success in positively affecting the corporate performance factors referred to above.

Within this framework, the Committee determined that the target objective for operating EBITDA and the reach objective for earnings per share and return on invested capital had been exceeded in fiscal 2011 and that the annual bonus for all named executive officers be increased by approximately 75% due to our operational and safety success and the achievement of favorable relative stockholder returns.

Long-Term Equity Incentive Compensation

The 2005 Plan was approved by our stockholders at the 2006 Annual Meeting of Stockholders. The 2005 Plan governs all stock-based awards granted after March 1, 2006, and the 2000 Stock Incentive Plan governs stock-based awards granted under such plan prior to March 1, 2006. The 2005 Plan allows the Committee to design stock-based compensation programs to encourage growth of stockholder value and allow key employees and non-employee Directors to participate in the long-term growth and profitability

of the Company. Approximately 129 employees (including the named executive officers) and non-employee Directors receive stock-based awards on an annual basis. Stock option award levels are determined based on market data, and vary among participants based on their positions.

Under the 2005 Plan, the Committee may grant nonqualified stock options, restricted stock awards, stock appreciation rights, and performance units to selected employees and non-employee Directors. Also, the Committee may grant incentive stock options to selected employees under such Plan. To date, the Committee has only awarded non-qualified stock options and time-vested restricted stock to participants. A total of 4,000,000 shares of common stock have been authorized for award under the 2005 Plan. With the exception of new employees or non-employee Directors, the Committee only approves annual stock-based awards at its meeting in late November or early December after the end of the fiscal year. The Committee selected this time period for review of executive compensation since it coincides with executive performance reviews and allows the Committee to receive and consider final fiscal year financial information. Newly hired employees or appointed Directors may be considered for stock-based awards at the time they join the Company. Exceptions to this policy may occur as dictated by retention considerations or market factors.

Stock Options

Historically, stock-based awards have primarily been made in the form of stock options. The Committee believes that stock options align the interests of executives with stockholders in that stock options only have value to the extent the price of our stock on the date of exercise exceeds the exercise price on the grant date.

The grant date for all stock options is the date the Committee approves the grant. The Committee does not make equity grants in anticipation of the release of material non-public information and does not time the release of such information based on equity award grant dates. The Committee has never approved a backdated stock option grant.

The grant price for all option grants, as provided by the 2005 Plan, is the average of the high and low stock price on the date of grant. Such Plan also prohibits repricing of stock option awards.

The majority of options granted by the Committee vest at a rate of 25% per year over the first four years of the ten-year option term. Prior to the exercise of an option, the holder has no rights as a stockholder with respect to the shares subject to the option.

The number and grant date fair value of non-qualified stock options awarded to the named executive officers in fiscal 2011 are shown in the Grants of Plan-Based Awards in Fiscal 2011 table on page 27. In making these awards, the Committee applied the methodology discussed above and considered individual and corporate performance and the value of equity awards made by competitors.

Restricted Stock

We believe that periodic awards of restricted stock assists in retention of executives and other key employees. The Committee has periodically awarded time-vested restricted stock to the named executive officers and other key employees. Generally, all restricted stock awards fully vest over a range of 3 to 5 years from the original date of grant. During the restriction period, the participant receives quarterly payments from us equal to quarterly dividends and has the right to vote restricted shares. Unvested restricted stock is forfeited if the executive or other key employee leaves the Company.

The number of shares of restricted stock awarded to the named executive officers in fiscal 2011 are shown in the Grants of Plan-Based Awards in Fiscal 2011 table on page 27. In making these awards, the Committee applied the methodology discussed above and considered the retentive effect of these awards during a competitive business climate, individual and corporate performance and the value of equity awards made by competitors.

Total Direct Compensation for 2011

With the exception of Messrs. Lindsay and Mackey, the following reflects the percentile ranking of how fiscal 2011 total direct compensation (i.e., base salary, bonus and equity awards) for the named executive officers compares to the total direct compensation of executives of the Compensation Peer Group:

Hans Helmerich	32nd percentile
Juan Pablo Tardio	44th percentile

With regard to Messrs. Lindsay and Mackey, there was insufficient peer group data to provide a meaningful percentile ranking.

Retirement

Pension Plans

Prior to October 1, 2003, most full-time employees, including the named executive officers, participated in our qualified Employees Retirement Plan ("Pension Plan"). The named executive officers also participated in our non-qualified Supplemental Pension Plan. Effective October 1, 2003, we revised both the Pension Plan and the Supplemental Pension Plan to close the plans to new participants and reduced benefit accruals for current participants through September 30, 2006, at which time benefit accruals were discontinued and the plans frozen.

The fiscal 2011 year-end present value of accumulated benefits for each of the named executive officers is shown in the Pension Benefits for Fiscal 2011 table on page 30.

Savings Plans

Savings plans are designed to help employees, especially long-service employees, save and prepare for retirement.

Qualified Plan

Our 401(k)/Thrift Plan ("Savings Plan") is a tax-qualified savings plan pursuant to which most employees paid in U.S. dollars, including the named executive officers, are able to contribute to the Savings Plan on a before tax basis the lesser of up to 100% of their annual compensation or the dollar limit prescribed annually by the Internal Revenue Service ("IRS"). We match 100% of the first 5% of compensation that is contributed to the Savings Plan subject to IRS annual compensation limits ($245,000 for 2011). All employee contributions are immediately vested and matching contributions are subject to a six-year graded vesting schedule.

Supplemental Savings Plan

In addition to the Savings Plan, the named executive officers and certain other eligible employees can participate in the Supplemental Savings Plan, which is a non-qualified savings plan. Pursuant to the Supplemental Savings Plan, a participant can contribute between 1% and 40% of the participant's cash compensation to the Supplemental Savings Plan on a before tax basis. If the participant has not received the full Company match of the first 5% of pay in the Savings Plan, then the balance of the match would be contributed to the Supplemental Savings Plan. The Nonqualified Deferred Compensation for Fiscal 2011 table on page 32 contains additional Supplemental Savings Plan information for the named executive officers.

Other Benefits

The named executive officers are provided with other benefits, including perquisites, that the Company and the Committee believe are reasonable. The Committee annually reviews the levels of these benefits provided to the named executive officers. The compensation associated with these benefits is included in the "All Other Compensation" column of the Summary Compensation Table on page 25 and a brief explanation of these benefits is shown in footnote 7 to such table. The following is a more detailed description of certain of these benefits.

Executive Medical Plan

All employees, including the named executive officers, are eligible for medical coverage under our standard medical plan. The standard medical plan requires a coverage deductible, monthly medical plan premium, and 20% co-payment for medical expenses up to $1,500 annually. Also, the named executive officers are covered by an Executive Medical Plan that provides for the payment of the applicable deductible and monthly premium and co-payment on behalf of the participant. Annual maximum coverage under the Executive Medical Plan is $100,000 per family. The Executive Medical Plan's coverage guidelines are similar to those contained in the standard medical plan.

Company Aircraft

With the approval of the CEO, our aircraft may be used by the named executive officers and other employees for business purposes. Since many of our operations and offices are in remote locations, our aircraft provide a more efficient use of employee time and improved flight times than are available commercially. Our aircraft also provide a more secure traveling environment where sensitive business issues may be discussed.

Effective January 1, 2012, the CEO will be allocated 15 hours personal use of our aircraft annually without reimbursement to us. The time attributable to our CEO's attendance at board meetings of publicly held companies will not be counted against the 15 hour limitation. Any personal use by the CEO in excess of this allotment will only be permitted under extraordinary circumstances. Also, with the approval of the CEO, the other named executive officers are permitted personal use of our aircraft, without reimbursement to us, only under extraordinary circumstances.

For tax purposes, imputed income is assessed to each named executive officer for his or his guest's personal travel based upon the Standard Industrial Fare Level of such flights during the calendar year.

Executive Officer and Director Stock Ownership Guidelines

Because the Board believes in linking the interests of management and stockholders, the Board has adopted stock ownership guidelines for the named executive officers. Our Executive Stock Ownership Guidelines specify a number of shares that our named executive officers must accumulate and hold within five years of the later of the adoption of the guidelines or the appointment of the individual as a named executive officer. The CEO is required to own shares having a value of five times base salary, and the other named executive officers are required to own shares having a value of two times base salary. The Board has adopted a similar policy applicable to Directors requiring ownership of shares having a value equal to two times annual compensation.

Deductibility of Executive Compensation

The Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that we may not deduct certain compensation of more than $1,000,000 that is paid to certain individuals. This limitation does not apply to compensation that meets the requirements under Section 162(m) for qualifying performance-based

compensation. The Committee generally prefers to optimize the deductibility of compensation paid to our executive officers. However, if future compliance with Section 162(m) is inconsistent with our compensation policy or what is believed to be in the best interests of our stockholders, then future compensation arrangements may not be fully deductible under Section 162(m).

Potential Payments Upon Change-in-Control or Termination

Change-in-Control

We have entered into change-in-control agreements with the named executive officers and certain other key employees. These agreements are entered into in recognition of the importance to us and our stockholders of avoiding the distraction and loss of key management personnel that may occur in connection with rumored or actual change-in-control of the Company. These agreements contain a "double" trigger provision whereby no benefits will be paid to an executive unless both a change-in-control has occurred and the executive's employment is terminated after a change-in-control. We believe this arrangement appropriately balances our interests and the interests of executives since we make no payments unless a termination of employment occurs.

More specifically, if we actually or constructively terminate a named executive officer's employment within 24 months after a change-in-control other than for cause, disability, death, or the occurrence of a substantial downturn, or if any of the named executive officers terminates his employment for good reason within 24 months after a change-in-control (as such terms are defined in the change-in-control agreement), any unvested benefits under our Supplemental Savings Plan and Supplemental Pension Plan and any options or restricted stock granted to any of the named executive officers will fully vest and we will be required to pay or provide:

- A lump sum payment equal to two and one-half ($2^1/_2$) times the base salary and annual bonus of the CEO and two (2) times the base salary and annual bonus of the other named executive officers
- 24 months of benefit continuation
- A prorated annual bonus payable in one lump sum
- Up to $5,000 for out-placement counseling services
- A lump sum payment of any accrued vacation pay, any previously deferred compensation, and base salary through the termination date

provided that the payments and benefits will be provided only if a named executive officer executes and does not revoke a release of claims in the form attached to the change-in-control agreement. No tax gross-ups are provided on payments made under these agreements. These agreements are automatically renewed for successive two-year periods unless terminated by us.

For more information regarding post-termination payments that we may be required to make to named executive officers in the event of a change-in-control, see the Potential Payments Upon Change-in-Control table on page 33.

Our long-term equity compensation plans contain a provision whereby all stock options and restricted stock will automatically become fully vested and immediately exercisable in the event of a change-in-control, as defined in such plans. This provision was included in all equity plans in order to be consistent with market practice at the time the plans were approved by stockholders. The potential value of the acceleration of vesting of stock options and restricted stock upon a change-in-control is reflected in columns 7 and 8 of the Potential Payments Upon Change-in-Control table on page 33.

Other Termination Payments

The Supplemental Pension Plan and Supplemental Savings Plan described on page 21 and quantified in the Pension Benefits For Fiscal 2011 and Nonqualified Deferred Compensation for Fiscal 2011 tables on pages 30 and 32 provide for potential payments to named executive officers upon termination of employment for other than change-in-control.

Compensation Committee Report

The Human Resources Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Human Resources Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement. This report is provided by the following Directors, who comprise the Human Resources Committee:

John D. Zeglis, Chairman	William L. Armstrong	Paula Marshall

Summary Compensation Table

The following table includes information concerning compensation paid to or earned by our named executive officers listed in the table for the fiscal years ended September 30, 2011, 2010 and 2009. The persons named below constitute all of the executive officers of the Company as of September 30, 2011. Mr. Tardio became Vice President and Chief Financial Officer on April 30, 2010.

Name and Principal Position	Year	Salary ($) (1)	Bonus ($) (2)	Stock Awards ($) (3)	Option Awards ($) (4)	Non-Equity Incentive Plan Compensation ($) (5)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (6)	All Other Compensation ($) (7)	Total ($)
Hans Helmerich,	2011	725,481	709,141	958,700	888,000	945,521	57,483	205,302	4,489,628
President and Chief	2010	629,519	309,811	760,300	1,411,200	625,189	102,877	126,140	3,965,036
Executive Officer	2009	606,442			978,856			93,533	1,678,831
John W. Lindsay,	2011	471,250	355,649	575,220	466,200	474,200	11,403	42,988	2,396,910
Executive Vice President	2010	418,750	148,870	760,300	793,800	301,130	21,817	32,798	2,477,465
and Chief Operating Officer	2009	385,000			530,213			38,450	953,663
Steven R. Mackey,	2011	373,558	278,653	335,545	288,600	371,538	37,000	58,544	1,743,438
Executive Vice President,	2010	316,667	112,402	570,225	529,200	227,598	84,299	41,326	1,881,717
General Counsel, Secretary and Chief Administrative Officer	2009	305,000			326,285		188,843	41,854	861,982
Juan Pablo Tardio,	2011	310,000	241,989	287,610	222,000	322,651	938	64,937	1,450,125
Vice President and Chief Financial Officer	2010	208,333	87,924	380,150	158,760	175,076	2,240	22,430	1,034,913

(1) The amounts shown in this column are salaries earned during fiscal 2011, 2010 and 2009. Annual salary adjustments become effective at the beginning of each calendar year. Thus, the salaries reported in the above table for fiscal 2011 are the sum of the named executive officers' salaries for the last three months of calendar 2010 and the new salaries for the first nine months of calendar 2011. For calendar 2009, none of the named executive officers received a salary adjustment.

(2) The amounts shown in this column reflect the amounts paid pursuant to our Annual Bonus Plan for Executive Officers based on the Human Resources Committee's assessment of our safety and operational success and relative total stockholder return. The amounts were earned in connection with our performance for each reported fiscal year, but were paid during the first quarter of the succeeding fiscal year. Also, the amounts are over and above the amounts earned by meeting the performance objectives under the bonus plan.

(3) The amounts included in this column represent the aggregate grant date fair value of stock awards determined pursuant to FASB ASC Topic 718. Because the amounts reflect our accounting expense, the amounts do not correspond to the actual value that will be recognized by the named executive officers. For additional information, including valuation assumptions with respect to the grants, refer to note 6, "Stock-Based Compensation," to our audited financial statements for the fiscal year ended September 30, 2011, included in the 2011 Annual Report on Form 10-K filed with the SEC on November 23, 2011.

Note on Impact of SEC Rule Change: Under generally accepted accounting principles, compensation expense with respect to stock awards and option awards granted to our employees is generally recognized over the vesting periods applicable to the awards. The SEC's disclosure rules previously required that we present stock award and option award information for 2009 based on the amount recognized during the corresponding year for financial reporting purposes with respect to these awards. However, changes in 2010 in SEC disclosure rules require that we now present stock award and option award amounts in the applicable columns of the table above with respect to 2009 on a similar basis as the 2010 and 2011 presentation using the grant date fair value of the awards granted during the corresponding year (regardless of the period over which the awards are scheduled to vest). Since this requirement differs from the SEC's past disclosure rules, the amounts reported in the table above for stock awards in 2009 differ from the amounts we originally reported for that year in our Summary Compensation Table contained in our proxy statement filed with the SEC on January 26, 2010. As a result, each named executive officer's total compensation for 2009 also differs from the amounts originally reported for that year.

(4)

The amounts included in this column represent the aggregate grant date fair value of option awards determined pursuant to FASB ASC Topic 718. Because the amounts reflect our accounting expense, the amounts do not correspond to the actual value

that will be recognized by the named executive officers. For additional information, including valuation assumptions with respect to the grants, refer to note 6, "Stock-Based Compensation," to our audited financial statements for the fiscal year ended September 30, 2011, included in the 2011 Annual Report on Form 10-K filed with the SEC on November 23, 2011.

Due to the SEC Rule Change Impact Note in footnote (3) above, the amounts reported in the table above for option awards in 2009 differ from the amounts we originally reported for that year in our Summary Compensation Table contained in our proxy statement filed with the SEC on January 26, 2010. As a result, each named executive officer's total compensation for 2009 also differs from the amounts originally reported for that year.

(5)

The amounts included in this column are payments under our Annual Bonus Plan for Executive Officers based on annual performance measured against pre-established objectives whose outcome is uncertain at the time the awards are communicated to the named executive officers. The amounts were earned in connection with our performance for each reported fiscal year, but were paid during the first quarter of the succeeding fiscal year. The bonus award opportunities and financial measures and financial measure weightings for determining bonus amounts for fiscal 2011 are described in the CD&A beginning on page 18.

(6)

The amounts in this column reflect the aggregate change in the actuarial present value of the accumulated benefit of each named executive officer under our Pension Plan and our Supplemental Pension Plan. The actuarial present value calculation for fiscal 2011 for Mr. Mackey, who is retirement eligible, is based on an immediate annuity (with an assumed retirement date of September 30, 2011), whereas the present value calculation for Messrs. Helmerich, Lindsay and Tardio, who are not retirement eligible, is based on a deferred annuity (with an assumed retirement age of 61). The aggregate change in the actuarial present value of the accumulated benefit of Hans Helmerich and John W. Lindsay decreased in fiscal 2009 in the amounts of $23,083 and $3,553, respectively.

(7)

"All other compensation" for fiscal 2011 includes the following:

Our matching contribution to our 401(k)/Thrift Plan on behalf of each named executive officer as follows: Hans Helmerich $12,250; John W. Lindsay $12,063; Steven R. Mackey $12,333; and Juan Pablo Tardio $15,956.

Our matching contribution to the nonqualified Supplemental Savings Plan for Employees of Helmerich & Payne, Inc. on behalf of each named executive officer as follows: Hans Helmerich $97,734; John W. Lindsay $21,413; Steven R. Mackey $34,927; and Juan Pablo Tardio $27,503. For fiscal 2010, the amount reported for the matching contribution to the nonqualified Supplemental Savings Plan on behalf of Mr. Lindsay was inadvertently overstated by $14,138. Therefore, the All Other Compensation and Total amounts reported above for Mr. Lindsay for fiscal 2010 have been restated to reflect the smaller match and corresponding lower compensation amounts in those two columns.

For Hans Helmerich, the amount reported includes $85,962 for personal use of our aircraft. The value shown for personal use of our aircraft is the incremental cost to us of such use, which is calculated based on the variable operating costs to us per nautical mile of operation, which include fuel costs, repairs, meals, professional services, travel expenses and licenses and fees. Fixed costs that do not change based on usage, such as the cost of aircraft, pilot salaries, insurance, rent, and other costs, were not included. The amount reported includes deadhead flights and is reduced by any reimbursements to us. The amount reported is attributable primarily to flights by Mr. Helmerich in connection with attending board meetings of publicly held companies.

Our contributions toward business travel premiums, medical premiums, executive medical expenses, tax gross-up payments with respect to medical plan premiums for periods before December 31, 2009 only, club memberships, and event tickets. The values of these personal benefits are based on the incremental aggregate cost to us and are not individually quantified because none of them individually exceeded the greater of $25,000 or 10% of the total amount of perquisites and personal benefits for each named executive officer.

Grants of Plan-Based Awards in Fiscal 2011

As described on pages 19 and 20 of the CD&A, we provide incentive award opportunities to executives, designed to reward both short-term and long-term business performance, and create a close alignment between incentive compensation and stockholders' interests. The following table provides information on non-equity incentive plan awards and restricted stock and stock options granted in fiscal 2011 to each of our named executive officers. Although the grant date fair value is shown in the table for these stock and option awards, there can be no assurance that these values will actually be realized during the terms of these grants.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	All Other Option Awards: Number of Securities Underlying Options (#) (3)	Exercise or Base Price of Option Awards ($/Sh) (4)	Grant Date Fair Value of Stock and Option Awards ($) (5)
Hans Helmerich		296,000	592,000	962,000							
	12/7/2010								40,000	47.935	888,000
	12/7/2010							20,000			958,700
John W. Lindsay		121,250	242,500	485,000							
	12/7/2010								21,000	47.935	466,200
	12/7/2010							12,000			575,220
Steven R. Mackey		95,000	190,000	380,000							
	12/7/2010								13,000	47.935	288,600
	12/7/2010							7,000			335,545
Juan Pablo Tardio		82,500									

						CRP IV	$950 mm	2004
CGFSP II	$1.0 bn	2011	Global Market Strategies Carry Funds			CRP III	$564 mm	2000
CGFSP I	$1.1 bn	2008	Carlyle Mezzanine Partners			Carlyle Europe Real Estate Partners		
Carlyle Europe Partners			(Corporate Mezzanine)			CEREP III	€2.2 bn	2007
CEP IV	€1.6 bn	2013	CMP II	$553 mm	2008	CEREP II	€763 mm	2005
CEP III	€5.3 bn	2006	CMP I	$436 mm	2004	CEREP I	€427 mm	2002
CEP II	€1.8 bn	2003	Carlyle Strategic Partners			Carlyle Asia Real Estate Partners		
Carlyle Asia Partners			(Distressed)			CAREP II	$486 mm	2008
CAP IV	$3.9 bn	2012	CSP III	$703 mm	2011	Natural Resources Funds		
CBPF	RMB 2.1 bn	2010	CSP II	$1.4 bn	2007	Infrastructure Carry Fund		
CAP III	$2.6 bn	2008	Carlyle Energy Mezzanine			CIP I	$1.1 bn	2006
CAP II	$1.8 bn	2006	Opportunities Fund			Power Carry Funds		
CAP I		1999	CEMOF I		2010	CPOCP		2013

	$750 mm			$1.4 bn			$280 mm	
Carlyle Japan Partners			Carlyle Asia Structured Credit Opportunities			CPP II	$316 mm	2014
CJP III	¥60.5 bn	2013	CASCOF	$155 mm	2014	International Energy Carry Fund		
CJP II	¥165.6 bn	2006	Hedge Funds and Other Vehicles[1]			CIEP	$2.2 bn	2013
CJP I	¥50.0 bn	2001	Long/Short Credit			NGP Energy Carry Funds		
Carlyle Mexico Partners			Claren Road			NGP XI	$4.2 bn	2014
Mexico	$134 mm	2005	Opportunities Fund	$2.5 bn	2008	NGP X[3]	$3.6 bn	2012
Carlyle MENA Partners			Claren Road			NGP Agribusiness Carry Fund		
MENA I	$471 mm	2007	Master Fund	$4.8 bn	2006	NGP GAP	$402 mm	2013
Carlyle South American Buyout Fund			Emerging Markets Strategies			NGP Management Fee Funds		
CSABF I	$776 mm	2009	Cross Border Equity Master Fund	$3.5 bn	2002	Various[4]	$8.1 bn	2004-2007
Carlyle Sub-Saharan Africa Fund			Domestic Opportunity Master Fund	$1.1 bn	2011	Legacy Energy Carry Funds		
CSSAF I	$698 mm	2012	Emerging Sovereign Group - Various	$0.5 bn	2002	Carlyle/Riverstone Global Energy		
Carlyle Peru Fund			Commodities			Energy IV	$6.0 bn	2007
CPF I	$308 mm	2012	Vermillion - Various	$1.3 bn	2005-2014	Energy III	$3.8 bn	2005
Carlyle Global Partners			Quantitative Market Strategies			Energy II	$1.1 bn	2002
CGP	$2.0 bn	2014	Various	$88 mm	2014	Carlyle/Riverstone Renewable Energy		
Growth Carry Funds			Business Development Companies[2]			Renew II	$3.4 bn	2008
Carlyle U.S. Venture/Growth Partners			Carlyle GMS Finance, Inc.	$717 mm	2013	Renew I	$685 mm	2005
CEOF I	$1.1 bn	2011	NF Investment Corp	$187 mm	2013			
CUSGF III	$605 mm	2006						
CVP II	$602 mm	2001	Investment Solutions					

Carlyle Europe Technology Partners		
CETP III	€362 mm	2014
CETP II	€522 mm	2007
CETP I	€222 mm	2005
Carlyle Asia Venture/Growth Partners		
CAGP IV	$1.0 bn	2008
CAGP III	$680 mm	2005
Carlyle Cardinal Ireland		
CCI	€292 mm	2012

AlpInvest		
Fund of Private Equity Funds		
42 vehicles	€39.0 bn	2000-2014
Secondary Investments		
30 vehicles	€9.9 bn	2000-2014
Co-Investments		
29 vehicles	€11.2 bn	2000-2014
Metropolitan Real Estate		
Real Estate Fund of Funds		
26 vehicles	$2.7 bn	2003-2014
Diversified Global Asset Management[1]		
Fund of Hedge Funds		
15 vehicles	$2.3 bn	2004-2014

Note: All funds are closed-end and amounts shown represent total capital commitments as of December 31, 2014, unless otherwise noted. Certain of our recent vintage funds are currently in fundraising and total capital commitments are subject to change.

(1) Open-ended funds, a mutual fund and other pooled vehicles. Amounts represent AUM across all products as of December 31, 2014.
(2) Amounts represent gross assets as of December 31, 2014.
(3) NGP X was previously reported as an NGP management fee fund. As of September 30, 2014, it is reported as a carry fund due to Carlyle's exercise, on July 1, 2014, of its option to acquire general partner interests in NGP X that entitle Carlyle to an allocation of income equal to 40% of the carried interest received by the general partner of NGP X.
(4) Includes NGPC, NGP ETP I, NGP M&R, NGP ETP II, NGP VII, NGP VIII and NGP IX.

Organizational Structure

The simplified diagram below depicts our organizational structure. Ownership information in the diagram below is presented as of December 31, 2014. The diagram does not depict all of our subsidiaries, including intermediate holding companies through which certain of the subsidiaries depicted are held. As discussed in greater detail below, The Carlyle Group L.P. holds, through wholly owned subsidiaries, a number of Carlyle Holdings partnership units that is equal to the number of common units that The Carlyle Group L.P. has issued and benefits from the income of Carlyle Holdings to the extent of its equity interests in the Carlyle Holdings partnerships. While the holders of common units of The Carlyle Group L.P. are entitled to all of the economic rights in The Carlyle Group L.P., the limited partners of the Carlyle Holdings partnerships, like the wholly owned subsidiaries of The Carlyle Group L.P., hold Carlyle Holdings partnership units that entitle them to economic rights in Carlyle Holdings to the extent of their

equity interests in the Carlyle Holdings partnerships. Public investors do not directly hold equity interests in the Carlyle Holdings partnerships.

(1) The Carlyle Group L.P. common unitholders have only limited voting rights and 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, holds a special voting unit in The Carlyle Group L.P. that entitles 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 provides 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.

(2) Certain individuals engaged in our business own interests directly in selected subsidiaries, including, in certain instances, entities that receive management fees from funds that we advise. See "— Structure and Operation of Our Investment Funds — Incentive Arrangements/Fee Structure" in this Item 1 for additional information.

The Carlyle Group L.P. conducts all of its material business activities through Carlyle Holdings. Each of the Carlyle Holdings partnerships was formed to hold our interests in different businesses. Carlyle Holdings I L.P. owns 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 derive income that we believe is not 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. Carlyle Holdings II L.P. holds 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, as well as our non-U.S. carried interests (and other investment interests) that derive income that we believe is not qualifying income for purposes of the U.S. federal income tax publicly-traded partnership rules and certain of our non-U.S. 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 are held by Carlyle Holdings III L.P. At the time of our IPO, certain pre-IPO owners of the firm, including our inside directors and executive officers, held a beneficial interest in investments in or alongside our funds that were funded by such persons indirectly through consolidated entities. As part of the reorganization we undertook in connection with our IPO, in order to minimize the extent of third-party ownership interests in firm assets, we (i) distributed a portion of these interests (approximately $127.7 million) to the beneficial owners so that they are held directly by such persons and are no longer consolidated in our financial statements and (ii) restructured the remainder of these interests (approximately $64.1 million) so that they are reflected as non-controlling interests in our financial statements.

The Carlyle Group L.P. has wholly owned subsidiaries that 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) 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. serve as the general partners of Carlyle Holdings I L.P. and Carlyle Holdings III L.P., respectively, 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

The Carlyle Group L.P. is 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. Each holder of our common units is a limited partner of The Carlyle Group L.P., and accordingly, is generally 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 holder, even if The Carlyle Group L.P. does not make cash distributions. We believe that the Carlyle Holdings partnerships should 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, incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of Carlyle Holdings.

Each of the Carlyle Holdings partnerships has 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. holds, 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 are held by The Carlyle Group L.P.’s wholly owned subsidiaries are economically identical to the Carlyle Holdings partnership units that are held by the limited partners of the Carlyle Holdings partnerships. Accordingly, the income of Carlyle Holdings benefits 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 does not have any business activities other than managing and operating us. We 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 determines the

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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, historically have not been, and are not expected to be, material.

LP Relations

Our diverse and sophisticated investor base includes more than 1,650 active carry fund investors located in 78 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, Asia, Europe, the Middle East and South America. We strive to maintain a systematic fundraising approach to support growth and serve our investor needs. This approach to fundraising has been critical in raising over $24 billion in 2014. We work for our fund investors and continuously seek to strengthen and expand our relationships with them through frequent investor engagement and by cross-selling products across our diverse platform. We have a dedicated in-house LP relations group, which includes 26 geographically focused professionals with extensive investor relations and fundraising experience. In addition, we have 16 product specialists with a focus on specific business segments and seven professionals focused on high net worth distribution. Our LP relations group is supported by 31 support staff responsible for project management and fulfillment. 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. 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 opportunities.

As of December 31, 2014, approximately 92% of commitments to our active carry funds (by dollar amount) were from investors who are committed to more than one active carry fund, and approximately 62% of commitments to our active carry funds (by dollar amount) were from investors who are committed to more than five active carry funds. We believe the loyalty of our fund investor base, as evidenced by our substantial number of multi-fund relationships, enhances our ability to raise new funds and successor funds in existing strategies.

Investor Services

We have a team of over 650 investor services professionals worldwide. The investor services group performs a range of functions to support our investment teams, LP relations group, and the corporate infrastructure of Carlyle. Our investor services professionals provide an important control function, ensuring that transactions are structured pursuant to the partnership agreements, assisting in global regulatory compliance requirements and investor reporting to enable investors to easily monitor the performance of their investments. We have devoted substantial resources to creating comprehensive and timely investor reports, which are increasingly important to our investor base. 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 global legal and compliance team, which includes 30 professionals and a government relations group with a presence around the globe, which includes 15 professionals as of December 31, 2014. 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 limited partnerships, which are organized by us, to 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 operation 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 such 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 may vote on certain partnership matters including the removal of the general partner or early liquidation of the partnership by simple majority vote, as discussed below. In the case of certain separately managed accounts advised by us, the investor, rather than us, may control the asset or the investment decisions related thereto or certain investment vehicles or entities that hold or have custody of such assets.

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”) or one of its subsidiaries or affiliates serves as an investment adviser for most of our carry funds and is registered under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Our investment advisers are generally 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, see “— Incentive Arrangements / Fee Structure” below.

Our carry funds and hedge funds themselves typically do not register as investment companies under the Investment Company Act of 1940, as amended (the "1940 Act" or the "Investment Company 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 and purchase their interests in a private placement. 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 and purchase their interests in a private placement. 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 the vast majority of our investment funds provide that, subject to certain conditions, a majority in interest (based on capital commitments) of third-party investors in those funds have the right to remove the general partner of the fund for cause and/or to accelerate the liquidation date of the investment fund without cause. In addition, the governing agreements of many of our investment funds generally require investors in those funds to vote to continue the investment period in the event that certain "key persons" in our investment funds do not provide the specified time commitment to the fund or our firm, cease to control the general partner (or similar managing entity) or the investment adviser or cease to hold a specified percentage of the economic interests in the general partner.

Our carry funds, fund of funds vehicles, business development companies, and NGP management fee funds 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 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, to control the general partner or the investment adviser or to hold a specified percentage of the economic interests in the general partner, unless upon any of these events the investors vote to continue the investment period. 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, fund outstanding borrowings and guarantees, complete investments with respect to transactions committed to 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 there may be limitations on how much such investor is required to fund for such follow-on investments. In those funds where such limitations exist, they generally range from 15-20% of an investor's capital commitment.

Investors in the latest generation of our real estate funds generally commit to fund their investment for a period of four (Asia and Europe) or five (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 time after the original expiration date of the commitment period, as well as to fund partnership expenses and management fees during the life of the fund.

The term of each of the CPE, Real Assets and GMS carry 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.
The term of each of the fund of funds vehicles generally will end 10 to 12 years from the initial closing date, or in some cases, the termination date may be 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 up to two-year periods, potentially up to a maximum of four years.

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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% to 2% of the investment fund or vehicle's capital commitments during the investment period. Following the expiration or termination of the investment period of such carry funds, the management fees generally step-down to between 0.6% and 2.0% generally on the lower of cost or fair value of capital invested; however, certain of our managed accounts base management fees on contributions for unrealized investments or the current value of the investment at all times. The management fees that we receive from our carry funds typically are payable semi-annually in advance. The investment adviser of our private equity and real estate fund of funds vehicles generally receives an annual management fee that ranges from 0.3% to 1.0% of the vehicle's capital commitments during the commitment fee period of the relevant fund or the weighted-average investment period of the underlying funds. Following the expiration of the commitment fee period or weighted-average investment period of such fund of funds vehicles, the management fees generally range from 0.3% to 1.0% on the lower of cost or fair value of the capital invested, the net asset value for unrealized investments, or the contributions for unrealized investments. The management fees for our fund of hedge funds vehicles generally range from 0.2 % to 1.5% of net asset value. The management fees we receive from our fund of funds vehicles typically are payable quarterly in advance. The investment adviser of our hedge funds generally receives management fees that range from 1.5% to 2.0% of net asset value per year. The investment adviser of our mutual fund generally receives management fees of 0.75% per year of daily net asset value, subject to contractually agreed upon waivers. The investment adviser of our business development companies generally receives management fees quarterly in arrears at annual rates that range from 0.25% to 1.00% of gross assets, excluding cash and cash equivalents. The investment adviser of each of our CLOs and other structured products generally receives an annual management fee of 0.15% to 1.00% on the total par amount of assets or the aggregate principal amount of the notes in the CLO. Such management fees are due quarterly or semi-annually based on the terms of the applicable fund documentation and recognized over the respective period. The investment adviser 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.

With respect to Claren Road, ESG and Vermillion, we retain a specified percentage of the earnings of those businesses based on our 55% ownership in the management companies of those entities. The management fees received by our Claren Road, ESG and Vermillion funds have similar characteristics, except that such funds often afford investors increased liquidity through annual, semi-annual, quarterly, or monthly withdrawal or redemption rights in certain cases following the expiration of a specified period of time when capital may not be withdrawn 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. Our equity interest in NGP previously entitled us to an allocation of income equal to 47.5%, which increased to 55% in January 2015, of the management fee-related revenues of the NGP entities that serve as advisors to the NGP management fee funds.

The general partners or investment advisers to our carry funds from time to time 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 that 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 ranges up to 1%, but may exceed 1% in certain circumstances) of the total enterprise value or capitalization of the investment. The management fees charged to limited partner investors are generally reduced by 80% 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 vehicle. 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 10% to 20% on

external coinvestment vehicles, with some earning no carried interest, or approximately 2% 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 generally allocate 45% 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 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 vehicle, the carry fund or fund of funds vehicle 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 10% to 20% on external coinvestment vehicles, with some earning no carried interest, or approximately 2% 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 may guarantee the full amount of such “giveback” obligation in respect of amounts received by Carlyle and certain other amounts. 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.

The receipt of carried interest in respect of investments of our carry funds is dictated by the terms of the partnership agreements that govern such funds, which generally allow for carried interest distributions in respect of an investment upon a realization event after satisfaction of obligations relating to the return of capital from all realized investments, any realized losses, allocable fees and expenses and the applicable annual preferred return. Carried interest is ultimately realized and distributed when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the investment fund’s cumulative returns are in excess of the preferred return and (iv) we have decided to collect carry rather than return additional capital to limited partner investors. Distributions to eligible senior Carlyle professionals in respect of such carried interest are generally made shortly thereafter. Our decision to realize carry considers such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to limited partner investors, and the length of time the fund has been in carry, as well as other qualitative measures. Although Carlyle has seldom been obligated to pay a giveback obligation, such obligation, if any, in respect of previously realized carried interest, is generally determined and due upon the winding up or liquidation of a carry fund pursuant to the terms of the fund’s partnership agreement although in certain cases the giveback is calculated at prior intervals.

In addition to the carried interest from our carry funds, we are also entitled to receive incentive fees or allocations from certain of our GMS funds. 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 that year 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. Certain of our business development companies also earn incentive fees (i) quarterly based on net investment income for the prior quarter and (ii) 20% annually based on the company's profits for the year, subject to a high water mark. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved based on the hedge funds’ then-current fair value and are included in performance fees in our consolidated statements of operations. These incentive fees are a component of performance fees in our consolidated financial statements and are treated as accrued until paid to us.

With respect to our arrangements with NGP, we have acquired future interests in the general partners of certain future funds advised by NGP that will entitle us to an allocation of income equal to 47.5% of the carried interest received by such fund general partners. In addition, we also exercised our option to purchase interests in the general partner of the NGP X fund, which entitles us to an allocation of income equal to 40% of the carried interest received by NGP X's general partner.

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

Under our arrangements with the historical owners and management team of Metropolitan, the management team and employees are allocated all carried interest in respect of the historical investments and commitments to the fund of funds vehicles that have had a final closing on or prior to July 31, 2013, and 45% of the carried interest in respect of all other commitments.

Under our arrangements with the historical owners and management team of DGAM, through the year ended December 31, 2015, the management team and employees are entitled to receive 25% of certain revenues received by DGAM's management company (including revenues from management fees and incentive fees). DGAM investment funds generally pay annual incentive fees equal to 7.5% to 10% of the fund's profits for the year, subject to a high water mark.

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 "Item 1A. 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. We intend to have Carlyle commit to fund approximately 1% of the capital commitments to our future carry funds. We also intend to make investments in our open-end funds and our CLO vehicles. In addition, certain qualified Carlyle professionals and other qualified individuals (including certain individuals who may not be employees of the firm but who have pre-existing business relationships with Carlyle or industry expertise in the sector in which a particular investment fund may be investing) are permitted, subject to certain restrictions, to invest alongside the investment funds we sponsor and advise. Fees assessed or profit allocations on such investments by such persons may be viewed or substantially reduced.

Minimum general partner capital commitments to our investment funds are determined separately with respect to each investment fund. We may, from time to time, exercise our right to purchase additional interests in our investment funds that become available in the ordinary course of their operations. See “Item 7. 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.

Certain investors may also receive the opportunity to make additional “coinvestments” alongside the investment funds. Co-investments are investments arranged by us that are made by our limited partner investors (and other investors in certain instances) in vehicles that invest in portfolio companies or other assets, generally on substantially the same terms and conditions as those of the applicable fund. In certain cases, such coinvestments may involve additional fees or carried interest.

Carlyle and its eligible 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).

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 also have worked to develop internal expertise in our sustainability work. We are a member of Business for Social Responsibility, a global nonprofit business network dedicated to sustainability. We also educate portfolio companies in which we have a controlling interest on the guidelines and encourage them to review the guidelines at the board level on an annual basis.

We are 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 are required to do so.

AlpInvest is a signatory of the UN-backed Principles for Responsible Investment and has adopted the UN Global Compact as a corporate social responsibility (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 as an investment consideration. In addition, AlpInvest seeks opportunities to invest in sustainability solutions.

Information Technology

Information technology is essential for Carlyle to conduct investment activities, manage internal administration activities and connect a global enterprise. As part of our technology strategy and governance processes, we develop

and routinely refine our technology architecture to leverage solutions that will best serve the needs of our investors. Our systems, data, network and infrastructure are continuously monitored and administered by formal controls and risk management processes that also help protect the data and privacy of our employees and investors. Our business continuity plan is designed to allow all critical business functions to continue in an orderly manner in the event of an emergency.

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, distribution channels 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. To stay competitive, we believe it is also important to be able to offer fund investors a customized suite of investment products which enable them to tailor their investments across alternatives in hedge funds, private equity and real estate. 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 CPE segment, we also compete with business development companies and operating companies acting as strategic acquirers. In our GMS segment, we compete with private credit strategies, hedge funds, business development companies, distressed debt funds, mezzanine funds and other CLO issuers. In our Real Assets segment, we also compete with real estate development companies. In our Investment Solutions segment, we generally compete with other fund of funds managers and/or with advisers that are turning their business models towards discretionary investment advisory services.

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, sovereign wealth funds, family offices and agencies and instrumentalities of governments 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. In addition, large institutional investors and sovereign wealth funds have begun to develop their own in-house investment capabilities and may compete against us for investment opportunities. Furthermore, in some cases, large institutional investors have reduced allocations to “fund of funds” vehicles and turned instead to private equity and hedge fund advisory firms that assist with direct investments. Greater reliance on advisory firms or in-house investment management may reduce fund of funds’ appeal to large institutional investors. As we continue to target high net worth investors, we also face competition from mutual funds and alternative asset management firms that have launched liquid alternative products.

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 and investor capital. 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 we may not be able to achieve through our own portfolio, and this 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 December 31, 2014, we employed more than 1,650 individuals, including more than 700 investment professionals, located in 40 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 Securities and Exchange Commission (the “SEC”), Commodity Futures Trading Commission (the “CFTC”) 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 subsidiaries are registered as investment advisers with the SEC. Registered investment advisers are subject to the requirements and regulations of the Investment Advisers Act. Such requirements relate to, among other things, fiduciary duties to advisory 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 adviser and advisory clients and general anti-fraud prohibitions. In addition, our registered investment advisers are subject to routine periodic and other examinations by the staff of the SEC. In accordance with our efforts to enhance our

compliance program and in response to recommendations received from the SEC in the course of routine examinations, certain additional policies and procedures have been put into place, but no material changes to our registered investment advisers' operations have been made. Our registered investment advisers also have not been subject to any regulatory or disciplinary actions by the SEC. Finally, certain of our U.S. and non-U.S. investment advisers are subject to limited SEC disclosure requirements as "exempt reporting advisers."

TCG Securities, L.L.C. ("TCG Securities"), the affiliate entity through which we conduct U.S.-based marketing and fundraising activities, is registered as a limited purpose broker/dealer with the SEC, is a member of the Financial Industry Regulatory Authority ("FINRA"), and is also registered as a broker/dealer in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the Virgin Islands. Additionally, TCG Securities operates under the international broker/dealer exemption in the Canadian provinces of Alberta, British Columbia, Ontario and Quebec. In June 2014, FINRA approved a license expansion application, enabling TCG Securities to offer and sell interests in special purpose vehicles, specifically debt and equity tranches of collateralized commodities obligation securities and collateralized loan obligation securities for which TCG Securities' affiliates serve as collateral manager. In the first half of 2015, TCG Securities intends to submit a Materiality Consultation to FINRA in conjunction with anticipated loan origination and syndication activities to be conducted by a wholly-owned special purpose vehicle, and also submit applications to FINRA to expand its license and approved business activities to engage in mutual fund retailing and active distribution, as well as to administer a bulletin board platform for the Carlyle Matching System, a liquidity program available for certain recent vintage buyout funds. 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 with the public 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, TCG Securities is subject to the SEC's uniform net capital rule, Rule 15c3-1 under the Securities Exchange Act of 1934, as amended ("the Exchange Act"), 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. To date, TCG Securities has not had any capital adequacy issues and is currently capitalized in excess of the minimum maintenance amount required by regulators.

In 2013, we launched two business development companies which entities are subject to all relevant provisions under the 1940 Act as registered investment companies. In 2014, we launched a mutual fund platform comprising two funds, each a separate series of an open-ended, management investment company formed as a Delaware statutory trust. The mutual funds are subject to all relevant provisions under the 1940 Act as registered investment companies. The 1940 Act and the rules thereunder regulate the relationship between a registered investment company and its investment adviser and prohibit or severely restrict principal transactions and joint transactions.

In 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the Commodity Exchange Act to expand the CFTC's regulatory jurisdiction with respect to certain derivative instruments, including swaps. In 2012, the CFTC rescinded an exemption from CFTC registration traditionally relied upon by private fund managers, narrowed an exception related to registered investment companies and amended related rules and guidance. As a result of these

changes, managers of certain pooled investment vehicles with exposure in commodity interests now may be required to register with the CFTC as commodity pool operators ("CPOs") and/or commodity trading advisors ("CTAs") and become members of the National Futures Association (the "NFA"). As such, certain of our or our subsidiaries' risk management or other commodities interest-related activities may be subject to CFTC oversight. Consequently, certain CFTC rules expose alternative asset managers, such as us, to increased registration and reporting requirements in connection with transactions in futures, swaps and other derivatives regulated by CFTC. Consequently, each of Carlyle Global Market Strategies Investment Management ("CGMSIM"), DGAM, ESG, Emerging Sovereign Partners LLC ("ESP") and Vermillion is a NFA member and is registered with the CFTC as a CPO and/or CTA. In addition, certain Carlyle personnel are registered with the CFTC as Principals of certain of these entities. These regulations have required us to reassess certain business practices related to our pooled vehicles, consider registration of additional entities with the CFTC or file for additional exemptions from such registration requirements.

In addition, as a result of their commodities interest-related activities, certain of our entities also may be subject to a wide range of other regulatory requirements, such as:

- potential compliance with certain commodities interest position limits or position accountability rules;
- administrative requirements, including recordkeeping, confirmation of transactions and reconciliation of trade data; and
- mandatory central clearing and collateral requirements.

In addition, many Carlyle vehicles are subject to the Internal Revenue Service ("IRS") Foreign Account Tax Compliance Act ("FATCA") tax regulations intended to address tax compliance issues associated with U.S. taxpayers with foreign accounts. FATCA requires "foreign financial institutions" to report to the IRS information about financial accounts held by U.S. taxpayers and imposes withholding, documentation and reporting requirements on such entities. FATCA has a staged implementation, with certain aspects applicable to Carlyle beginning in July 2014. In many instances, however, the precise nature of what needs to be implemented will be governed by bilateral Intergovernmental Agreements ("IGAs") between the United States and the countries in which Carlyle does business. FATCA could cause Carlyle to incur significant administrative and compliance costs and subject investors within certain Carlyle funds to incur additional tax withholding.

United Kingdom and the European Union

CECP Advisors LLP, one our subsidiaries, is authorized in the United Kingdom under the Financial Services and Markets Act 2000 (the "FSMA") and has permission to engage in a number of corporate finance activities regulated under the FSMA, including advising on, and arranging deals in relation to certain types of, investments. CECP has registered a branch office in Ireland in connection with Carlyle's investment activities in that country. CELF Advisors LLP, another one of our subsidiaries, is authorized in the United Kingdom under the FSMA and has permission to engage in a number of activities regulated under the FSMA including advising on, managing and arranging deals in relation to certain types of investments, dealing in investments as agent and arranging safeguarding and administration of assets. 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 Conduct Authority is responsible for administering these requirements and 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.

In 2014, various aspects of the Alternative Investment Fund Managers Directive (the "AIFMD") became effective in countries across the European Economic Area (the "EEA"). In general, the AIFMD regulates certain managers of, investment funds that are managed or marketed in the EEA (including certain investment funds domiciled outside of EEA). Generally, the AIFMD has a staged implementation until 2018. Compliance with the AIFMD's requirements may restrict Carlyle's fund marketing strategy and will place additional compliance obligations in the form of remuneration policies, capital requirements, reporting requirements, leverage oversight and liquidity management.

Additionally, during 2014, certain aspects of the European Market Infrastructure Regulation ("EMIR") were implemented. Among other things, EMIR imposes a set of requirements on European Union derivatives activities, including risk mitigation, risk management, regulatory reporting and margin and clearing requirements. Given the global scale of the derivatives activity of various Carlyle entities, the various regulatory regimes to which Carlyle is subject could result in duplication of administration and increased transaction costs related to such derivatives activities.

Other Jurisdictions

Certain of our subsidiaries are subject to registration and compliance with laws and regulations of non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, investment advisory services and the marketing of investment products, and any failure to comply with

these regulations could expose us to liability and/or damage our reputation. Certain of our private funds are also required to comply with the trading and disclosure rules and regulations of non-U.S. securities regulators.

Carlyle Hong Kong Equity Management Limited is licensed by the Hong Kong Securities and Futures Commission to carry on Type 1 (dealing in securities) regulated activity in respect of professional investors.

Carlyle Japan Asset Management YK is registered as an investment adviser with the Japan Financial Services Agency.

Carlyle Mauritius Investment Advisor Limited and Carlyle Mauritius CIS Investment Management Limited are licensed providers of investment management services in the Republic of Mauritius and are subject to applicable Mauritian securities laws and the oversight of the Financial Services Commission. In addition, Carlyle Mauritius Investment Advisor Limited holds a "Foreign Institutional Investor" license from the Securities and Exchange Board of India, which entitles this entity to engage in limited activities in India.
Carlyle Australia Equity Management Pty Limited is licensed by the Australian Securities and Investments Commission as an Australian financial services licensee and is authorized to carry on a financial services business to provide advice on and deal in financial products (managed investment schemes and securities) for wholesale clients.
Carlyle MENA Investment Advisors Limited, a company limited by shares in the Dubai Financial Centre, holds a Category 3C license issued by the Dubai Financial Services Authority and is authorized to arrange credit or deal in investments, advise on financial products or credit and manage collective investment funds.
Carlyle Real Estate SGR S.p.A. holds an authorization from the Bank of Italy to carry on fund management and real estate activities.
Carlyle Singapore Investment Advisors Pte Limited holds a capital markets license and an exempt financial adviser status with the Monetary Authority of Singapore to carry on fund management and dealing in securities activities in respect of institutional and accredited investors.
Carlyle South Africa Advisors (Proprietary) Limited, a limited company incorporated in the Republic of South Africa, is licensed as a Category 1 Authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act (No. 37 of 2002) and is thereby regulated by the Financial Services Board in South Africa.

Claren Road Asia Limited is licensed by the Hong Kong Securities and Futures Commission to carry on Type 9 (asset management) regulated activity in respect of professional investors.
Diversified Global Asset Management is licensed by the Ontario Securities Commission as an exempt market dealer, as an adviser in the category of portfolio manager and as an investment fund manager and by the Autorité des Marchés Financier in Québec as an adviser in the category of portfolio manager and as an investment fund manager.
Vermillion Shanghai is licensed as a registered commodities trading company in the Free Trade Zone in Shanghai, China. Pursuant to this registration, Vermillion Shanghai is permitted to import and export physical commodities, partake in onshore and bonded physical commodities market and trade commodity derivatives on China's domestic exchanges, including but not limited to the Shanghai Futures Exchange, Zhengzhou Commodities Exchange, and the Dalian Commodities Exchange.
TCG Gestor is licensed by the Securities & Exchange Commission of Brazil as an investment adviser.
In addition, we and/or our affiliates and subsidiaries may become subject to additional regulatory demands in the future to the extent we expand our investment advisory business in existing and new jurisdictions. There are also a number of pending or recently enacted legislative and regulatory initiatives in the United States and around the world that could significantly impact our business. See "Item 1A. Risk Factors—Risks Related to our Company— Extensive regulation in the United States and abroad affects our activities and creates the potential for significant liabilities and penalties," "—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" and "—Recent regulatory changes in jurisdictions outside the United States could adversely affect our business."
Our businesses have operated for many years within a framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities and we take our obligation to comply with all such laws, regulations and internal policies seriously. Our reputation depends on the integrity and business judgment of our employees and we strive to maintain a culture of compliance throughout the firm. We have developed, and adhere to, compliance policies and procedures such as codes of conduct, compliance systems, education and communication of compliance matters. These policies focus on matters such as insider trading, anti-corruption, document retention, conflicts of interest and other matters. Our legal and compliance team monitors our compliance with all of the legal and regulatory requirements to which we are subject and manages our compliance policies and procedures. Our legal and compliance team also monitors the information barriers that we maintain to

restrict the flow of confidential information, including material, nonpublic information, across our business. Our enterprise risk management function analyzes our operations and investment strategies to identify key risks facing the firm and works closely with the legal and compliance team to address them. The firm also has an independent and objective internal audit department that employs a risk-based audit approach that focuses on

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Sarbanes-Oxley compliance, enterprise risk management functions and other areas of perceived risk and aims to give management and the board of directors of our general partner reasonable assurance that our risks are well managed and controls are appropriate and effective.

Website and Availability of SEC Filings

Our website address is www.carlyle.com. We make available free of charge on our website or provide a link on our website to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to the "Financial Information" portion of our "Public Investors" page on our website, and then click on "SEC Filings." You may also read and copy any document we file at the SEC's public reference room located at 100 F Street, N.E., Washington, DC 20549. Call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, the reports and other documents we file with the SEC are available at a website maintained by the SEC at www.sec.gov.

We use our website (www.carlyle.com), our corporate Facebook page (https://www.facebook.com/pages/The-Carlyle-Group/103519702981?rf=110614118958798) and our corporate Twitter account (@OneCarlyle) as channels of distribution of material company information. For example, financial and other material information regarding our company is routinely posted on and accessible at www.carlyle.com. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about Carlyle when you enroll your email address by visiting the "Email Alert Subscription" section at https://ir.carlyle.com/alerts.cfm?. The contents of our website and social media channels are not, however, a part of this Annual Report on Form 10-K and are not incorporated by reference herein.

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.

ITEM 1A. RISK FACTORS

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, earnings and cash flow and adversely affect our financial prospects and condition.

Our business is 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 and regulations on alternative asset managers), disease, 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.

Global financial markets have experienced heightened volatility in recent years, including in the June to September 2013 period following suggestions that the United States Federal Reserve System might "taper" asset purchases, and then again in October 2014 following downgrades to the global economic outlook. Although credit spreads are inside of historical averages and all-in financing costs are below those prevailing prior to the financial crisis, there is concern that the favorability of market conditions may be dependent on continued monetary policy accommodation from central banks, especially the U.S. Federal Reserve. As the U.S. Federal Reserve ended its asset purchase program in

the fourth quarter of 2014 and signaled its intention to raise policy interest rates in 2015, this withdrawal of monetary accommodation could have unpredictable consequences for credit markets. Such unpredictability could create volatility in the debt financing market and could negatively impact our business. The increase in the foreign exchange value of the U.S. dollar could also result in financial market dislocations that could negatively impact deal finance conditions. The fall in the price of oil may increase default risk among energy credits, including sovereign borrowers, and increase the cost or availability of financing for our transactions. Economic activity and employment in developed economies remain below levels implied by pre-recession trends and financial institutions have not provided debt financing in amounts and on terms commensurate with that provided prior to 2008, particularly in

Europe. Such continued weakness could result in lower investment returns than we anticipated at the time we consummated some of our investments.

Interest rates have been at historically low levels for the last few years. These rates may remain relatively low or rise in the future and a period of sharply rising interest rates could have an adverse impact on our business. To the extent interest rates rise or there is a reduction in the availability of financing, the value of our portfolio could be adversely impacted. To address the near-term potential impact from an increase in rates, our portfolio companies have been refinancing and extending their debt when possible.
In 2014, we invested approximately $10 billion through our carry funds in more than 200 transactions. This is more than our average investment pace for the last two years. In the event that our investment pace slows, it could have an adverse impact on our ability to generate future performance fees and fully invest the capital in our funds. Our funds may also be affected by reduced opportunities to exit and realize value from their investments via a sale or merger upon a general slowdown in corporate mergers and acquisitions activity. Additionally, we may not be able to find suitable investments for the funds to effectively deploy capital and these factors could adversely affect the timing of and our ability to raise new funds.

During periods of difficult market conditions or slowdowns (which may occur across one or more industries or geographies), our funds' portfolio companies may experience adverse operating performance, decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. Negative financial results in our funds' portfolio companies may result in lower returns in our 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 certain 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 GMS funds. Performance in our hedge fund and hedge fund of funds businesses may be impacted by increased market volatility and certain other factors, that could have a negative impact on the level and pace of subscriptions or redemptions to those businesses. 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 performance fees to us. The payment of less or no performance fees 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 and to distribute to our unitholders. The generation of less performance fees could also impact our leverage ratios and compliance with our term loan covenants. 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 or at all) 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 or refinance all or part of our 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. A significant contraction in the market for debt financing, such as the contraction that occurred in 2008 and 2009, or other adverse change 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 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 use of leverage and earn-out payments may expose us to substantial risks.
We use indebtedness as a means to finance our business operations, which exposes us to the risks associated with using leverage. We are dependent on financial institutions such as global banks extending credit to us on reasonable terms to finance our business. There is no guarantee that such institutions will continue to extend credit to us or will renew the existing credit agreements we have with them, or that we will be able to refinance our outstanding notes when they mature. In addition, the incurrence of additional debt in the future could result in downgrades of our existing corporate credit ratings, which could limit the availability of future financing and/or increase our cost of borrowing. As borrowings under our credit facility or any other indebtedness mature, we may be required to either refinance them by entering into a new facility, which could result in higher borrowing costs, issuing additional debt or issuing additional equity, which would dilute existing unitholders. We could also repay them by using cash on hand, cash provided by our continuing operations or cash from the sale of our assets, which could reduce distributions to our unitholders. We could have difficulty entering into new facilities or issuing debt or equity securities in the future on attractive terms, or at all.
From time to time we may access the capital markets by issuing debt securities. For example, in January 2013, we issued $500 million aggregate principal amount of ten-year senior notes at a rate of 3.875%. In March 2013, we issued $400 million aggregate principal amount of thirty-year senior notes at a rate of 5.625% and in March 2014, we issued an additional $200 million aggregate principal amount of thirty-year senior notes at a rate of 5.625%. We also have a credit facility that provides for a term loan (of which $25.0 million was outstanding as of December 31, 2014) and revolving credit borrowings that has a final maturity date of August 9, 2018. The credit facility contains financial and non-financial covenants with which we need to comply to maintain access to this source of liquidity. Non-compliance with any of the financial or non-financial covenants without cure or waiver would constitute an event of default and an event of default resulting from a breach of certain financial or non-financial covenants could result, at the option of the lenders, in an acceleration of the principal and interest outstanding, and a termination of the revolving credit facility. In addition, to the extent we incur additional debt, our credit rating could be adversely impacted, which would increase our interest expense.
In addition, as part of the consideration for several of the new businesses we have acquired, we expect to incur future expenses related to these acquisitions including amortization of acquired intangibles, cash- and equity-based earn-out payments and fair value adjustments on contingent consideration issued. For example, we have used earn-out payments in our recent acquisitions to better align the interests of the managers of the acquired businesses with our interests. We have substantial earn-out payments due over the next several years in connection with our strategic investment in NGP and acquisitions of Claren Road, ESG, Metropolitan and DGAM. Refer to Note 3, Note 6, and Note 9 to our consolidated financial statements included in this Annual Report on Form 10-K for additional information. If our acquisitions do not perform as anticipated, we may not be required to fund these earn-out payments. However, to the extent the performance of an acquisition is significantly below plan, it may be an indication that any goodwill or acquired intangible assets from the acquisition is impaired. An impairment of intangible assets or goodwill would be recognized as an expense on our income statement. For example, we recognized impairment charges totaling $66.2 million during 2014 related to the impairment of certain acquired intangible assets. See "Risks Related to our Business — 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 revenue, earnings and cash flow are variable, which makes it difficult for us to achieve steady earnings growth on a quarterly basis.
Our revenue, earnings and cash flow are variable. For example, our cash flow fluctuates since 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 and year-to-year depending on our level of investment activity. In 2014, we received $39.2 million in transaction fees from our U.S. and European buyout funds and our total transaction fees increased $28.5 million from those we

received in 2013.

We may also experience fluctuations in our quarterly and annual results, including our revenue and net income, 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, gains, 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 2008 and 2009 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, particularly the public portion of our carry fund portfolios, may be more variable during times of market volatility. As of December 31, 2014, 30% of our carry fund portfolio was in public securities. Our hedge fund performance may depend on idiosyncratic factors regarding security selection and other factors that can affect overall investment performance, which can impact our incentive fees and the level and pace of subscriptions and redemptions. Such variability in the timing and amount of our accruals and realizations of carried interest, performance fees and transaction fees may lead to volatility in the trading price of our common units and cause our

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results and cash flow for a particular period not to be indicative of our performance in a future period. Because of this volatility, 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.

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 in the fundraising or investment periods that precede harvesting, 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. A downturn in the equity markets also makes it more difficult to exit investments by selling equity securities at a reasonable value. If we were to have a realization event in a particular quarter, that event may have a significant impact on our quarterly results and cash flow for that particular quarter and may not be replicated in subsequent quarters. We cannot predict precisely when, or if, realizations of investments will occur, where a fund will be in its lifecycle when the realizations occur or whether a fund will realize carried interest. For example, in 2013 and 2012 as compared to 2011, several of our portfolio companies engaged in recapitalization transactions, thereby returning capital to the investors in those companies. Many of these transactions, however, did not produce realized carried interest.

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. This is because 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.

The timing and receipt of realized carried interest also varies with the life cycle of our carry funds and there is often a difference between the time we start accruing carried interest for financial reporting purposes and the realization and distribution of such carried interest. However, performance fees are ultimately realized when (i) an investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the investment fund’s cumulative net returns are in excess of the preferred return and (iv) we have decided to collect carried interest rather than return additional capital to limited partner investors. In deciding to realize carried interest we consider such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to limited partner investors, the length of time the fund has been in carry, and other qualitative measures. When a fund enters into a position to take carried interest, we are generally entitled to a disproportionate “catch-up” level of profit allocation for a period before the amount of profit allocation to which we are entitled returns to a more normalized level. For example, for financial reporting purposes, we started accruing carried interest in respect of CAP III and CEP III in the fourth quarter of 2013, which resulted in a cumulative catch-up of carried interest. Throughout 2014, CAP III and CEP III remained in a carry position, but profits were allocated to us in respect of these funds at a more normalized rate (i.e., 20%). In order to maintain a sufficient level of reserves and reduce the risk of potential future giveback obligations, we did not realize any carried interest from CEP III until the second quarter of 2014, and we have not yet realized any carried interest from CAP III.

With respect to certain of the hedge 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 an investor's account has increased. The incentive fees we earn are dependent on the net asset value of these funds or vehicles, which could lead to volatility in our quarterly results and cash flow. 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. For our hedge funds, in making their decision whether to increase or maintain allocations to our funds, our investors may consider, among other factors, the absolute positive performance and relative outperformance and lower volatility

versus their respective benchmarks. Several of our hedge funds are currently below their high water marks for the first time since we acquired them. Additionally, redemptions in our hedge funds exceeded subscriptions by $2.2 billion during January 2015.

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 or the aggregate fair market value of a fund's investments is below its cost. We may receive a lower management fee from such funds if there has been a decline in value or 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 and dispose of investments may cause our management fee revenue to vary from one quarter to the next. Additionally, in certain of our funds that derive management fees only on the basis of invested capital, the pace at which we make investments, the length of time we hold such investment and the timing of dispositions will directly impact our revenues.

The investment period of a fund may expire prior to the raising of a successor fund. Where appropriate, we may work with our limited partners to extend the investment period, which gives us the opportunity to invest any capital that remains in the fund. In general, the end of the original investment period (regardless of whether it is extended) will trigger a change in the capital base on which management fees are calculated from committed capital to invested capital. In some cases, a step-down in the applicable rate used to calculate management fees may also occur.
Our management fee revenues will be reduced by these step-downs in management fee rates or market value declines, and by any reduction of Fee-earning AUM resulting from successful realization activity in our carry funds. For example, the investment periods for many of our large carry funds expired in 2013, which resulted and will continue to result in a reduction of the management fees that we receive from those funds. In most cases we have raised or are in the process of raising successor funds to replace these funds. However, to the extent that a successor fund is smaller than the predecessor fund, has lower management fee terms or there is a gap between the expiration of the investment period of a predecessor fund and the commencement of management fees for a successor fund, our total management fees for that fund family may decline. In some of our hedge funds, a reduction in the value of our Fee-earning AUM could result in a reduction in the management fees and incentive fees we earn from those funds. For example, our AUM in our GMS hedge fund operations declined $1.4 billion from September 30, 2014 to December 30, 2014 and, due to the effect of the net redemption notifications received during the fourth quarter of 2014, declined an additional $2.2 billion on January 1, 2015, which would negatively impact management fee revenue in our GMS segment if such redemptions are not replaced with subscriptions. In addition, our failure to successfully replace and grow Fee-earning AUM through the integration of recent acquisitions and anticipated new fundraising initiatives could have an adverse effect on our management fee revenue.
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 executive group, our management 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. Our founders 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. As part of our on-going succession planning, and to enhance our capabilities, we have and will continue to hire and internally develop senior professionals to assume key leadership positions throughout the firm into the future. Accordingly, the efficacy of future leadership may constitute an adverse risk to our business.
In addition, all of the Carlyle Holdings partnership units received by our founders and a portion of the Carlyle Holdings partnership units that other key personnel have received in the reorganization, as described in "Part I. Item 1. Business," were fully vested at the time of receipt and additional Carlyle Holdings partnership units held by these persons have also subsequently vested. 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 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 action could have a material adverse effect on our business, results of operations and financial condition. Furthermore, to the extent investors in certain of our hedge funds have the ability to redeem their investment, the loss of a key manager could trigger redemptions and thus adversely impact the business.

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.

If legislation were to be enacted by the U.S. Congress, state or local governments or certain foreign 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 and international taxation 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 "— 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 common unitholders and the market price of our common units, could be reduced." For example, the United Kingdom Government recently proposed legislation which may impact the taxation of carried interest for certain professionals. Moreover, the value of the deferred restricted 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.

All of the Carlyle Holdings partnership units received by our founders as part of the reorganization we undertook at the time of our initial public offering are fully vested. All of the Carlyle Holdings partnership units received by our other employees in exchange for their interests in carried interest owned at the fund level relating to investments made by our carry funds prior to the date of the reorganization are fully vested. Of the outstanding Carlyle Holdings partnership units, excluding those held by Messrs. D'Aniello, Conway, Rubenstein and by Mubadala, 60% are fully vested and 40% are unvested as of December 31, 2014. The unvested Carlyle Holdings units generally will vest in equal installments over the next 4 years on each anniversary of our initial public offering. At the time of the initial public offering, we granted 17,113,755 deferred restricted common units to our employees under our Equity Incentive Plan and 361,238 phantom deferred restricted common units. These deferred restricted common units and phantom units issued to employees at the time of our initial public offering generally vest over a period of six years on each anniversary date of the offering. Since our initial public offering we have issued and expect to continue to issue additional equity to retain our employees. In 2014, we incurred equity compensation expenses of $55.3 million in connection with grants of deferred restricted common units granted at the initial public offering and $80.3 million in connection with grants issued after such offering, and we expect these costs to marginally increase in the future as we increase the use of deferred restricted common units to attract, retain and compensate our employees. In February 2015, we granted approximately 5.0 million deferred restricted common units that generally vest over a period of up to three and a half years to a significant number of our employees. The total estimated grant-date fair value of these awards was approximately $118.7 million.

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 our unitholders.

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 near-term 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 unitholders, our 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. The means by which we seek to achieve superior investment performance in each of our strategies could 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. 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 instance, in order to enhance our relationship with certain fund investors, we have reduced management fees or ceased charging management fees on certain funds in specific instances. We may receive requests to reduce management fees on other funds in the future. "—See Risks Related to Our Business— Our investors may negotiate to pay us lower management fees and the economic terms of our future may be less favorable to us than those of our existing funds, which could adversely affect our revenues."

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. We have also waived management fees on certain leveraged finance vehicles at various times to improve returns. Furthermore, we typically delay the realization of carried interest to which we are otherwise entitled if we determine (based on a variety of factors, including the stage of the fund's life-cycle and the extent of fund profits accrued to date) that there would be an unacceptably high risk of potential future giveback obligations. Any such delay could result in a deferral of realized carried interest to a subsequent period. See "— Risks Related to Our Company — Our revenue, earnings and cash flow are variable, which may make it difficult for us to achieve steady earnings growth on a quarterly basis."

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 focuses on the expansion of our platform both through the development of, and investment in, our existing lines of business to foster organic growth and strategic investment in or acquisition of, alternative asset management businesses or other businesses complementary to our existing business. This growth strategy involves a number of risks, including that the expected synergies or anticipated growth in assets under management from an investment in an organic growth strategy or 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 or line of business. We may also incur significant charges in connection with such growth initiatives and they may also potentially result in significant losses and costs. To the extent we issue equity in connection with our growth initiatives, we would dilute our unitholders.

Our organic growth strategy focuses on providing resources to foster the development of new product offerings and business strategies by our investment professionals. Given our diverse platform, these initiatives could create conflicts of interests with existing products, increase our costs and expose us to new market risks, and legal and regulatory requirements. For example, our recently developed and planned business initiatives include offering registered investment products and creating investment products open to retail investors. These products may have different economic structures than our traditional investment funds and may require a different marketing approach. These activities also will impose additional compliance burdens on us, subject us to enhanced regulatory scrutiny and expose us to greater reputation and litigation risk.

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

- our ability to correctly identify and create products that appeal to our investors;
- the diversion of management's time and attention from our existing businesses;
- management's ability to spend time developing and integrating the new business;
- our ability to properly manage conflicts of interests;

- 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.

In some instances, we may determine that growth in a specific area is best achieved through the acquisition of an existing business or a smaller scale lift out of an investment team to enhance our platform. Our ability to execute on our acquisition strategy will depend on our ability to identify and value potential acquisition opportunities accurately and successfully compete for these businesses against companies that may have greater financial resources. Even if we are able to identify and successfully negotiate and complete an acquisition, these transactions can be complex and we may encounter unexpected difficulties or incur unexpected costs.

In addition to the concerns noted above, the success of our acquisition growth strategy will be affected by, on among other things:

- difficulties and costs associated with the integration of operations and systems;
- difficulties integrating the acquired business's internal controls and procedures into our existing control structure;
- 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 acquisition transaction presents unique challenges and if a new venture developed internally or by acquisition is unsuccessful, we may decide to wind-down the new line of business. The wind-down could expose us to additional expenses, including impairment charges, could negatively impact our relationships with fund investors in those businesses and could subject us to litigation or regulatory inquiries.

Our organizational documents do not limit our ability to enter into new lines of business, and we intend to, 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. Our organizational documents do not limit us to the asset management business and 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 diversion of management's attention from our core businesses;
- assumption of liabilities in any acquired business;
- the disruption of our ongoing business;
- the increasing demands on or issues related to the combination or integration of operational and management systems and controls;
- compliance with additional regulatory requirements;
- potential increase in investor concentration; and
- the broadening of our geographic footprint, including the risks associated with conducting operations in certain foreign jurisdictions where we currently have no presence.

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 liability and litigation and regulatory risk and expense. 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 advisory arrangements 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 advisory arrangements 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 common unitholders 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 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, except to the extent such ISPI would have been considered under the legislation to be a qualified capital interest. Common unitholders' 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. It is unclear when or whether the U.S. Congress will vote on this legislation or what provisions will be included in any legislation, if enacted.

The most recent legislative proposals provided that, for taxable years beginning ten 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, common unitholders 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.
The Obama administration proposed policies similar to Congress 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, except to the extent such ISPI would be considered to be a qualified capital interest. The proposal 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. The Obama administration's published revenue proposals for 2014 and prior years 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 common unitholders, even if a nonresident, 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, although 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 and enacted 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 or franchise tax.

Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us.

Congress, the Organization for Economic Co-operation and Development ("OECD") and other government agencies in jurisdictions where we and our affiliates invest or do business have maintained a focus on issues related to the taxation of multinational corporations. The OECD, which represents a coalition of member countries, is contemplating changes to numerous long-standing tax principles through its base erosion and profit shifting ("BEPS") project, an area that

focuses in part on payments made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. Additionally, the Obama administration has announced other proposals for potential reform to the U.S. federal income tax rules for businesses, including reducing the deductibility of interest for corporations, anti-inversion rules, reducing the top marginal rate on corporations and subjecting entities currently treated as partnerships for tax purposes to an entity-level income tax similar to the corporate income tax. Several of these proposals for reform, if enacted by the U.S. or by other countries in which we or our affiliates invest or do business, could adversely affect us. It is unclear what any actual legislation would provide, when it would be proposed or what its prospects for enactment would be.

Representative Camp has proposed the migration of the United States from a “worldwide” system of taxation, pursuant to which U.S. corporations are taxed on their worldwide income, to a territorial system where U.S. corporations are taxed only on their U.S. source income (subject to certain exceptions for income derived in low-tax jurisdictions from the exploitation of tangible assets) at a top corporate tax rate that would be 25%. The territorial tax system proposals envisage a revenue neutral result and consequently include revenue raisers to offset the reduction in the tax rate and base which may or may not be detrimental to us. Former-Senator Baucus has proposed a similar territorial U.S. tax system, but with more expansive U.S.

taxation of the foreign profits of non-U.S. subsidiaries of U.S. corporations. The Baucus proposal would also eliminate the withholding tax exemption on portfolio interest debt obligations for investors residing in non-treaty jurisdictions. Chairman of the House Ways and Means Committee, Paul Ryan, has also identified comprehensive tax reform as a priority for the next Congress. Whether these or other proposals will be enacted by Congress and in what form is unknown, as are the ultimate consequences of the proposed legislation.

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

As a public entity, we are 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, and provide an annual assessment of the effectiveness of our internal control over financial reporting. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting as required by the Exchange Act, significant resources and management oversight are required. We have implemented procedures and processes to address the standards and requirements applicable to public companies. If we are not able to maintain the necessary procedures and processes, we may be unable to report our financial information on a timely or accurate basis, which could subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable Nasdaq listing rules, and could result in a breach of the covenants under the agreements governing 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. As we acquire new businesses, we will need to implement and oversee procedures and processes to integrate such operations into our internal control structure. Sustaining our growth also requires us to commit additional management, operational, and financial resources to identify new professionals to join the firm and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management's attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Operational risks, including those associated with our business model, may disrupt our businesses, result in losses or limit our growth.

We rely heavily on our financial, accounting, information and other data processing systems. We face various security threats on a regular basis, including ongoing cyber security threats to and attacks on our information technology infrastructure that are intended to gain access to our proprietary information, destroy data or disable, degrade or sabotage our systems. These security threats could originate from a wide variety of sources, including unknown third parties outside the company. Although we are not currently aware that we have been subject to cyber-attacks or other cyber incidents which, individually or in the aggregate, have materially affected our operations or financial condition, there can be no assurance that the various procedures and controls we utilize to mitigate these threats will be sufficient to prevent disruptions to our systems. If any of these systems do not operate properly or are disabled for any reason or if there is any unauthorized disclosure of data, whether as a result of tampering, a breach of our network security systems, a cyber-incident or attack or otherwise, we could suffer substantial financial loss, increased costs, a disruption of our businesses, liability to our funds and fund investors, regulatory intervention or reputational damage. In addition, new investment products we may introduce could create a significant risk that our existing systems may not be adequate to identify or control the relevant risks in the investment strategies employed by such new investment products.

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. In addition, we rely on third-party service providers for certain aspects of our business, including for certain information systems and technology and administration of our hedge funds. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of the funds' operations and could affect our reputation and hence

adversely affect our businesses.

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, tax and finance functions, for the continued operation of our business. However, our global employee base services our investment funds and investor needs out of 40 offices around the world. In order to reduce expenses in the face of a difficult economic environment, we may need to close smaller offices, terminate the employment of a significant number of our personnel or cut back or eliminate the use of certain services or service providers, that, in each case, could be important to our business and without which our operating results could be adversely affected.

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. 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, increases the cost of doing business 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, including U.S. and foreign government agencies and self-regulatory organizations and state securities commissions in the United States, 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, the Commodity Exchange 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. For example, in 2014, the SEC amended Rule 506 of Regulation D under the Securities Act to impose "bad actor" disqualification provisions which ban an issuer from offering or selling securities pursuant to the safe harbor in Rule 506 if the issuer, or any other "covered person", is the subject of a criminal, regulatory or court order or other "disqualifying event" under the rule which has not been waived by the SEC. The definition of "covered person" under the rule includes an issuer's directors, general partners, managing members and executive officers; affiliates who are also issuing securities in the offering; beneficial owners of 20% or more of the issuer's outstanding equity securities; and promoters and persons compensated for soliciting investors in the offering. Accordingly, our ability to rely on Rule 506 to offer or sell securities would be impaired if we or any "covered person" is the subject of a disqualifying event under the rule and we are unable to obtain a waiver from the SEC. 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 unitholders. Consequently, these regulations often serve to limit our activities and impose burdensome compliance requirements. See "Business —Regulatory and Compliance Matters."

We may become subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform. In 2013, we launched two business development companies that are investment companies under

the Investment Company Act and subject to the rules thereunder, which, among other things, regulate the relationship between a registered investment company and its investment adviser and prohibit or severely restrict principal transactions and joint transactions. Similarly, in 2014, we launched a series of mutual fund offerings that are subject to the rules and regulations applicable to investment companies under the Investment Company Act. These entities are required to file periodic and annual reports with the SEC and certain of these entities may be required to comply with the applicable provisions of the Sarbanes-Oxley Act. These requirements may expose us to liabilities and penalties if we fail to comply with the applicable rules and regulations.

In 2014, the SEC indicated that investment advisors that receive transaction-based compensation for investment banking or acquisition activities relating to fund portfolio companies may be required to register as broker-dealers. Specifically, the Staff has noted that if a firm receives fees from a fund portfolio company in connection with the acquisition, disposition or recapitalization of such portfolio company, such fees could raise broker-dealer concerns under applicable regulations related to broker dealers. To the extent we receive such transaction fees and the Staff takes the position that such activities render us a

"broker" under the applicable rules and regulations of the Exchange Act, we could be subject to additional regulation. If receipt of transaction fees from a portfolio company is determined to require a broker-dealer license, receipt of such transaction fees in the past or in the future during any time when we did not or do not have a broker-dealer license could subject us to liability for fines, penalties or damages.

In addition, the Iran Threat Reduction and Syrian Human Rights Act of 2012 ("ITRA") expands the scope of U.S. sanctions against Iran and Section 219 of the ITRA amended the Exchange Act to require companies subject to SEC reporting obligations under Section 13 of the Exchange Act to disclose in their periodic reports specified dealings or transactions involving Iran or other individuals and entities targeted by certain sanctions promulgated by the Office Foreign Assets Control engaged in by the reporting company or any of its affiliates during the period covered by the relevant periodic report. In some cases, ITRA requires companies to disclose transactions even if they were permissible under U.S. law. The ITRA also expanded the scope of U.S. sanctions by requiring foreign entities majority owned or controlled by a U.S. person to abide by U.S. sanctions against Iran to the same extent as a U.S. person. Previously, foreign entities were not directly bound by U.S. sanctions against Iran even if they were subsidiaries of U.S. companies.

We are required to separately file with the SEC a notice that such activities have been disclosed in our quarterly and annual reports, and the SEC is required to post this notice of disclosure on its website and send the report to the U.S. President and certain U.S. Congressional committees. The U.S. President thereafter is required to initiate an investigation and, within 180 days of initiating such investigation, to determine whether sanctions should be imposed. Disclosure of such activity, even if such activity is not subject to sanctions under applicable law, and any sanctions actually imposed on us or our affiliates as a result of these activities, could harm our reputation and have a negative impact on our business. In the past, we have disclosed such dealings and transactions and to date, we have not received notice of any investigation into such activities.

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 global 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 established the Financial Stability Oversight Council (the "FSOC"), an interagency body 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 are designate those companies determined to be "systemically important" for supervision by the Federal Reserve. 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 April 3, 2012, the FSOC issued a final rule and interpretive guidance regarding the process by which it will designate nonbank financial companies as systemically important. The final rule and interpretive guidance detail 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, total debt outstanding, a threshold leverage ratio of total consolidated assets (excluding separate accounts) to total equity of 15 to 1, and a short-term debt ratio of debt (with maturities of less than 12 months) to total consolidated assets (excluding separate accounts) of 10%. A company that meets or exceeds both the asset threshold 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 final rule and interpretive guidance, the designation criteria could, and is expected to, evolve over time. While the FSOC will use the Stage 1 thresholds in identifying nonbank financial companies for further evaluation, it may initially evaluate any nonbank financial company based on other firm-specific

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quantitative or qualitative factors, irrespective of whether such company meets the thresholds in Stage 1. The FSOC made its first designations of three systemically important nonbank financial companies on July 8, 2013 and September 19, 2013, respectively, and designated a fourth systemically important nonbank financial company on December 18, 2014. We were not among the FSOC's initial list of systemically important nonbank financial companies designated for Federal Reserve supervision, and have not been designated as such as of February 2015. At this time, we do not expect to be designated as a systemically important nonbank financial company, especially in light of the FSOC's indication in July 2014 that it would not designate certain large asset management firms as systemically important nonbank financial companies in the near future. Nevertheless, 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 the imposition of capital, leverage, liquidity, and risk management standards, credit exposure reporting requirements and concentration limits, restrictions on acquisitions and 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, agencies or commercial lending companies and insurance companies with U.S. depository institution subsidiaries), insured depository institutions and subsidiaries and affiliates of such entities (collectively, "banking entities") from investing in or sponsoring private equity funds or hedge funds and from engaging in certain other proprietary activities. When the Volcker Rule became effective on July 21, 2012, it kicked off a two-year conformance period, which was set to expire on July 21, 2014. However, on December 10, 2013, the Federal Reserve and other federal regulatory agencies issued the long-awaited final rules implementing the Volcker rule, including an order granting an industry-wide, one-year extension to all banking entities. As a result, banking entities are required to have wound down, sold, transferred or otherwise conformed their investments and sponsorship activities to the Volcker Rule by July 21, 2015, absent an extension to the conformance period by the Federal Reserve or an exemption for certain "permitted activities." On December 18, 2014, the Federal Reserve granted an additional one-year extension under the Volcker Rule for certain activities, giving banking entities until July 21, 2016 to conform investments in and relationships with covered funds and foreign funds that were in place prior to December 31, 2013 ("legacy covered funds"). All investments and relationships in a covered fund made after December 31, 2013, must be in conformance with the Volcker Rule by July 21, 2015. The Federal Reserve also announced on December 18, 2014 that it intends to grant a final one-year extension in 2015, which would give banking entities until July 21, 2017 to conform ownership interests in and relationships with legacy covered funds. 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 banking entities as a result of this prohibition.

- The Dodd-Frank Act imposed a new regulatory structure on the "swaps" market, including requirements for clearing, exchange trading, capital, margin, reporting, and recordkeeping. In connection with the Dodd-Frank Act, the CFTC has finalized many rules applicable to swap market participants, including business conduct standards for swap dealers, reporting and recordkeeping, mandatory clearing for certain swaps, exchange trading rules applicable to swaps, and regulatory requirements for cross-border swap activities. It is anticipated that the CFTC's ongoing rulemaking process will further clarify other subjects under Title VII, including margin and capital requirements.

- The Dodd-Frank Act amends the Exchange Act to direct the Federal Reserve and other federal regulatory agencies to adopt rules requiring sponsors of asset-backed securities to retain at least 5% of the credit risk relating to the assets that underlie such asset-backed securities. In October 2014, five federal banking and housing agencies and the SEC issued the final credit risk retention rules. These rules could require that we provide increased capital to certain lines of business in our GMS segment, including our U.S. structured finance business which could impede the growth of such businesses.

- The Dodd-Frank Act requires many private equity and hedge fund advisers to register as investment advisors 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 over 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 any 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 and the Federal Reserve.

On December 18, 2014, the FSOC released a notice seeking public comment regarding potential risks to U.S. financial stability from asset management products and activities. The notice is intended to seek input from the public about potential risks to the U.S. financial system associated with liquidity and redemptions, leverage, operational functions, and resolution in the asset management industry.

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, loss of fees, and reputational damage. There have also 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 Public Pension Fund Reform Code of Conduct. Recently the SEC undertook an industry sweep seeking more information on the private equity industry's compliance with these “pay to play” regulations.

In September 2010, California enacted legislation 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 as of January 2011. 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 recommended similar measures 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 recommendations 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. Most recently, North Carolina is considering similar requirements compelling placement agents to register as lobbyists. Other states or municipalities may consider similar legislation or adopt regulations or procedures with similar effect. These types of measures could materially and adversely impact our business.

In addition, we may be impacted indirectly by guidance recently directed to regulated banking institutions with regard to leveraged lending practices. In March 2013, the U.S. federal banking agencies issued updated guidance on credit transactions characterized by a high degree of financial leverage. To the extent that such guidance limits the amount or cost of financing we are able to obtain for our transactions, the returns on our investments may suffer.

It is difficult to determine the full extent of the impact on us of any 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

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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.

The short-term and long-term impact of the new Basel III capital standards is uncertain.

In June 2011, the Basel Committee on Banking Supervision, an international body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the United States, announced the final framework for a comprehensive set of capital and liquidity standards, commonly referred to as “Basel III,” for internationally active banking organizations and certain other types of financial institutions. These new standards, which will be fully phased in by 2019, will require banks to hold more capital, predominantly in the form of common equity, than under the current capital framework. Implementation of Basel III will require implementing regulations and guidelines by member countries. In July 2013, the U.S. federal banking regulators announced the adoption of final regulations to implement Basel III for U.S. banking organizations, subject to various transition periods. Compliance with the Basel III standards may result in significant costs to banking organizations, which in turn may result in higher borrowing costs for the private sector and reduced access to certain types of credit.

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 Conduct Authority (the “FCA”) in the United Kingdom 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 December 2011, China’s National Development and Reform Commission issued a new circular regulating the activities of private equity funds established in China. The circular includes new rules relating to the establishment, fundraising and investment scope of such funds; risk control mechanisms; basic responsibilities and duties of fund managers; information disclosure systems; and record filing. Compliance with these requirements may impose additional expense. On August 21, 2014, China Securities Regulatory Commission (“CSRC”), the Chinese securities regulator, promulgated the Interim Regulations on the Supervision and Administration of Private Investment Funds (the “CSRC Regulations”). These new regulations adopt a very broad definition of private investment funds, potentially including private equity and hedge funds.

The EU’s Alternative Investment Fund Managers Directive (the “AIFMD”) was implemented in most jurisdictions in the European Economic Area, (the “EEA”), on July 22, 2014. In general, the AIFMD regulates alternative investment fund managers (“AIFMs”), of a broad range of alternative investment funds (“AIFs”) domiciled within and (depending on the circumstances) outside the EEA. The AIFMD also regulates and imposes regulatory obligations in respect of the marketing in the EEA by AIFMs (whether established in the EEA or elsewhere) of AIFs (whether established in the EEA or elsewhere). The AIFMD has a staged implementation through 2018. As a result of the business activities of certain of our subsidiaries, such subsidiaries currently are subject to various compliance obligations in connection with the AIFMD, including investor and regulatory reporting, portfolio company asset stripping restrictions, deal-related notifications and remuneration reporting. Further, in connection with any future registration/authorization of certain of these subsidiaries under the AIFMD, additional compliance obligations also will apply to these and other of our entities, including rules relating to the remuneration of certain personnel, minimum regulatory capital

requirements and restrictions on use of leverage. These and other AIFMD obligations may have an adverse effect on us and/or our investment funds by, among other things, increasing the regulatory burden and costs of raising money and doing business in EEA jurisdictions, imposing extensive disclosure obligations on certain investment funds and portfolio companies, and disadvantaging our investment funds as bidders for and potential owners of private companies located in the EEA when compared to non-AIF/AIFM competitors which may not be subject to the requirements of the AIFMD.

Changes in tax laws by foreign jurisdictions could arise as a result of BEPS projects being undertaken by the OECD. The OECD, which represents a coalition of member countries, is contemplating changes to numerous tax principles. These contemplated changes, if finalized and adopted by countries, could increase uncertainty faced by us, our business and our investors, change our business model or increase the cost of acquiring businesses. The timing or impact of these proposals is unclear at this point. There are also continual changes to tax laws, regulations and interpretations regularly which could impact our structures or the returns to investors.

The European Union has adopted certain risk retention and due diligence requirements (“EU Risk Retention and Due Diligence Requirements”) which currently apply, or are expected to apply in the future, in respect of various types of EU-regulated investors including our credit institutions, authorized alternative investment fund managers, investment firms, insurance and reinsurance undertakings and Undertakings for Collective Investment in Transferable Securities (UCITS) funds. Among other things, such requirements restrict an investor who is subject to the EU Risk Retention and Due Diligence Requirements, including us, from investing in securitizations unless: (i) the originator, sponsor or original lender in respect of the relevant securitization has explicitly disclosed that it will retain, on an on-going basis, a net economic interest of not less than 5% in respect of certain specified credit risk tranches or securitized exposures; and (ii) is able to demonstrate that it has undertaken certain due diligence in respect of various matters including but not limited to its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator. Failure to comply with one or more of the requirements may result in various penalties, including, in the case of those investors subject to regulatory capital requirements, the imposition of a punitive capital charge on the notes issued by our CLOs acquired by the relevant investor. Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear. Although many aspects of these requirements remain unclear, these requirements and any other changes to the regulation or regulatory treatment of securitizations or of the notes issued by our CLOs for investors may negatively impact the regulatory position of individual holders. In addition such regulations could have a negative impact on the price and liquidity of certain of our EU CLO notes in the secondary market.

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.

Rapidly changing regulations regarding derivatives and commodity interest transactions could adversely impact various aspects of our business.

The regulation of derivatives and commodity interest transactions in the United States and other countries is a rapidly changing area of law and is subject to ongoing modification by governmental and judicial action. We and our affiliates enter into derivatives and commodity interest transactions for various purposes, including to manage the financial risks related to our business. Accordingly, the impact of this evolving regulatory regime on our business is difficult to predict, but it could be substantial and adverse.

Among other things, the CFTC adopted certain amendments to its existing rules that potentially subject certain of our affiliated entities to registration, reporting and record-keeping obligations in connection with derivatives transactions (including for hedging/risk management purposes). As such, our business may incur increased ongoing costs associated with monitoring compliance with the CFTC registration and exemption obligations across platforms and complying with the various reporting and record-keeping requirements.

In addition, derivatives regulations in the United States and Europe are effectively transforming an over-the-counter market in which parties negotiate directly with each other into a regulated market in which a majority of swap transactions are executed on registered exchanges and cleared through central counterparties. These regulations could significantly increase the cost of entering into derivative contracts (including through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks that we encounter, reduce our ability to restructure our existing derivative contracts, and increase our exposure to less creditworthy counterparties. If we reduce our use of derivatives

as a result of such regulations (and any new regulations), our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to satisfy our debt obligations or plan for and fund capital expenditures.

Furthermore, the CFTC has proposed rules relating to position limits on derivatives (including futures, options and swaps) with certain underlying reference assets. The CFTC has also proposed rules relating to the aggregation of derivative positions among commonly owned or controlled entities and exemptions from such aggregation. The finalization of these rules and our ability to rely on any exemption thereunder may affect the size and types of investments we may make. Moreover, in order to avoid exceeding position limits, it is possible that we and our affiliates may need to significantly alter our business processes related to such trading, including by modifying trading strategies and instructions.

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.

In the ordinary course of business, we are subject to the risk of substantial litigation and face significant regulatory oversight. In recent years, the volume of claims and the amount of potential damages claimed in such proceedings against the financial services industry have generally been increasing. 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, alleged conflicts of interest, 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.

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. Heightened standards of care or additional fiduciary duties may apply in certain of our managed accounts or other advisory contracts. To the extent we enter into agreements with clients containing such terms or applicable law mandates a heightened standard of care or duties, we could, for example, be liable to certain clients for acts of simple negligence or breach of such duties, which might include the allocation of a client’s funds to our affiliated funds. Even in the absence of misconduct, we may be exposed to litigation or other adverse consequences where investments perform poorly and investors in or alongside our funds experience losses. For example, as described in Note 17 to the consolidated financial statements included in this Annual Report on Form 10-K, Urbplan Desenvolvimento Urbano S.A. (“Urbplan,” formerly Scopel Desenvolvimento Urbano S.A.) a portfolio investment of certain Carlyle real estate investment funds that we consolidate as of September 30, 2013, began facing serious liquidity problems in late 2012 and required additional capital infusions to continue operations. If Urbplan fails to complete its construction projects, customers or other creditors in certain circumstances might seek to assert claims against us under certain consumer protection or other laws. 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. For example, we have agreed to indemnify directors and officers of Carlyle Capital Corporation Limited in connection with the matters involving that fund discussed under “Part I. Item 3. Legal Proceedings.” However, 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 (including investors in or alongside our funds) 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 similarly subject us to liability and reputational damage and also harm performance.

There is a risk that our employees or advisors 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 us and our investment funds and fund investors. 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.

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 significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure compliance by us and our personnel with the FCPA and the UK anti-bribery laws, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA, the UK anti-bribery laws or other applicable anticorruption 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.

In addition, we will also be adversely affected if there is misconduct by personnel of portfolio companies in which our funds invest. For example, failures by personnel at our portfolio companies to comply with anti-bribery, trade sanctions or other legal and regulatory requirements could adversely affect our business and reputation. Such misconduct might also undermine any due diligence efforts with respect to such companies and could negatively affect the valuation of a fund’s investments.

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, our acquisition of new businesses, and the growth of our managed account business, we are 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 is expected to 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). As a practical matter, the establishment and maintenance of such information barriers means that collaboration between our investment professionals across various platforms or with respect to certain investments may be limited, reducing potential synergies that we cultivate across these businesses through our “One Carlyle” approach. For example, although we maintain ultimate control over the Investment Solutions segment's constituent firms: AlpInvest, DGAM and Metropolitan, we have erected an information barrier between the management teams at these firms and the rest of Carlyle. See “— Risks Related to Our Business Operations— Our Investment 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 could 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. Investors could also demand lower fees or fee concessions for existing or future funds which would likewise decrease our revenue or require us to record an impairment of intangible assets and/or goodwill in the case of an acquired business. 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 we manage, 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 or in our management fees. We also could experience losses on our investment of our own capital into our funds as a result of poor performance by our investment funds. 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 our initial public offering, with respect to which our 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" and Note 11 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

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. 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. For example, our AUM in our GMS hedge fund operations declined $1.4 billion from September 30, 2014 to December 30, 2014 and, due to the effect of the net redemption notifications received during the fourth quarter of 2014, declined an additional $2.2 billion on January 1, 2015, which would negatively impact management fee revenue in our GMS segment if such redemptions are not replaced with subscriptions.

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 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. Third-party investors in private equity, real assets and venture capital funds typically use distributions from prior investments to meet future capital calls. In cases where valuations of existing investments fall and the pace of distributions slows, investors may be unable to make new commitments to third-party management investment funds such as those advised by us. Although many investors have increased the amount of commitments they are making to alternative investment funds and aggregate fundraising totals are near the highest they've been since 2008, there can be no assurance that this will continue. For example, there is a continuing shift away from defined benefit pension plans to defined contributions plans, which could reduce the amount of assets available for us to manage on behalf of certain of our clients. In addition, investors may downsize their investment allocations to alternative managers, including private funds and hedge funds, to rebalance a disproportionate weighting of their overall investment portfolio among asset classes. Investors may also seek to consolidate their investments with a smaller number of alternative asset managers or prefer to pursue investments directly instead of investing through our funds, each of which could impact the amount of allocations they make to our funds. 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. The lack of clarity around regulations, including BEPS, may also limit our fund investors' ability to claim double tax treaty benefits on their investments, which may limit their investments in our funds. We are currently working to create avenues through which we expect to attract a new base of individual investors. 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 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. Concerns with liquidity could cause such public pension funds to reevaluate the appropriateness of alternative investments.

Unlike our closed-end investment funds, our open-ended hedge funds and mutual funds are subject to redemptions on a quarterly or more frequent basis and investors can generally decide to exit their fund investments at any time. For example, our AUM in our GMS hedge fund operations declined $1.4 billion from September 30, 2014 to December 30, 2014 and, due to the effect of the net redemption notifications received during the fourth quarter of 2014, declined an additional $2.2 billion on January 1, 2015, which would negatively impact management fee revenue in our GMS segment if such redemptions are not replaced with subscriptions.

In addition, the evolving preferences of our fund investors may necessitate that alternatives to the traditional investment fund structure, such as managed accounts, smaller funds and co-investment vehicles, become a larger part of our business going forward. This could increase our cost of raising capital at the scale we have historically

achieved. 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.
Growing investor demands may also increase our expenses. To address the evolving needs of our investor base, we have expanded our LP relations team, deepened our relationships with intermediaries and made investments in our investor services and information technology departments. These advances have increased our operating expenses and may continue to do so.

Our investors 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 received and expect to continue to receive 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 could 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. We have received 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, certain institutional investors, including sovereign wealth funds and public pension funds, have demonstrated 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 invest in our funds.
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 hierarchal 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 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.

Investments for which market prices are not observable include, but are not limited to illiquid investments in operating companies, real estate, energy ventures and structured vehicles, and encompass all components of the capital structure, including equity, mezzanine, debt, preferred equity and derivative instruments such as options and warrants. Fair values of such investments are determined by reference to the market approach (i.e., 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 public entities or transactions, adjusted by management as appropriate for differences between the investment and the referenced comparables), the income approach (i.e., discounting projected future cash flows of the investee company or asset and/or capitalizing representative stabilized cash flows of the investee company or asset) and other methodologies such as prices provided by reputable dealers or pricing services, option pricing models and replacement costs.

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, the multiples of 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 report, 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 report information relating to the historical performance of our investment funds. The historical and potential future returns of the investment funds that we advise, however, 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:

- 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;

- 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 our becoming a public company to the extent such value was previously 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, high liquidity in debt markets and strong equity 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;

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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);

- our current or future investment funds might not be able to avail themselves of comparable investment opportunities or market conditions; and the circumstances under which our funds may make future investments may differ significantly from those conditions prevailing in the past;

- newly-established funds may generate lower returns during the period that they take to deploy their capital.

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The future internal rate of return for any current or future fund may vary considerably from the historical internal rate of return generated by any particular fund, or for our funds as a whole. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industries and businesses in which a particular fund invests. In addition, future returns will be affected by the applicable risks described elsewhere in this report, including risks related to the industries and businesses in which our funds may invest. See “Part II. Item 7. 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, whether incurred at or above the investment-level entity. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect our CPE 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 would make it more expensive to finance those investments thereby reducing returns. 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. Certain investments may also be financed through borrowings on fund-level debt facilities, which may or may not be available for a refinancing at the end of their respective terms. Finally, the interest payments on the indebtedness used to finance our carry funds’ and fund of funds vehicles’ investments have historically been 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. Furthermore, 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. 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, if the property-

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level debt on a particular investment has reached its maturity and the underlying property value has declined below its debt-level, we may, in absence of cooperation with the lender in regards to a partial debt-write-off, be forced to put the investment into liquidation.

When our private equity funds' 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' portfolio investments came due, these funds could be materially and adversely affected.

Many of our GMS 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.

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 fund investors (or to decline to receive transaction fees from portfolio companies held by our funds). Also, the SEC has recently focused on the receipt from portfolio companies of monitoring termination fees by certain private equity sponsors, including whether such fees were appropriately disclosed to limited partners and do not represent the payment of fees for services rendered. To the extent we change our current fee practices, it could result in a decrease in the amount of fee revenue we earn. For example, in our latest U.S. buyout fund, fund investors are entitled to receive 80% of any transaction fees we generate. 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, as well as our investment funds, 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). 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;
- 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 (including strategic 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 our funds 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 us;
- 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 pursue investments directly instead of investing through one of our funds;
- 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."

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, regulatory, 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 and analysis. 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. The due diligence process in connection with carve-out transactions may underestimate the complexity and/or level of dependence a business has on its parent company and affiliated entities. Because a carve-out business usually may not have financial statements that accurately reflect its true financial performance as a stand-alone business, due diligence assessments of such investments can be particularly difficult. Instances of fraud, accounting irregularities and other improper, illegal or 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 jurisdictions that have material perceptions of corruption according to international rating standards (such as “Transparency International” and “Corruption Perceptions Index”) such as China, India, Indonesia, Latin America, MENA and 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. In addition, investment opportunities may arise in companies that have historic and/or unresolved regulatory, tax, fraud or accounting related investigations, audits or enquiries and/or have been subjected to public accusations of improper behavior. However, even heightened and specific due diligence and investigations with respect to such matters may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity and/or will be able to accurately identify, assess and quantify settlements, enforcement actions and judgments that may arise and which could have a material adverse effect on the portfolio company’s business, financial condition and operations, as well potential significant harm to the portfolio company’s reputation and prospects. 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. Moreover, because the investment strategy of many of our funds, particularly our private equity funds, often entails our having representation on our funds' public portfolio company boards, our funds may be able to effect such sales only during limited trading windows. Additionally, certain provisions of the U.S. federal securities laws (e.g., Exchange Act Section 16) may constrain our investment funds' ability to effect purchases or sales of publicly traded securities. 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.

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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 be businesses or divisions acquired from larger operating entities which may require a rebuilding or replacement of financial reporting, information technology, back office and other operations;
- 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, corruption 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;
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under ERISA, a “trade or business” within a “controlled group” can be liable for the ERISA Title IV pension obligations (including withdrawal liability for union multiemployer plans) of any other member of the controlled group. This “controlled group” liability represents one of the few situations in which one entity’s liability can be imposed upon another simply because the entities are united by common ownership, but in order for such joint and several liability to be imposed, two tests must be satisfied: (1) the entity on which such liability is to be imposed must be a “trade or business” and (2) a “controlled group” relationship must exist among such entity and the pension plan sponsor or the contributing employer. While a number of cases have held that managing investments is not a “trade or business” for tax purposes, a 2013 federal Circuit Court case concluded that a private equity fund could be a “trade or business” for ERISA purposes (and, consequently, could be liable for underfunded pension liabilities of an insolvent portfolio company) based

upon a number of factors present in that case, including the fund's level of involvement in the management of its portfolio companies and the nature of its management fee arrangements; 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;
- unexpected cost overruns in connection with development projects;
- terrorist attacks, war and other factors that are beyond our control; and

- dependence on local operating partners.

During 2008 and 2009, real estate markets in the United States, Europe and Japan generally experienced sharp 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 certain 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, tax, 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. The complexity of these transactions could also make it more difficult to find a suitable buyer. 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 or other 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, tax, legal, 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 headquartered outside of the United States, such as China, India, Indonesia, Latin America, MENA and Sub-Saharan Africa. A substantial amount of these foreign investments consist of investments made by our carry funds. For example, as of December 31, 2014, approximately 37% 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 or other distributions 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;
- limitations on the deductibility of interest for income tax purposes in certain jurisdictions;
- 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, including increased risk of government expropriation;
- 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, limited liability company, corporate, partnership and other laws (which may have the effect of disregarding or otherwise circumventing the limited liability structures potentially causing the actions or liabilities of one fund or a portfolio company to adversely impact us or an unrelated fund or portfolio company);
- difficulty in enforcing contractual obligations;
- less stringent requirements relating to fiduciary duties;
- fewer investor protections and less publicly available information in respect of companies in non-U.S. markets; 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 in excess of any amounts that are reserved as a cash or financial statement matter for such purposes. In addition, the portfolio companies of our funds are typically subject to taxation in the jurisdictions in which they operate. It is possible that a taxing authority could take a contrary view of our tax position or there could be changes in law subsequent to the date of an investment in a particular portfolio company will adversely affect returns from that investment, or adversely affect any prospective investments in a particular jurisdiction, for example as a result of new legislation in any such local jurisdiction affecting the deductibility of interest or other expenses related to acquisition financing.

In the event a portfolio company outside the United States experiences financial difficulties, we may consider local laws, corporate organizational structure, potential impacts on other portfolio companies in the region and other factors in developing our business response. Among other actions, we may seek to enhance the management team or make fund capital investments from our investment funds, our senior Carlyle professionals and/or us. To the extent we and/or certain of our senior Carlyle professionals fund additional capital into a company that is experiencing difficulties, we may be required to consolidate the entity into our financial statements under applicable U.S. GAAP. See "—Risks Related to Our Organizational Structure —The Consolidation of Investment Funds, Holding Companies or Operating Businesses of Our Portfolio Companies Could Make it More Difficult to Understand the Operating Performance of the Partnership and Could Create Operational Risks For the Partnership."

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. Furthermore,

in certain cases, our fund management fees are denominated in foreign currencies. With respect to those funds, we are subject to the risk that the value of a particular currency will change in relation to one or more other currencies in which the fund has incurred expenses or has made investments. With respect to investments made in a different currency, fluctuations in such currencies could impact an investment fund’s net asset value. We may employ hedging techniques to minimize these risks, but we can offer no assurance that such strategies will be effective or tax-efficient. 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.”

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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 funds), the carry fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in almost 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 our initial public offering, with respect to which our common unitholders did not receive any benefit. This obligation is known as a "giveback" obligation. As of December 31, 2014, we had accrued a giveback obligation of $113.4 million, inclusive of giveback obligations accrued for Consolidated Funds, 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 December 31, 2014, 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 $1.4 billion, on an after-tax basis where applicable. Since inception we have paid $48.6 million back to fund investors to satisfy our giveback obligations.

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. We also set aside cash reserves from carried interest we receive and retain for potential giveback obligations that we may be required to fund in the future. However, we have not set aside additional cash reserves relating to the secondary liability we retain for the giveback obligations attributable to our individual senior Carlyle professionals and other employees if they fail to satisfy these obligations. We may need to use or reserve cash to repay such giveback obligations instead of using the cash for other purposes. See "Part I. Item 1. 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 11 to the consolidated financial statements.

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 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 certain 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, certain of the investment professionals serving on the investment committee or advising the fund), 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, earnings 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 fund of funds 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, or in a limited number of cases, the right of a supermajority of the investors to remove the general partner of the fund without cause, but generally have not provided for liquidation without cause. Where AlpInvest fund of funds 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 fund of funds vehicles. In addition, AlpInvest fund of funds 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 managed accounts or “funds of one” vehicles generally have bespoke rights allowing them to, among other things, terminate the investment period or cause a dissolution of the account or vehicle for a variety of reasons. To the extent these accounts or vehicles cease to invest or are dissolved, the fees generated by them may be reduced.
Third-party investors in our onshore commodity hedge funds have the right to remove the general partner of the fund by a simple majority vote in accordance with specified procedures.
Investors in our hedge funds and DGAM funds may generally redeem their investments on an annual, semi-annual or quarterly basis without penalty following the expiration of a specified period of time when capital may not be withdrawn (typically between three months 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. For example, our AUM in our GMS hedge fund operations declined $1.4 billion from September 30, 2014 to December 30, 2014 and, due to the effect of the net redemption notifications received during the fourth quarter of 2014, declined an additional $2.2 billion on January 1, 2015, which would negatively impact management fee revenue in our GMS segment if such redemptions are not replaced with subscriptions.
In addition, because our investment funds generally have an adviser that is registered under the Advisers Act, the management agreements of each of our investment funds would be terminated upon an “assignment” to a third-party of these agreements without appropriate 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. Third-party

investors in private equity, real estate assets and venture capital funds typically use distributions from prior investments to meet future capital calls. In cases where valuations of investors' existing investments fall and the pace of distributions slows, investors may be unable to make new commitments to third-party managed investment funds such as those advised by us. 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.

Under our agreement with the New York Attorney General, in May 2009, we adopted the New York Attorney General's Public Pension Fund Reform Code of Conduct. Such code of conduct governs ours interactions with public pension funds in the United States and, among other matters, (a) bans the use of outside placement agents and lobbyists in connection with obtaining investments from such public pension funds, (b) bans certain campaign contributions in the United States and (c) provides for (i) increased disclosure, (ii) strengthened employment, confidentiality and gift policies, and (iii) conflicts of interest procedures as they relate to public pension funds in the United States. Among other consequences, in the event that we

materially violate this code, we may be disqualified from doing further business with the pension fund investor for a period of up to 10 years. In addition, a pension fund investor may be excused from its obligation to make further capital contributions relating to all or any part of an investment or may withdraw from the fund. If a pension fund investor were to seek to be excused from funding 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. For example, a decision to acquire material, non-public information about a company while pursuing an investment opportunity for a particular fund may give rise to a potential conflict of interest that results in our having to restrict the ability of other funds to take any action. Certain of our funds, managed accounts or investment vehicles may have overlapping investment objectives, including coinvestment funds and 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, managed accounts or investors. Different private equity funds may 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 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 GMS 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 was 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 and conflicts could also arise in respect of 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 regulatory liability or 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. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

While such hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral at a time when a fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, that reduce the returns generated by a fund. Finally, the CFTC has made several public statements that it may soon issue a proposal for certain foreign exchange products to be subject to mandatory clearing, which could increase the cost of entering into currency hedges.

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, South America, Ireland, Peru, Japan, or Sub-Saharan Africa or

MENA; and we advise funds that invest in a single industry sector, such as financial services and power. 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. In addition, certain of our hedge funds may hold large positions in a single issuer or may be focused on particular industries or commodities. Idiosyncratic factors impacting specific companies or securities can materially affect fund performance depending on the size of the position. For example, in September 2014, the performance of one of our hedge funds was adversely impacted when the value of one of its large investments fell following an adverse court ruling.

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, which has the potential to adversely impact us or unrelated funds or portfolio companies. 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 are 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 global financial crisis and subsequent recovery has caused significant fluctuations in the value of securities held by our funds. The concomitant recession and recovery in the real economy also exerted a significant impact on 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 registered five consecutive years of growth in real GDP, there remain many obstacles to continued growth in the economy such as geopolitical events, increased risk of deflation interacting with high debt levels, and external economic weakness. These factors and other general economic trends are likely to impact the performance of portfolio companies in many industries and in particular, industries that anticipated that the global GDP would quickly return to its pre-crisis trend. The recent slowdown in emerging market economies (EMEs) also creates risk for companies that export or operate in these markets. 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, the sovereign debt crisis in the euro area contributed to a lengthy recession from 2011 to the first quarter of 2013 that impaired corporate loan performance and further weakened bank balance sheets. Actions required to be taken by certain European countries as a condition to financial rescue packages have resulted in increased political discord within and among Eurozone countries. As a result, there has been a strain on banks and other financial services participants, which 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. With respect to 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, deflation in consumer prices, a low level of consumer confidence in the economy and/or the residential real estate market and rising mortgage interest rates. In response to financial difficulties that are currently being experienced or that may be experienced in the future by certain portfolio companies or real estate investments, we may consider legal, regulatory, tax or other factors in determining the steps we may take to support such companies or investments, which may include enhancing the management team or funding additional capital investments from our investment funds, our senior Carlyle professionals and/or us. The actions we may take to support companies or investments experiencing financial difficulties may not be successful in remedying the financial difficulties and our investment funds, our senior Carlyle professionals or we may not recoup some or all of any capital investments made in support of such companies or investments. To the extent we and/or certain of our senior Carlyle professionals fund additional capital into a portfolio company or real estate investment that is experiencing difficulties,

we may be required to consolidate such entity into our financial statements under applicable U.S. GAAP. See "—Risks Related to Our Organizational Structure—The Consolidation of Investment Funds, Holding Companies or Operating Businesses of Our Portfolio Companies Could Make it More Difficult to Understand the Operating Performance of the Partnership and Could Create Operational Risks For the Partnership."
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 and our investment funds are subject to risks in using prime brokers, custodians, administrators and other agents and third-party service providers.

We and many of our investment funds depend on the services of prime brokers, custodians, administrators and other agents and third-party service providers to carry out certain securities transactions and other business functions.

The counterparty to one or more of our or our funds' contractual arrangements could default on its obligations under the contract. If a counterparty defaults, we and our funds may be unable to take action to cover the exposure and we or one or more of our funds could incur material losses. Among other systems, our data security, data privacy, investor reporting and business continuity processes could be impacted by a third party's inability or unwillingness to perform pursuant to our arrangements with them. In addition, we could suffer legal and reputational damage from such failure to perform if we are then unable to satisfy our obligations under our contracts with third parties or otherwise and could suffer losses in the event we are unable to comply with certain other agreements.

The terms of our contracts with third parties surrounding securities transactions are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight, although the Dodd-Frank Act provides for new regulation of the derivatives market. In particular, some of our funds utilize prime brokerage arrangements with a relatively limited number of counterparties, which has the effect of concentrating the transaction volume (and related counterparty default risk) of these funds with these counterparties.

The consolidation and elimination of counterparties resulting from the disruption in the financial markets has increased our concentration of counterparty risk and has decreased the number of potential counterparties. Our carry funds generally are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. In the event of the insolvency of a party that is holding our assets or those of our funds as collateral, we and our funds may not be able to recover equivalent assets in full as we and our funds will rank among the counterparty's unsecured creditors. In addition, our and our funds' cash held with a prime broker, custodian or counterparty may not be segregated from the prime broker's, custodian's or counterparty's own cash, and we and our funds therefore may rank as unsecured creditors in relation thereto. The inability to recover our or our investment funds' assets could have a material impact on us or on the performance of our funds. In addition, counterparties have generally reacted to recent market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available and increasing the costs of borrowing.

Investments in the natural resources industry, including the power industry, involve various operational, construction and regulatory risks.
The development, operation and maintenance of power generation facilities involves various operational risks, which can include mechanical and structural failure, accidents, labor issues or the failure of technology to perform as anticipated. Events outside our control, such as economic developments, changes in fuel prices or the price of other feedstocks, governmental policies, demand for energy and the like, could materially reduce the revenues generated or increase the expenses of constructing, operating, maintaining or restoring power generation businesses. In turn, such developments could impair a portfolio company's ability to repay its debt or conduct its operations. We may also choose or be required to decommission a power generation facility or other asset. The decommissioning process could be protracted and result in the incurrence of significant financial and/or regulatory obligations or other uncertainties. Our natural resource portfolio companies may also face construction risks typical for power generation and related infrastructure businesses, including, without limitation:

- labor disputes, work stoppages or shortages of skilled labor
- shortages of fuels or materials,
- slower than projected construction progress and the unavailability or late delivery of necessary equipment,
- delays caused by or in obtaining the necessary regulatory approvals or permits,
- adverse weather conditions and unexpected construction conditions,
- accidents or the breakdown or failure of construction equipment or processes,
- difficulties in obtaining suitable or sufficient financing, and
- force majeure or catastrophic events such as explosions, fires and terrorist activities and other similar events beyond our control.

Such developments could result in substantial unanticipated delays or expenses and, under certain circumstances, and could prevent completion of construction activities once undertaken. Construction costs may exceed estimates for various reasons, including inaccurate engineering and planning, labor and building material costs in excess of expectations and unanticipated problems with project start-up. Such unexpected increases may result in increased debt service costs and funds being insufficient to complete construction. Portfolio investments under development or portfolio investments acquired to be developed may receive little or no cash flow from the date of acquisition through the date of completion of development and may experience operating deficits after the date of completion. In addition, market conditions may change during the course of development that make such development less attractive than at the time it was commenced. Any events of this nature could severely delay or prevent the completion of, or significantly increase the cost of, the construction. In addition, there are risks inherent in the construction work which may give rise to claims or demands against one of our portfolio companies from time to time. Delays in the completion of any power project may result in lost revenues or increased expenses, including higher operation and maintenance costs related to such portfolio company.
Investments in electric utility industries both in the United States and abroad continue to experience increasing competitive pressures, primarily in wholesale markets, as a result of consumer demands, technological advances, greater availability of natural gas and other factors. Changes in regulation may support not only consolidation among domestic utilities, but also the disaggregation of vertically integrated utilities into separate generation, transmission and distribution businesses. As a result, additional significant competitors could become active in the independent power industry.

The power and energy sectors are the subject of substantial and complex laws, rules and regulation. These regulators include Federal Energy Regulatory Commission (the "FERC"), which has jurisdiction over the transmission and wholesale sale of electricity in interstate commerce and over the transportation, storage and certain sales of natural gas in interstate commerce, including the rates, charges and other terms and conditions for such services, respectively and the North American Electric Reliability Corporation ("NERC"), the purpose of which is to establish and enforce reliability standards applicable to all users, owners and operators of the bulk power system. These regulators derive their authority from, among other laws, the Federal Power Act, as amended (the "FPA"), The Energy Policy Act of 2005, Natural Gas Act, as amended (the "NGA") and state and, perhaps, local public utility laws. On the state level, some state laws require approval from the state commission before an electric utility operating in the state may divest or transfer electric generation facilities. Most state laws require approval from the state commission before an electric utility company operating in the state may divest or transfer distribution facilities. Failure to comply with applicable laws, rules regulations and standards could result in the prevention of operation of certain

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facilities or the prevention of the sale of such a facility to a third party, as well as the loss of certain rate authority, refund liability, penalties and other remedies, all of which could result in additional costs to a portfolio company and adversely affect the investment results.

Our energy business is involved in oil and gas exploration and development which involves a high degree of risk.

Our energy teams focus on investments in businesses involved in oil and gas exploration and development, which can be a speculative business involving a high degree of risk, including:

- the use of new technologies,
- reliance on estimates of oil and gas reserves in the evaluation of available geological, geophysical, engineering and economic data for each reservoir,
- encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, equipment failures and other accidents in completing wells and otherwise, cratering, sour gas releases, uncontrollable flows of oil, natural gas or well fluids, adverse weather conditions, pollution, fires, spills and other environmental risks, and
- the volatility of oil and natural gas prices.

In the later part of 2014, the price of oil dropped dramatically. Our current exposure to the oil industry is primarily through our Legacy Energy funds, which had approximately $10 billion in AUM as of December 31, 2014. Notwithstanding the size of the funds, our economic interest in these funds is limited pursuant to the terms of our relationship with Riverstone. For example, we receive a range of performance fees from our Legacy Energy funds, from 40% from the earlier vintage funds to 16% of the performance fees generated by Energy IV, with a weighted average of 20% based on remaining fair value invested. Due to the performance of the Legacy Energy funds in the fourth quarter, a majority of the Legacy Energy funds were in a giveback position as of December 31, 2014. If investment performance does not improve, Carlyle and certain senior Carlyle professionals will be required to fund such giveback obligation at the end of the life of the relevant fund. See "—We may need to pay "giveback" obligations if and when they are triggered under the governing agreements with our investors" and Note 11 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Our Investment Solutions business is subject to additional risks.

Our Investment Solutions business is subject to additional risks, including the following:

- The Investment Solutions business is subject to business and other risks and uncertainties generally consistent with our business as a whole, including without limitation legal, tax and regulatory risks, the avoidance or management of conflicts of interest and the ability to attract and retain investment professionals and other personnel, and risks associated with the acquisition of new investment platforms.
- Pursuant to our current arrangements with the various businesses, we currently restrict our participation in the investment activities undertaken by our Investment Solutions segment (including with respect to AlpInvest, Metropolitan and DGAM), which may in turn limit our ability to address risks arising from their investment activities. For example, although we maintain ultimate control over AlpInvest, AlpInvest's management team (who are our employees) continues 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 management board of AlpInvest, but we will observe substantial restrictions on our ability to access investment information or engage in day-to-day participation in the AlpInvest investment business, including a restriction that AlpInvest 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 investment funds and managed accounts, will be shared. Generally, we have a reduced ability to identify or respond to investment and other operational issues that may arise within the Investment Solutions business, relative to other Carlyle investment funds.

- Historically, the main part of AlpInvest capital commitments have been obtained from its initial co-owners, with such owners thereby holding, specific contractual rights with respect to potential suspension or termination of investment commitments made to AlpInvest.

- AlpInvest is seeking to broaden its investor base by advising separate accounts for investors on an account-by-account basis and the number and complexity of such investor mandates and fund structures has increased as a result of continuing fundraising efforts, and the activation of mandates with existing investors.

- Conflicts may arise between such separate managed accounts (e.g., competition for investment opportunities), and in some cases conflicts may arise between a managed account and a Carlyle fund. In addition, such managed accounts may have different or heightened standards of care, and if they invest in other investment funds sponsored by us could result in lower management fees and carried interest to us than Carlyle's typical investment funds.

- Our fund of funds business could be subject to the risk that other sponsors will no longer be willing to provide these fund of funds with investment opportunities as favorable as in the past, if at all, as a result of our ownership of AlpInvest, DGAM and Metropolitan.

- Our Investment Solutions business is separated from the rest of the firm by an informational wall designed to prevent certain types of information from flowing from the Investment Solutions platform to the rest of the firm. This information barrier could limit the collaboration between our investment professionals with respect to specific investments.

We intend to continue to build upon the foundation created by AlpInvest, Metropolitan and DGAM by expanding into new products and initiatives that facilitate third-party access to our funds. Our Investment Solutions business is also currently in the process of undergoing substantial changes in its information technology infrastructure. A significant amount of time and resources are being committed to researching, developing, acquiring and implementing a technology platform to enable the Investment Solutions group to achieve its strategic goals. There is no guarantee that these efforts, or the future technology environment, will enable our Investment Solutions platform to meet its strategic goals and achieve the expected growth.

Hedge fund investments are subject to additional risks.

Investments by our funds of hedge funds and 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.
- The IRS may change the tax treatment of these funds, subjecting them to additional federal or state taxes, which may decrease the returns to investors.

- 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.

- These funds may rely on computer programs, internal infrastructure and services, quantitative models (both proprietary models and those supplied by third parties) and information and data provided by third parties to trade, clear and settle securities and other transactions, among other activities, that are critical to the oversight of certain funds' activities. If any such models, information or data prove to be incorrect or incomplete, any decisions made in reliance thereon could expose the funds to potential risks. Any hedging based on faulty models, information or data may prove to be unsuccessful and adversely impact a fund's profits.

Through our partnership with Vermillion, our funds may hold physical commodities. These investments incur storage and insurance costs and may suffer the risk of loss from storage inadequacy, insurance counterparty default, and spoilage.

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 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, manages all of our operations and activities. The limited liability company agreement of Carlyle Group Management L.L.C. establishes a board of directors that is responsible for the oversight of our business and operations. Unlike the holders of common stock in a corporation, our common unitholders have only limited voting rights and 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 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. As of December 31, 2014, the percentage of the voting power of The Carlyle Group L.P. limited partners collectively held by those categories of holders and calculated in this manner was approximately 80%. 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. As a result, our common unitholders have limited ability to influence decisions regarding our business.

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

TCG Carlyle Global Partners L.L.C., an entity wholly owned by our senior Carlyle professionals, holds 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. As of December 31, 2014, a special voting unit held by TCG Carlyle Global Partners L.L.C. provided it with approximately 79% of the total voting power of The Carlyle Group L.P. limited partners. Accordingly, 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 the limited partners of The Carlyle Group L.P.

Our common unitholders' voting rights are 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 contains provisions limiting the

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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 does 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 are not entitled to dissenters' rights of appraisal under our partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

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 is held by persons other than our general partner and its affiliates or if we are required to register as an investment company under the Investment Company 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 qualify for and intend to continue to rely on exceptions from certain corporate governance and other requirements under the rules of the NASDAQ Global Select Market.

We are a limited partnership and qualify for exceptions from certain corporate governance and other requirements of the rules of the NASDAQ Global Select Market. Pursuant to these exceptions, limited partnerships may elect not to comply with certain corporate governance requirements of the NASDAQ Global Select Market, 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 compensation committee that is composed entirely of independent directors, (3) that the compensation committee be required to consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisors, (4) that we have independent director oversight of director nominations, and (5) that we obtain unitholder approval for (a) certain private placements of units that equal or exceed 20% of the outstanding common units or voting power, (b) certain acquisitions of stock or assets of another company or (c) a change of control transaction. In addition, we are not required to hold annual meetings of our common unitholders. We intend to continue to avail ourselves of these exceptions. Accordingly, common unitholders generally do not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of the NASDAQ Global Select Market.

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 common unitholders;
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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 certain duties and obligations to those funds and their investors as a result of which we expect to regularly take actions in a manner consistent with such duties and obligations but 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 limited partner of the Carlyle Holdings

partnerships 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 the tax liability of a limited partner of the Carlyle Holdings partnerships without giving rise to any rights of a limited partner of the Carlyle Holdings partnerships 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, common unitholders 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 we pay for acquisition targets and the structure of such consideration, including whether to incur debt to fund the transaction, whether to issue units as consideration and the number of units to be issued and the amount and timing of any earn-out payments;

- our general partner determines whether to allow the senior Carlyle professionals to exchange their Carlyle Holdings partnership units or waive certain restrictions relating to such units pursuant to the terms of the Exchange 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 “Part III. Item 13. Certain Relationships, Related Transactions and Director Independence” and “Part III. Items 10. Directors, Executive Officers and Corporate Governance—Committees of the Board of Directors—Conflicts Committee.”

Our partnership agreement contains 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 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 applicable law. For example, our partnership agreement provides 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 is entitled to consider only such interests and factors as it desires, including its own interests, and has 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 only have recourse and are 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 do 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 are 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. Common unitholders, in purchasing our common units, are deemed 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 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 "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence" and "Part III. Items 10. Directors, Executive Officers and Corporate Governance—Committees of the Board of Directors—Conflicts Committee."

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 annual report. 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.

We intend to pay periodic distributions to our common unitholders, but our ability to do so may be limited by our cash flow from operations and available liquidity, holding partnership structure, applicable provisions of Delaware law and contractual restrictions and obligations.

The Carlyle Group L.P. is a holding partnership and has 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 generally 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 is at the sole discretion of our general partner, which may change our distribution policy at any time. 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 depends 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 are required to pay the limited partners of the Carlyle Holdings partnerships 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 the limited partners of the Carlyle Holdings partnerships 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.

Limited partners of the Carlyle Holdings partnerships, may, subject to the terms of the exchange agreement and the Carlyle Holdings partnership agreements, 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 have entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships that provides for the payment by the corporate taxpayers to such owners of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or foreign or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and 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, 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 pursuant to the tax receivable agreement will be substantial. The factors include:

- 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;
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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

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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.

The payments under the tax receivable agreement are not conditioned upon the tax receivable agreement counterparties' 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 the limited partners of the Carlyle Holdings partnerships 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.

Assuming that the market value of a common unit were to be equal to $27.50 per common unit, which is the closing price per common unit as of December 31, 2014, and that LIBOR were to be 1.17%, we estimate that the aggregate amount of these termination payments would be approximately $1.16 billion if the corporate taxpayers were to exercise their termination right. The foregoing number is merely an estimate and the actual payments could differ materially. In addition, the limited partners of the Carlyle Holdings partnerships 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 the limited partners of the Carlyle Holdings partnerships 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. 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 "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence—Tax Receivable Agreement."

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

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

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

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

We believe that we are engaged primarily in the business of providing asset management services and not in the business of investing, reinvesting or trading in securities. We 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 an “orthodox” investment company as defined in section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above. Furthermore, The Carlyle Group L.P. does not have any material assets other than

its interests in certain wholly owned subsidiaries, which in turn have no material assets other than general partner interests in the Carlyle Holdings partnerships. These wholly owned subsidiaries are the sole general partners of the Carlyle Holdings partnerships and are 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 are composed of assets that could be considered investment securities. Accordingly, we do not believe that The Carlyle Group L.P. is an inadvertent investment company by virtue of the 40% test in section 3(a)(1)(C) of the Investment Company Act as described in the second bullet point above. In addition, we believe that The Carlyle Group L.P. is not an investment company under section 3(b)(1) of the Investment Company Act because it is primarily engaged in a non-investment company business.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that The Carlyle Group L.P. will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause The Carlyle Group L.P. to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on our capital structure, ability to transact business with affiliates (including us) and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among 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 Investment Company 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 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 has been working on several projects with the International Accounting Standards Board, which could result in significant changes over time as GAAP converges with International Financial Reporting Standards ("IFRS"), including how our financial statements are presented. Furthermore, the SEC continues to consider whether and

how to incorporate IFRS into the U.S. financial reporting system. The accounting changes being proposed by the FASB may be a complete change to how we account for and report significant areas of our business. The effective dates and transition methods are not yet 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 the alignment with IFRS, will also 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.

For example, in May 2014, the FASB issued a final accounting standard that changes the way issuers recognize revenue in their financial statements. This new accounting method is expected to change how and when we account for and report performance fee revenues in our financial statements. The accounting change related to the recognition of revenue is effective January 1, 2017; however, we may choose to adopt the new standard retrospectively.

The consolidation of investment funds, holding companies or operating businesses of our portfolio companies could make it more difficult to understand the operating performance of the Partnership and could create operational risks for the Partnership.

Under applicable US GAAP standards, we may be required to consolidate certain of our investment funds, holding companies or operating businesses if we determine that these entities are VIEs and that the Partnership is the primary beneficiary of the VIE. The consolidation of such entities could make it difficult for an investor to differentiate the assets, liabilities, and results of operations of the Partnership apart from the assets, liabilities, and results of operations of the consolidated VIEs. The assets of the consolidated VIEs are not available to meet our liquidity requirements and similarly we

generally have not guaranteed or assumed any obligation for repayment of the liabilities of the consolidated VIEs. For example, under current US GAAP standards, we generally are required to consolidate onto our financial statements the CLOs that we manage. In 2014, we formed eight new CLOs and consolidated the financial positions and results of operations of such CLOs into our consolidated financial statements beginning on their respective formation dates or closing dates. The total assets and total liabilities of the CLOs included in the Partnership's consolidated financial statements were approximately $18 billion and $17 billion, respectively, as of December 31, 2014. In some circumstances, the issuance of credit or other financial support could trigger the consolidation of an entity onto our financial statements. For example, commencing with the issuance of credit support in connection with a potential tax liability of Carlyle Europe Real Estate Partners, L.P. ("CEREP I") in July 2012, CEREP I became a VIE and the Partnership became its primary beneficiary. Accordingly, as of that date, the Partnership began to consolidate the fund into its consolidated financial statements. As of December 31, 2014, this fund reported total assets of approximately $32 million, total liabilities of approximately $91 million and a deficit in partners' capital of approximately $59 million.

As a public entity, we are 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"). The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition, and provide an annual assessment of the effectiveness of our internal control over financial reporting. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting as required by the Exchange Act, significant resources and management oversight are required. We have implemented procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. The VIEs that we consolidate as the primary beneficiary are, subject to certain transition guidelines, included in our annual assessment of the effectiveness of our internal control over financial reporting under the Sarbanes-Oxley Act. As a result, we will need to continue to implement and oversee procedures and processes to integrate such operations into our internal control structure. If we are not able to implement or maintain the necessary procedures and processes, we may be unable to report our financial information on a timely or accurate basis and could be subject adverse consequences, including sanctions by the SEC or violations of applicable Nasdaq listing rules, and could result in a breach of the covenants under the agreements governing 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.

Risks Related to Our Common Units

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 in the future 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. Subject to the lock-up restrictions described below, we may issue and sell in the future additional common units.

In addition, as of December 31, 2014, limited partners of the Carlyle Holdings partnerships owned an aggregate of 251,195,295 Carlyle Holdings partnership units. At the time of our IPO, we entered into an exchange agreement with the then-existing limited partners of the Carlyle Holdings partnerships so that these holders, subject to any applicable 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 May 8, 2012 (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. Since our IPO, additional limited partners of the Carlyle holdings partnerships have become party to the exchange agreement and are generally entitled to exchange their Carlyle

Holdings partnership units for common units on the same basis, from and after the first anniversary of the date of their acquisition of their Carlyle Holdings partnership units. In addition, Mubadala held 23,517,939 Carlyle Holdings partnership units as of December 31, 2014. Mubadala is generally entitled to exchange Carlyle Holdings partnerships units for common units (subject to the terms of the exchange agreement) and such common units would not be subject to transfer restrictions. We have entered into registration rights agreements with the limited partners of Carlyle Holdings that generally require us to register these common units under the Securities Act. See "Part III. Item 13. Certain Relationships, Related Transactions and Director Independence —Registration Rights Agreements." Provisions of the partnership agreements of the Carlyle Holdings partnerships and related agreements that contractually restrict the limited partners of the Carlyle Holdings partnerships' ability to transfer the Carlyle Holdings partnership units or The Carlyle Group L.P. common units they hold may lapse over time or be waived, modified or amended at any time.
Under our Equity Incentive Plan, we have granted 28,701,079 deferred restricted common units as of December 31, 2014. 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. We have filed a registration statement and intend to file additional 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. Morgan Stanley, our equity plan service provider, may, from time to time, act as a broker, dealer, or agent for, or otherwise facilitate sales of our common units on behalf of, plan participants, including in connection with sales of common units to fund tax obligations payable in connection with awards under our Equity Incentive Plan.
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 is 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.

Our common units may trade less frequently than those of certain more mature companies due to the limited number of common units outstanding. Due to such limited trading volume, the price of our common units may display abrupt or erratic movements at times. Additionally, it may be more difficult for investors to buy and sell significant amounts of our common units without an unfavorable impact on prevailing market prices.

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 price you paid for them.

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.

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 Investment Company Act. Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities and certain other forms of investment income. We may not meet these requirements or current law may change so as to cause, in either event, us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to U.S. federal income tax. 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,

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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.

Our common unitholders may be subject to U.S. federal income tax on their share of our taxable income, regardless of whether they 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 Investment Company 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, our common unitholders will be required to take into account their allocable share of our items of income, gain, loss and deduction. Distributions to our common unitholders generally will be taxable for U.S. federal income tax purposes only to the extent the amount distributed exceeds their 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 "—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 common unitholders and the market price of our common units, could be reduced."

Our common unitholders may not receive cash distributions equal to their 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 in order 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. and Carlyle Holdings III GP L.P., 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. holds its interest in certain of our businesses through Carlyle Holdings I GP Inc., which is 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.

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 Investment Company Act. In order to effect such treatment, we (or our subsidiaries) may be required to invest through foreign or domestic corporations subject to corporate income tax, 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 have not made and 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 or Carlyle Holdings II 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. upon our acquisition of interests in Carlyle Holdings II L.P. in connection with our initial public offering, or to our assets or to the assets of Carlyle Holdings II 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. attributable to those interests or units immediately prior to the acquisition. Consequently, upon a sale of an asset by us or Carlyle Holdings II 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.

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 generally do not expect to generate significant amounts of income treated as effectively connected income with respect to non-U.S. holders of our common units ("ECI"). However, there can be no assurance that we will not generate ECI currently or in the future and, subject to the qualifying income rules, we are under no obligation to minimize 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). 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. 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 generally do not expect to make investments directly in operating businesses that generate significant amounts of unrelated business taxable income for tax-exempt holders of our common units ("UBTI"). However, certain of our investments may be treated as debt-financed investments, which may give rise to debt-financed UBTI. Accordingly, no assurance can be given that we will not generate UBTI currently or in the future and, subject to the qualifying income rules, 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 to 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 to 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.

Certain U.S. holders of common units are subject to additional tax on "net investment income."

U.S. holders that are individuals, estates or trusts are subject to a Medicare tax of 3.8% on "net investment income" (or undistributed "net investment income," in the case of estates and trusts) for each taxable year, with such tax applying to the lesser of such income or the excess of such person's adjusted gross income (with certain adjustments) over a specified amount. Net investment income includes net income from interest, dividends, annuities, royalties and rents and net gain attributable to the disposition of investment property. It is anticipated that net income and gain attributable to an investment in the Partnership will be included in a U.S. holder's "net investment income" subject to this Medicare tax.

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. Although we currently intend to distribute Schedule K-1s on or around 90 days after the end of our fiscal 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 K-1s may be prepared for us. For this reason, holders of common units who are U.S. taxpayers should anticipate that they may 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, 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, is 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.

Changes in U.S. tax law could adversely affect our ability to raise funds from certain foreign investors.

Under FATCA, a broadly defined class of foreign financial institutions are required to comply with a complicated and expansive reporting regime or be subject to certain U.S. withholding taxes. The reporting obligations imposed under FATCA require foreign financial institutions to enter into agreements with the IRS to obtain and disclose information about certain account holders and investors to the IRS (or in the case of certain foreign financial institutions that are resident in a jurisdiction that has entered into an intergovernmental agreement to implement this legislation, the foreign financial institutions may comply with revised diligence and reporting obligations of such intergovernmental agreement). Additionally, certain non-U.S. entities that are not foreign financial institutions are required to provide certain certifications or other information regarding their U.S. beneficial ownership or be subject to certain U.S. withholding taxes. The administrative and economic costs of compliance with FATCA may discourage some foreign investors from investing in U.S. funds, which could adversely affect our ability to raise funds from these investors. In addition, we expect to incur additional expenses related to our compliance with such regulations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. 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 39 offices, including our office in Arlington, Virginia, which houses our treasury, tax 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.

ITEM 3. 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. We are not currently able to estimate the reasonably possible amount of loss or range of loss for the matters that

have not been resolved. We do not believe it is probable that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect us. We believe that the matters described below are without merit and intend to vigorously contest all allegations for the matters that have not been resolved.

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, later renamed Kirk Dahl v. Bain Capital Partners LLC). The complaint alleged, among other things, that certain global alternative asset firms, including the Partnership, violated Section 1 of the Sherman Act by forming multi-sponsor consortiums for the purpose of bidding collectively in company buyout transactions in certain going private transactions and agreeing not to submit topping bids once such a consortium had announced a signed deal, which the plaintiffs allege constitutes a “conspiracy in restraint of trade.” To avoid the risk and cost associated with continuing the litigation through trial, Carlyle entered into an agreement with plaintiffs on August 29, 2014 to settle all claims against Carlyle without any admission of liability. All of Carlyle's codefendants also reached settlement agreements with plaintiffs. The Court granted preliminary approval of all the defendants' settlements, including Carlyle's, on September 29, 2014. A hearing on final approval of the settlements was held on February 11, 2015 and we are awaiting the Court's ruling. Carlyle Partners IV, L.P. (“CP IV”) and its affiliates will bear the costs of the settlement not covered by insurance. As a result, Carlyle's performance fees from CP IV were reduced by $19.3 million.

Along with many other companies and individuals in the financial sector, Carlyle and Carlyle Mezzanine Partners, L.P. (“CMP”) 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 Santa 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 on the grounds 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.

Carlyle Capital Corporation Limited (“CCC”) was a fund sponsored by Carlyle that invested in AAA-rated residential mortgage backed securities on a highly leveraged basis. In March of 2008, amidst turmoil throughout the mortgage markets and money markets, CCC filed for insolvency protection in Guernsey. Several different lawsuits developed from the CCC insolvency. Some of these lawsuits were dismissed, but two remain, which are described below.

First, in November 2009, a CCC investor, National Industries Group (Holding) (“National Industries”) instituted legal proceedings on similar grounds in Kuwait’s Court of First Instance (National Industries Group v. Carlyle Group) seeking to recover losses incurred in connection with an investment in CCC. In July 2011, the Delaware Court of Chancery issued a decision restraining National Industries from proceeding in Kuwait on any CCC-related claims based on the forum selection clause in National Industries’ subscription agreement, which provided for exclusive jurisdiction in the Delaware courts. In September 2011, National Industries reissued its complaint in Kuwait naming CCC only, and reissued its complaint in January 2012 joining Carlyle Investment Management, L.L.C. as a defendant. In April 2013, the court in Kuwait dismissed National Industries’ claim without prejudice for failure to serve process. Hearings in the case and related to the case have nevertheless taken place on several occasions since that time, most recently in September 2013. Meanwhile, in August 2012, National Industries had filed a motion to vacate the Delaware Court of Chancery’s decision. The Partnership successfully opposed that motion and the Court’s injunction remained in effect. In November 2012, National Industries appealed that decision to the Delaware Supreme Court. On May 29, 2013, the Delaware Supreme Court affirmed the Chancery Court’s decision and upheld the 2011 injunction barring National Industries from filing or prosecuting any CCC-related action in any forum other than the courts of Delaware.

Second, the Guernsey liquidators who took control of CCC in March 2008 filed four suits on July 7, 2010 against Carlyle, certain of its affiliates and the former directors of CCC in the Delaware Chancery Court, the Royal Court of Guernsey, the Superior Court of the District of Columbia and the Supreme Court of New York, New York County (Carlyle Capital Corporation Limited v. Conway et al.) 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. The liquidators 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. In July 2011, the Royal Court of Guernsey held that the case should be litigated in Delaware pursuant to the exclusive jurisdiction clause in the investment management agreement. That ruling was appealed by the liquidators, and in February 2012 was reversed by the Guernsey Court of Appeal, which held that the case should proceed in Guernsey. Defendants' attempts to appeal to the Privy Council were unsuccessful and the plaintiffs' case is proceeding in Guernsey. Two claims in that case, which sought the return of certain documents and other property purportedly belonging to CCC, were resolved by agreement of the parties and order of the Royal Court of Guernsey in December 2012. Carlyle has now completed its document production pursuant to that order. On July 24, 2013, plaintiffs filed an

amended complaint, which contained further detail in support of the existing claims but no new defendants or claims. On December 20, 2013, defendants filed a defense to the amended complaint and on June 30, 2014 plaintiffs filed their reply. The Court has set the case schedule and trial is scheduled for the first available date after February 1, 2016. In addition, the liquidators' lawsuit in Delaware was dismissed without prejudice in 2010 and their lawsuits in New York and the District of Columbia were dismissed in December 2011 without prejudice.

From 2007 to 2009, a Luxembourg subsidiary of CEREP I, a real estate fund, received proceeds from the sale of real estate located in Paris, France. The relevant French tax authorities have asserted that CEREP I was ineligible to claim certain exemptions from French tax under the Luxembourg-French tax treaty, and have issued a tax assessment seeking to collect approximately €97.0 million, consisting of taxes, interest and penalties. Additionally, the French Ministry of Justice has commenced an investigation regarding the legality under French law of claiming the exemptions under the tax treaty. CEREP I and its subsidiaries are contesting the French tax assessment. An income tax hearing is scheduled to be held on March 11, 2015 in front of the Administrative Court of Paris.

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

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common units representing limited partner interests in The Carlyle Group L.P. are traded on the NASDAQ Global Select Market under the symbol “CG.” Our common units began trading on the NASDAQ Global Select Market Exchange on May 3, 2012.

The number of holders of record of our common units as of February 20, 2015 was 43. This does not include the number of unitholders that hold shares in “street name” through banks or broker-dealers.

Cash Distribution Policy

Distributions for the 2014 fiscal year and prior years, including the fourth quarter distribution, were determined in accordance with Carlyle’s distribution policy in effect for those years. For those periods, Carlyle Holdings made quarterly distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries, that enabled The Carlyle Group L.P. to pay a quarterly distribution of $0.16 per common unit for each of the first three quarters of each year and for the fourth quarter of each year, to pay a distribution of at least $0.16 per common unit that, taken together with the prior quarterly distributions in respect of that year, represented its share, net of taxes and amounts payable under the tax receivable agreement, of Carlyle's Distributable Earnings in excess of the amount determined by Carlyle's general partner that was necessary or appropriate to provide for the conduct of Carlyle's business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements. The aggregate amount of our distributions for those years were less than our Distributable Earnings for that year due to these funding requirements.

Commencing with distributions for the 2015 fiscal year, it is Carlyle’s intention to cause Carlyle Holdings to make quarterly distributions to its partners, including The Carlyle Group L.P.’s wholly owned subsidiaries, that will enable The Carlyle Group L.P. to pay a quarterly distribution of approximately 75% of Distributable Earnings per common unit, net of taxes and amounts payable under the tax receivable agreement, for the quarter. Carlyle’s general partner may adjust the distribution for amounts determined to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements, or to provide for future cash requirements such as tax-related payments, clawback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter.

Notwithstanding the foregoing, the declaration and payment of any distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. Our general partner will take into account general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, other constraints on the payment of distributions by us to our common unitholders or by our subsidiaries to us, and such other factors as our general partner may deem relevant.

Because The Carlyle Group L.P. is a holding partnership and has no material assets other than its ownership of partnership units in Carlyle Holdings held through wholly owned subsidiaries, we will fund distributions by The Carlyle Group L.P., 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 other 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 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."

With respect to distribution year 2014, we declared distributions to common unitholders totaling approximately $143.2 million, or $2.09 per common unit, consisting of $0.16 per common unit in respect of each of the first three quarters of 2014 and an additional distribution in respect of the fourth quarter of 2014 of $1.61 per common unit (approximately $110.9 million), which is payable on March 6, 2015 to holders of record of common units at the close of business on February 23, 2015. Distributions to common unitholders paid during the calendar year ended December 31, 2014 were $102.7 million, representing the amount paid in March 2014 of $1.40 per common unit with respect to the fourth quarter of 2013 and the $0.16 per common unit quarterly distributions paid in each of May, August and November of 2014.

With respect to distribution year 2013, we declared distributions to common unitholders totaling approximately $93.5 million, or $1.88 per common unit, consisting of $0.16 per common unit in respect of each of the first three quarters of 2013 and an additional distribution in respect of the fourth quarter of 2013 of $1.40 per common unit ($70.4 million) which was paid in March 2014. Distributions to common unitholders paid during the calendar year ended December 31, 2013 were $59.9 million, representing the amount paid in March 2013 of $0.85 per common unit with respect to the fourth quarter of 2012 and the $0.16 per common unit quarterly distributions paid in each of May, August and November of 2013.

With respect to distribution year 2012, we declared distributions to common unitholders totaling approximately $48.5 million, or $1.12 per common unit, consisting of $0.11 per common unit for the second quarter of 2012 (a pro-rated amount from the IPO in May 2012), $0.16 per common unit for the third quarter of 2012, and $0.85 in respect of the fourth quarter of 2012 which was paid in March 2013. Distributions to common unitholders paid during the calendar year ended December 31, 2012 were $11.7 million, representing the $0.11 per common unit quarterly distribution paid in August 2012 and the $0.16 per common unit quarterly distribution paid in November of 2012.

With respect to distribution year 2014, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $524.5 million, or $2.09 per Carlyle Holdings unit, consisting of the distributions declared in respect of the first three quarters of 2014 and an additional distribution in respect of the fourth quarter of 2014 of $1.61 per Carlyle Holdings unit (approximately $404.1 million), which is payable on March 5, 2015 to holders of record of Carlyle Holdings units at the close of business on February 23, 2015. Distributions to the other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2014 were $486.9 million, representing the quarterly distributions paid in each of March, May, August, and November of 2014.

With respect to distribution year 2013, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $515.9 million, or $1.97 per Carlyle Holdings unit, consisting of the distributions declared in respect of the first three quarters of 2013 and an additional distribution in respect of the fourth quarter of 2013 of $1.40 per Carlyle Holdings unit ($366.5 million), which was paid in March 2014. Distributions to the other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2013 were $372.9 million, representing the quarterly distributions paid in each of March, May, August, and November of 2013.

With respect to distribution year 2012, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $320.1 million, or $1.22 per Carlyle Holdings unit, consisting of the distributions declared in respect of the second quarter and third quarter of 2013 and $0.85 in respect of the fourth quarter of 2012 which was paid in March 2013. Distributions to other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2012 were $96.6 million, representing the quarterly distributions paid in August and November of 2012.

The following table sets forth the high and low sales prices per unit of our common units, for the periods indicated:

	Sales Price			
	2014		2013	
	High	Low	High	Low
First Quarter	$39.38	$31.29	$37.89	$26.11
Second Quarter	$35.99	$28.78	$33.47	$23.85
Third Quarter	$35.99	$29.07	$29.12	$24.66
Fourth Quarter	$30.69	$25.21	$36.71	$25.48

No purchases of our common units were made by us or on our behalf during the quarter ended December 31, 2014.

As permitted by our policies and procedures governing transactions in our securities by our directors, executive officers and other employees, from time to time some of these persons may establish plans or arrangements complying with Rule 10b5-1 under the Exchange Act, and similar plans and arrangements relating to our common units and Carlyle Holdings partnership units.

Sales of Unregistered Securities

None.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data presents selected data on the financial condition and results of operations of The Carlyle Group L.P. and, for periods prior to May 8, 2012, the financial condition and results of operations of Carlyle Group, the predecessor of The Carlyle Group L.P. Carlyle Group is considered the predecessor of The Carlyle Group L.P. for accounting purposes, and its combined and consolidated financial statements are the historical financial statements of The Carlyle Group L.P. This financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

We derived the following selected consolidated financial data of The Carlyle Group L.P. as of December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013, and 2012 from the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data as of December 31, 2012 was derived from the audited consolidated financial statements of The Carlyle Group L.P. which are not included in this Annual Report on Form 10-K. The selected consolidated financial data as of December 31, 2011 and 2010 and for the years ended December 31, 2011 and 2010 were derived from the historical audited combined and consolidated financial statements of Carlyle Group which are not included in this Annual Report on Form 10-K. Historical results are not necessarily indicative of results for any future period.

For periods prior to the reorganization and initial public offering in May 2012, net income was determined in accordance with U.S. GAAP for partnerships and was not comparable to net income of a corporation. For the periods prior to May 2012, all distributions and compensation for services rendered by senior Carlyle professionals was reflected as distributions from equity rather than compensation expense. The historical consolidated financial statements have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in millions, except per unit data)				
Statement of Operations Data					
Revenues					
Fund management fees	$1,166.3	$984.6	$977.6	$915.5	$770.3
Performance fees					
Realized	1,328.7	1,176.7	907.5	1,307.4	266.4
Unrealized	345.7	1,198.6	133.6	(185.8)	1,215.6
Total performance fees	1,674.4	2,375.3	1,041.1	1,121.6	1,482.0
Investment income (loss)	(7.2)	18.8	36.4	78.4	72.6
Interest and other income	20.6	11.9	14.5	15.8	21.4
Interest and other income of Consolidated Funds	956.0	1,043.1	903.5	714.0	452.6
Revenue of a consolidated real estate VIE	70.2	7.5	—	—	—
Total Revenues	3,880.3	4,441.2	2,973.1	2,845.3	2,798.9
Expenses					
Compensation and benefits	2,005.9	2,244.1	1,143.9	477.9	429.0
General, administrative and other expenses	526.8	496.4	357.5	323.5	177.2
Interest	55.7	45.5	24.6	60.6	17.8
Interest and other expenses of Consolidated Funds	1,042.0	890.6	758.1	453.1	233.3
Interest and other expenses of a consolidated real estate VIE	175.3	33.8	—	—	—
Other non-operating (income) expenses	(30.3)	(16.5)	7.1	32.0	—
Loss from early extinguishment of debt, net of related expenses	—	—	—	—	2.5
Equity issued for affiliate debt financing	—	—	—	—	214.0
Total Expenses	3,775.4	3,693.9	2,291.2	1,347.1	1,073.8
Other Income (Loss)					
Net investment gains (losses) of Consolidated Funds	887.0	696.7	1,758.0	(323.3)	(245.4)
Gain on business acquisition	—	—	—	7.9	—
Income before provision for income taxes	991.9	1,444.0	2,439.9	1,182.8	1,479.7
Provision for income taxes	76.8	96.2	40.4	28.5	20.3
Net income	915.1	1,347.8	2,399.5	1,154.3	1,459.4
Net income (loss) attributable to non-controlling interests in consolidated entities	485.5	676.0	1,756.7	(202.6)	(66.2)
Net income attributable to Carlyle Holdings	429.6	671.8	642.8	$1,356.9	$1,525.6
Net income attributable to non-controlling interests in Carlyle Holdings	343.8	567.7	622.5		
Net income attributable to The Carlyle Group L.P.	$85.8	$104.1	$20.3		

Net income attributable to The Carlyle Group L.P. per common unit			
Basic	$1.35	$2.24	$0.48
Diluted	$1.23	$2.05	$0.41
Distributions declared per common unit	$1.88	$1.33	$0.27

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	As of December 31,				
	2014	2013	2012	2011	2010
	(Dollars in millions)				
Balance Sheet Data					
Cash and cash equivalents	$1,242.0	$966.6	$567.1	$509.6	$616.9
Investments and accrued performance fees	$4,727.2	$4,418.9	$3,073.7	$2,644.0	$2,594.3
Investments of Consolidated Funds[(1)]	$26,028.8	$26,886.4	$24,815.7	$19,507.3	$11,864.6
Total assets	$35,994.3	$35,622.3	$31,566.6	$24,651.7	$17,062.8
Loans payable and senior notes	$1,146.9	$940.6	$886.3	$860.9	$597.5
Subordinated loan payable to Mubadala	$—	$—	$—	$262.5	$494.0
Loans payable of Consolidated Funds	$16,052.2	$15,220.7	$13,656.7	$9,689.9	$10,433.5
Loans payable of a consolidated real estate VIE at fair value	$146.2	$122.1	$—	$—	$—
Total liabilities	$23,138.3	$20,892.9	$17,983.8	$13,561.1	$14,170.2
Redeemable non-controlling interests in consolidated entities	$3,761.5	$4,352.0	$2,887.4	$1,923.4	$694.0
Members' equity	$—	$—	$—	$873.1	$929.7
Partners' capital	$566.0	$357.1	$235.1	$—	$—
Accumulated other comprehensive loss	$(39.0)	$(11.2)	$(4.8)	$(55.8)	$(34.5)
Partners' capital appropriated for Consolidated Funds	$184.5	$463.6	$838.6	$853.7	$938.5
Non-controlling interests in consolidated entities	$6,446.4	$7,696.6	$8,264.8	$7,496.2	$364.9
Non-controlling interests in Carlyle Holdings	$1,936.6	$1,871.3	$1,361.7	$—	$—
Total partners' capital	$9,094.5	$10,377.4	$10,695.4	$9,167.2	$2,198.6

(1) The entities comprising our Consolidated Funds are not the same entities for all periods presented. On December 31, 2010, we completed our acquisition of Claren Road and consolidated its operations and certain of its managed funds from that date forward. In addition, on July 1, 2011, we completed the acquisitions of ESG and 60% of AlpInvest and consolidated these entities as well as certain of their managed funds from that date forward. On February 28, 2012, we acquired certain European CLO management contracts from Highland Capital Management L.P. and consolidated those CLOs from that date forward. We also formed four CLOs throughout 2012, six CLOs throughout 2013, and eight CLOs throughout 2014 and consolidated those CLOs beginning on their respective formation dates or closing dates. 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 The Carlyle Group L.P. or partners' capital.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Carlyle Group L.P. (the "Partnership") is a Delaware limited partnership formed on July 18, 2011. Pursuant to a reorganization into a holding partnership structure, the Partnership became a holding partnership and its sole material assets are equity interests through wholly owned subsidiary entities representing partnership units in Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P. (collectively," Carlyle Holdings") that the Partnership acquired using proceeds from the Partnership's initial public offering on May 8, 2012. Beginning on May 8, 2012, through wholly owned subsidiary entities, the Partnership is the sole general partner of Carlyle Holdings and operates and controls all of the business and affairs of Carlyle Holdings and, through Carlyle Holdings and its subsidiaries, continues to conduct the business now conducted by these subsidiaries. Carlyle Group Management L.L.C. is the general partner of the Partnership.

On May 2, 2012, our senior Carlyle professionals, the California Public Employees' Retirement System ("CalPERS"), and entities affiliated with Mubadala Development Company, the Abu-Dhabi based strategic development and investment company ("Mubadala") contributed all of their interests in the Parent Entities, and our senior Carlyle professionals and other individuals engaged in our business contributed a portion of the equity interests they owned in the general partners of our existing carry funds, to Carlyle Holdings in exchange for an aggregate of 274,000,000 Carlyle Holdings partnership units. Carlyle Holdings did not conduct any activity prior to May 2, 2012.

As the sole general partner of Carlyle Holdings, the Partnership consolidates the financial position and results of operations of Carlyle Holdings into its financial statements, and the ownership interests of the limited partners of the Carlyle Holdings partnerships are reflected as a non-controlling interest in the Partnership's financial statements. The historical combined and consolidated financial statements 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., as well as their majority-owned subsidiaries (collectively, "Carlyle Group"), reflect the predecessor financial statements of the Partnership, and are based on the historical ownership interests of the senior Carlyle professionals, CalPERS, and Mubadala in Carlyle Group.

The following discussion analyzes the financial condition and results of operations of the Partnership and, for periods prior to May 8, 2012, the financial condition and results of operations of Carlyle Group, the predecessor of the Partnership. Such analysis should be read in conjunction with the consolidated financial statements and the related notes included in this Annual Report on Form 10-K and the Partnership's final prospectus dated May 2, 2012, included in the Partnership's Registration Statement on Form S-1, as amended (SEC File No. 333-176685). For ease of reference, we refer to the historical financial results of Carlyle Group as being "our" historical financial results. Unless the context otherwise requires, references to "we", "us", "our", and "the Partnership" are intended to mean the business and operations of the Partnership since May 8, 2012. When used in the historical context (i.e., prior to May 8, 2012), these terms are intended to mean the business and operations of Carlyle Group.

Overview

We conduct our operations through four reportable segments: Corporate Private Equity, Global Market Strategies, Real Assets and Investment Solutions (formerly referred to as Solutions).

- Corporate Private Equity — Our Corporate Private Equity segment advises our 22 buyout and 9 growth capital funds, which seek a wide variety of investments of different sizes and growth potentials. As of December 31, 2014, our Corporate Private Equity segment had approximately $65 billion in AUM and approximately $40 billion in Fee-earning AUM.

- Global Market Strategies — Our Global Market Strategies segment advises a group of 69 funds that pursue investment opportunities across structured credit, distressed debt, corporate and energy mezzanine debt, middle-market and senior debt, as well as credit, emerging markets and commodities-focused hedge funds and a mutual fund. As of December 31, 2014, our Global Market Strategies segment had approximately $37 billion in AUM and approximately $34 billion in Fee-earning AUM.

Real Assets — Our Real Assets segment advises our nine U.S. and internationally focused real estate funds, our infrastructure fund, our two power funds, our international energy fund, as well as our five Legacy Energy funds (funds that we jointly advise with Riverstone). The segment also includes seven NGP management fee funds and three carry funds advised by NGP. As of December 31, 2014, our Real Assets segment had approximately $42 billion in AUM and approximately $28 billion in Fee-earning AUM.

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- Investment Solutions — Our Investment Solutions segment advises a global private equity fund of funds program and related co-investment and secondary activities across 101 fund of funds vehicles. On July 1, 2011, we acquired a 60% interest in AlpInvest; on August 1, 2013 we acquired the remaining 40% equity interest in AlpInvest. On November 1, 2013, we acquired Metropolitan Real Estate Equity Management, LLC ("Metropolitan"), one of the largest managers of indirect investments in global real estate, which manages 26 fund of funds vehicles. Additionally, on February 3, 2014, we acquired Diversified Global Asset Management Corporation ("DGAM"), a global manager of fund of hedge funds vehicles, which manages 15 fund of funds vehicles. As of December 31, 2014, our Investment Solutions segment had approximately $51 billion in AUM and approximately $33 billion 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 ("U.S. GAAP"), we are required to consolidate some of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these investment funds. Accordingly, our segment revenues primarily consist of fund management and related advisory fees, 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, performance payment arrangements, and equity-based compensation excluding awards granted in our initial public offering or in connection with acquisitions and strategic investments, and general and administrative expenses. Refer to Note 18 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information on the differences between our financial results reported pursuant to U.S. GAAP and our financial results for segment reporting purposes.

Trends Affecting our Business

We believe that on an annual basis, our diversified, multi-product global platform, which invests across numerous industries, asset classes and geographies generally enhances the stability of our management fee revenues and distributable earnings and decreases our exposure to a negative event associated with any specific fund, investment or vintage. However, our results of operations, particularly our quarterly results, are affected by a variety of factors including global economic, market and financial conditions, particularly in the United States, Europe and Asia. In general, a climate of reasonable 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 in our carry funds, but periods of volatility and dislocation in the capital markets can present us with opportunities to invest at reduced valuations that position us for future revenue growth. For our hedge funds, opportunities to generate revenue depend on their respective investment strategies, certain of which may benefit from higher market volatility. These strategies include, but are not limited to, low levels of correlation in equity and debt markets, differences in market prices versus fundamental value and opportunities to profit from trading inefficiencies.

During 2014, the general economic climate started the year weaker, but by the second half of the year, the U.S. macroeconomic outlook improved with gross domestic product growth averaging nearly 4% at an annualized rate. This acceleration in growth helped to offset the 2.1% contraction in the first quarter of 2014 and bring GDP growth for the year to roughly 2.5%. Economic strength in the second half of the year contributed to an 11% increase in the S&P 500 index for the year. Stock markets outside of the U.S. were generally weaker in 2014, with the EuroStoxx index up by 3%, the MSCI ex-U.S. index down by 5.7% and the MSCI Emerging index down by 3.5%. The U.S. dollar strengthened against almost all other currencies in 2014, with gains of 14% versus the Japanese yen and the Euro and 2% versus the Chinese yuan renminbi. On a trade-weighted basis, the U.S. dollar rose by 9% for 2014. The increase in the value of the U.S. dollar likely will depress the foreign earnings of U.S. businesses, which could cause

asset prices to decline or valuation ratios to increase further. While this may pressure the U.S. dollar values of our assets and portfolio outside the United States, we also expect it to create opportunities for our funds to invest in assets at more reasonable prices than have been available over the past several years.

In October 2014, the Federal Reserve ended its large scale asset purchase program and has signaled its intention to raise interest rates during 2015, depending on the results of incoming economic data during the year. Despite the expected increase in policy rates, market-based interest rates generally declined in 2014, with the 10-year yield falling from 3% at the end of 2013 to just 1.8% in early 2015. Yields on 10-year German and Japanese government debt fell to 0.48% and 0.27%, respectively, by January 2015. The decline in interest rates has been partially due to increased monetary accommodation in Japan and the expectation that the European Central Bank will launch an asset purchase program in the first quarter of 2015.

Some of the considerations informing our strategic decisions include:

- Our ability to grow our fee-earning AUM. During the year ended December 31, 2014, we raised more than $24 billion of new capital commitments across our fund platform. Although the time required to raise a fund remains lengthened relative to historical years prior to the recession and the environment is competitive, our fundraising levels exceeded expectations in 2014 during which several of our larger funds were in the market. If our fundraising levels decline, this decline also will impact our fee-earning AUM. Our fee-earning AUM declined from $140 billion in 2013 to $136 billion in 2014, primarily due to large distributions from our funds stemming from significant exit activity. During 2015, we expect that much of our fundraising will come from mid-size funds and we will continue to sell remaining investments in many of the older, larger buyout funds, which may make it difficult to grow fee-earning AUM. In our open-ended funds, to the extent we face significant investor redemptions that are not replaced with subscriptions, our fee-earning AUM would be adversely impacted. Effective January 1, 2015, we had $2.2 billion net redemptions in our GMS hedge fund operations. Furthermore, from time to time, we may raise funds or managed accounts where we take fees on invested capital rather than on committed capital so we will not earn any fees from such commitments until we make an investment. As of December 31, 2014, we also had $9.4 billion of newly raised capital for which we have not yet commenced charging management fees. To the extent we fail to grow our fee-earning AUM, our management fee revenues also will be adversely impacted.

- Our ability to offer and market differentiated products that engage new fund investors. Our ability to attract new capital and investors in our funds is driven, in part, by the extent to which they continue to see the alternative asset management industry generally, and our investment products specifically, as an attractive vehicle for capital appreciation. We continually seek to create avenues to meet our investors' evolving needs and broaden the appeal of our investment products by offering an expansive range of investment funds, developing new products and creating managed accounts and other investment vehicles tailored to our investors' goals. One area of recent attention has been the expansion of access to our products for a new base of individual fund investors, including through the launch of a mutual fund. We utilize both external strategies, including the use of feeder funds and other registered investment products, and our internal team of LP relations professionals to reach out to and expand our investor base. We have dedicated and expect to continue to dedicate significant resources to maintain our existing relationships, further develop external avenues to reach investors and support our LP relations personnel, which could increase our fundraising costs.

- Our successful deployment of capital. Our ability to maintain and grow our revenue base is dependent upon our ability to deploy successfully the capital that our investors have committed to our investment funds. Greater competition, high valuations, cost of credit and other general market conditions may impact our ability to identify and execute attractive investments. Because we maintain a disciplined investment approach and analyze each carry fund transaction based on our ability to achieve our targeted returns while taking on a reasonable level of risk, we will not deploy our capital until we have sourced a suitable investment opportunity at an attractive price. We have a long-term investment horizon and the capital deployed in any one quarter may vary significantly from the capital deployed in any other quarter or the quarterly average of capital deployed in any given year. During 2014, we invested approximately $10 billion in new and existing investments in our carry funds. Over the past five years, we have invested an average of more than $9 billion a year in new and existing investments in our carry funds. As of December 31, 2014, we had capital available for investment through our carry funds of $41 billion.

- Our ability to generate strong absolute and risk adjusted returns. The strength of our investment performance affects investors' willingness to commit capital to our funds. The capital we are able to attract is one of the main drivers of the growth of our AUM and the management fees we earn. During the year ended December 31, 2014, we realized proceeds of approximately $20 billion for our carry fund investors. Our decision to realize carry considers such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to

limited partner investors, and the length of time the fund has been in carry, as well as other qualitative measures. The valuation of our carry fund portfolio increased 15% overall during 2014 with a 23% increase in our Corporate Private Equity segment, a 20% increase in our Global Market Strategies segment and a 2% decline in our Real Assets segment. The decline in Real Assets was primarily driven by depreciation in funds in our energy platform in late 2014, but was partially mitigated by the lower economics of our interests in the performance fees from our Legacy Energy funds as opposed to the enhanced economics we hold in funds in our broadened energy and natural resources platform. We believe that this broadened platform will provide significant opportunities for future returns on our investment as we seek to deploy significant capital into the sector at current attractive values. Given increased competition for investments, and the effect, particularly in Europe and Asia, of the rising dollar against foreign currencies, the internal rates of return we are able to generate may be lower than our historical rates, but we continue to follow our core investment tenets and disciplined approach to make investments where we believe we can create value and achieve appreciation.

Recent Transactions

In February 2015, the Board of Directors of our general partner declared a distribution of $1.61 per common unit to common unitholders in respect of the fourth quarter of 2014 payable on March 6, 2015 to holders of record of common units at the close of business on February 23, 2015.

Consolidation of Certain Carlyle Funds and Variable Interest Entities

Pursuant to U.S. GAAP, we consolidate certain Carlyle sponsored funds, related co-investment entities and CLOs that we advise, which we refer to collectively as the Consolidated Funds, in our consolidated financial statements. These funds represent approximately 15% of our AUM as of December 31, 2014, approximately 14% of our fund management fees and approximately 2% of our performance fees for the year ended December 31, 2014.

We are not required under U.S. GAAP to consolidate in our financial statements most of the investment funds we advise because such funds provide their 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. However, we consolidate certain CLOs that we advise as a result of the application of the accounting standards governing consolidations. As of December 31, 2014, our consolidated CLOs held approximately $18 billion of total assets and comprised 61% of the assets of the Consolidated Funds and 100% of the loans payable of the Consolidated Funds. As of December 31, 2014, our consolidated AlpInvest fund of funds vehicles had approximately $6 billion of total assets and comprised 21% of the assets of the Consolidated Funds. The remainder of the assets of the Consolidated Funds as of December 31, 2014 primarily relate to our consolidated hedge funds and other 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 consolidated financial statements included in this Annual Report on Form 10-K.

Generally, the consolidation of the Consolidated Funds has a gross-up effect on our assets, liabilities and cash flows but has no net effect on the net income attributable to the Partnership and partners' capital. The majority of the net economic ownership interests of the Consolidated Funds are reflected as non-controlling interests in consolidated entities, redeemable non-controlling interests in consolidated entities, and partners' capital appropriated for Consolidated Funds in the consolidated financial statements. For further information, see Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K.

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.

In addition, as described in Note 17 to the consolidated financial statements included in this Annual Report on Form 10-K, as of September 30, 2013, we began consolidating Urbplan, a Brazilian real estate portfolio company of certain of our real estate investment funds. Due to the timing and availability of financial information of Urbplan, we consolidate the financial position and results of operations of Urbplan on a financial reporting lag of 90 days. As of December 31, 2014, our consolidated financial statements included approximately $250 million of assets related to Urbplan, representing less than 1% of our consolidated total assets.

On February 18, 2015, the FASB issued ASU 2015-2, Consolidation (Topic 820): Amendments to the Consolidation Analysis. ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. This guidance in ASU 2015-2 is effective for the Partnership beginning on January 1, 2016, however, early adoption is permitted. The Partnership is currently assessing the potential impact that this guidance will have on its consolidated financial statements.

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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 consolidated financial statements included in this Annual Report on Form 10-K 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 and (ii) transaction and portfolio advisory fees. Management fees are fees we earn 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 at cost or at the lower of cost or aggregate remaining fair value, (c) gross assets, excluding cash and cash equivalents, (d) for the private equity and real estate fund of funds vehicles following the expiration of the commitment period or weighted-average investment period of such vehicles, the lower of cost or fair value of the capital invested, the net asset value for unrealized investments, or the contributions for unrealized investments, (e) the total par amount of assets for our CLOs and the aggregate principal amount of the notes of our other structured products, or (f) the net asset value ("NAV") of certain of our investment funds, as described in our consolidated financial statements. Additionally, management fees include catch-up management fees, which are episodic in nature and represent management fees charged to fund investors in subsequent closings of a fund which apply to the time period between the fee initiation date and the subsequent closing date.

Management fees for funds in our corporate private equity funds, closed-end carry funds in the global market strategies segment and real assets funds generally range from 1% to 2% 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% generally on the lower of cost or fair value of capital invested; however, certain of our managed accounts base management fees on contributions for unrealized investments or the current value of the investment at all times. 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 and July, which are the semiannual due dates for management fees.

Management fees for our private equity and real estate fund of funds vehicles generally range from 0.3% to 1.0% on the vehicle's capital commitments during the commitment fee period of the relevant fund or the weighted-average investment period of the underlying funds. Following the expiration of the commitment fee period or weighted-average investment period of such funds, the management fees generally range from 0.3% to 1.0% on the lower of cost or fair value of the capital invested, the net asset value for unrealized investments, or the contributions for unrealized investments. The management fees for our fund of hedge funds vehicles generally range from 0.2% to 1.5% of NAV. Management fees for our Investment Solutions segment are generally 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. Our mutual fund will generally pay management fees of 0.75% per year of daily NAV. Management fees for our business development companies are due quarterly in arrears at annual rates that range from 0.25% to 1.0% of gross assets, excluding cash and cash equivalents. Management fees for our CLOs and other structured products typically range from 0.15% to 1.0% on the total par amount of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semiannually based on the terms and recognized over the relevant period. Our management fees for our CLOs/structured products and credit opportunities funds are governed by indentures and collateral management agreements.

With respect to Claren Road, ESG, and Vermillion, we retain a specified percentage of the management fees of the businesses based on our economic ownership in the management companies of 55%. Through the second quarter of 2013, we retained 60% of the management fees of AlpInvest based on our 60% equity interest in AlpInvest. During the third quarter of 2013, we acquired the remaining 40% equity interest in AlpInvest, and therefore we are entitled to 100% of the management fees of AlpInvest subsequent to that acquisition. 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."

Management fees attributable to Carlyle Partners VI, L.P. (“CP VI”), our sixth U.S. buyout fund with approximately $12.0 billion of Fee-earning AUM as of December 31, 2014, were approximately 14% of total management fees recognized during the year ended December 31, 2014. Management fees attributable to Carlyle Partners V, L.P. (“CP V”), our fifth U.S. buyout fund, were approximately 11% and 17% of total management fees recognized during the years ended December 31, 2013 and 2012, respectively. 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 approximate 80% of the fund's portion of the transaction and advisory fees earned. The recognition of portfolio advisory fees and transaction fees can be volatile as they are primarily generated by investment activity within our funds, and therefore are impacted by our investment pace. We have received and expect to continue to receive requests from a variety of investors and groups representing investors to increase the percentage of transaction and advisory fees we share with our investors in future funds; to the extent that we accommodate such requests on future funds, the rebate offset percentages would increase relative to historical levels.

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 10% to 20% on external coinvestment vehicles, with some earning no carried interest, or approximately 2% 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 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) certain costs borne by the limited partner investors have been reimbursed, (iii) the investment fund’s cumulative returns are in excess of the preferred return and (iv) we have decided to collect carry rather than return additional capital to limited partner investors. Our decision to realize carry considers such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to limited partner investors, and the length of time the fund has been in carry, as well as other qualitative measures. The portion of performance fees that are realized and unrealized in each period are separately reported in our statement of operations.

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

Our performance fees are generated by a diverse set of funds with different vintages, geographic concentration, investment strategies and industry specialties. For an explanation of the fund acronyms used throughout this Management’s Discussion and Analysis of Financial Condition and Results of Operations section, see “Item 1. Business — Our Family of Funds.”

Performance fees from CP V and Carlyle Europe Partners III, L.P. (“CEP III”), our third Europe buyout fund, (with total AUM of approximately $15.2 billion and $6.4 billion, respectively, as of December 31, 2014) were $600.8 million and $584.0 million, respectively, for the year ended December 31, 2014. Performance fees from CP V, CEP III, and Carlyle Partners IV, L.P. (“CP IV”), our fourth U.S. buyout fund, were $592.0 million, $509.1 million, and $390.1 million, respectively, for the year ended December 31, 2013. Performance fees from CP V, CP IV and Carlyle Asia Partners II, L.P. (“CAP II”) were $302.6 million, $230.1 million, and $115.1 million, respectively, for the year ended December 31, 2012. No other fund generated over 10% of performance fees in the periods presented.

Realized carried interest may be clawed-back or given back to the fund if the fund's investment values decline below certain return hurdles, which vary from fund to fund. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance fees are reversed. 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 can never be negative over the life of a fund. In addition, we are 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 our 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. Accordingly, carried interest as performance fee compensation is subject to return to the Partnership in the event a giveback obligation is funded. Generally, the actual giveback liability, if any, does not become due until the end of a fund's life.

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 that year 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. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved based on the hedge funds' then-current fair value and are included in performance fees in our consolidated statements of operations. These incentive fees are a component of performance fees in our consolidated financial statements and are treated as accrued until paid to us.

For any given period, performance fee revenue on our statement of operations may include reversals of previously recognized performance fees due to a decrease in the value of a particular fund that results in a decrease of cumulative performance fees earned to date. Since fund return hurdles are cumulative, previously recognized performance fees also may be reversed in a period of appreciation that is lower than the particular fund's hurdle rate. For the years ended December 31, 2014, 2013, and 2012, the reversals of performance fees were $255.4 million, $63.0 million, and $34.5 million, respectively.

As of December 31, 2014, accrued performance fees and accrued giveback obligations were approximately $3.8 billion and $104.4 million, respectively, after amounts eliminated related to the Consolidated Funds. Each balance assumes a hypothetical liquidation of the funds' investments at December 31, 2014 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 December 31, 2014, 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 approximately $1.4 billion, on an after-tax basis where applicable. See the related discussion of "Contingent Obligations (Giveback)" within "— Liquidity and Capital Resources." Since Carlyle's inception, we have repaid a total of approximately $48.6 million in aggregate giveback obligations, which was funded primarily through collection of employee receivables related to giveback obligations and from contributions from non-controlling interests for their portion of the obligation.

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

Fair Value Measurement. U.S. GAAP 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. We do not adjust the quoted price for these instruments, even in situations where we hold 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. Investments in hedge funds are classified in this category when their net asset value is redeemable without significant restriction.
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. Investments in fund of funds are generally included in this category.
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. Our 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.
The table below summarizes the valuation of investments and other financial instruments included within our AUM, by segment and fair value hierarchy levels, as of December 31, 2014 (amounts in millions):

	As of December 31, 2014				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
Consolidated Results					
Level I	$10,009	$8,805	$3,196	$464	$22,474
Level II	4,607	1,212	586	1,270	7,675
Level III	24,708	21,569	17,660	33,340	97,277
Total Fair Value	39,324	31,586	21,442	35,074	127,426
Other Net Asset Value	905	3,643	5,139	(511)	9,176
Total AUM, Excluding Available Capital Commitments	40,229	35,229	26,581	34,563	136,602
Available Capital Commitments	24,439	1,512	15,714	16,206	57,871
Total AUM	$64,668	$36,741	$42,295	$50,769	$194,473

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.

Investment professionals with responsibility for the underlying investments are responsible for preparing the investment valuations pursuant to the policies, methodologies and templates prepared by our valuation group, which is a team made up of dedicated valuation professionals reporting to our chief financial officer. The valuation group is responsible for maintaining our valuation policy and related guidance, templates and systems that are designed to be consistent with the guidance found in U.S. GAAP. These valuations, inputs and preliminary conclusions are reviewed by the fund accounting teams. The valuations are then reviewed and approved by the respective fund valuation subcommittees, which are comprised of the respective fund head(s), segment head, chief financial officer and chief accounting officer, as well as members of the valuation group. The valuation group compiles the aggregate results and significant matters and presents them for review and approval by the global valuation committee, which is comprised of our co-chief executive officers, co-presidents and co-chief operating officers, chief risk officer, chief financial officer, chief accounting officer, deputy chief investment officer, the business segment heads, and observed by the chief compliance officer, the director of internal audit, and our audit committee. Additionally, each quarter a sample of valuations is reviewed by external valuation firms.

In the absence of observable market prices, we value our 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 and real estate properties, and certain debt positions. The valuation technique for each of these investments is described in Note 4 of our consolidated financial statements included in this Annual Report on Form 10-K.

Investment Income and Interest and Other Income. Investment income 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. Investment income (loss) also includes the related amortization of the basis difference between the carrying value of our investment and our share of the underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by us to employees of our equity method investee. Realized investment income (loss) is recorded when we redeem all or a portion of our investment or when we receive or are due cash income, such as dividends or distributions. A realized investment loss is also recorded when an investment is deemed to be worthless. Unrealized investment income (loss) results from changes in the fair value of the underlying investment, as well as the reversal of previously recognized unrealized gains (losses) at the time an investment is realized.

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

Revenue of a Consolidated Real Estate VIE. Revenue of a consolidated real estate VIE consists of revenue generated by Urbplan, which primarily is revenue earned for land development services using the completed contract method and investment income earned on Urbplan's investments. Under the completed contract method of revenue recognition, revenue is not recognized until the period in which the land development services contract is completed.

Net Investment Gains (Losses) of Consolidated Funds. Net investment gains (losses) of Consolidated Funds measures the change in the difference in fair value between the assets and the liabilities of the Consolidated Funds. A gain (loss) indicates that the fair value of the assets of the Consolidated Funds appreciated more (less), or depreciated less (more), than the fair value of the liabilities of the Consolidated Funds. A gain or loss is not necessarily indicative of the investment performance of the Consolidated Funds and does not impact the management or incentive fees received by Carlyle for its management of the Consolidated Funds. The portion of the net investment gains (losses) of Consolidated Funds attributable to the limited partner investors is allocated to non-controlling interests. Therefore a gain or loss is not expected to have a material impact on the revenues or profitability of the Partnership. Moreover,

although the assets of the Consolidated Funds are consolidated onto our balance sheet pursuant to U.S. GAAP, ultimately we do not have recourse to such assets and such liabilities are generally non-recourse to us. Therefore, a gain or loss from the Consolidated Funds generally does not impact the assets available to our equity holders.

Expenses

Compensation and Benefits. Compensation includes salaries, bonuses, equity-based compensation, and performance payment arrangements. Bonuses are accrued over the service period to which they relate. For periods prior to our initial public offering in May 2012, compensation attributable to our senior Carlyle professionals was accounted for as distributions from

equity rather than as employee compensation. For periods subsequent to our initial public offering in May 2012, we account for compensation to senior Carlyle professionals as compensation expense in our consolidated statement of operations. Accordingly, compensation expense pursuant to U.S. GAAP was substantially lower in periods prior to our initial public offering in May 2012. For periods prior to our initial public offering in May 2012, in our calculations of Economic Net Income, Fee Related Earnings and Distributable Earnings, which are used by management in assessing the performance of our segments, we have included an adjustment for partner compensation. See "—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.

We recognize as compensation expense the portion of performance fees that are due to our employees, senior Carlyle professionals, and operating executives 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 paid when the related performance fees are realized, and not when such performance fees are accrued. The funds do not have a uniform allocation of performance fees to our employees, senior Carlyle professionals and operating executives. Therefore, for any given period, the ratio of performance fee compensation to performance fee revenue may vary based on the funds generating the performance fee revenue for that period and their particular allocation percentages.

In addition, we have implemented various equity-based compensation arrangements that require senior Carlyle professionals and other employees to vest ownership of a portion of their equity interests over a service period of up to six years, which under U.S. GAAP will result in compensation charges over current and future periods. Further, in order to recruit and retain existing and future senior Carlyle professionals and other employees, we have implemented additional equity-based compensation programs that have resulted in increases to our equity-based compensation expenses, which is a trend that is expected to continue in the future as we increase the use of deferred restricted common units. For example, in February 2015, we granted approximately 5.0 million deferred restricted common units across a significant number of our employees for a total estimated grant-date fair value of approximately $119 million; these awards vest generally over a period of 18 to 42 months. Compensation charges associated with the equity-based compensation grants issued in our initial public offering in May 2012 or grants issued in acquisitions or strategic investments are excluded from our calculation of Economic Net Income. Compensation charges associated with all equity-based compensation grants are excluded from Fee Related Earnings 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 have charges associated with contingent consideration taking the form of earn-outs and profit participation, some of which are reflected as compensation expense. Our fundraising has increased in recent periods and, as a result, our compensation expense increased in periods in which we closed 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. General, administrative, and other expenses include occupancy and equipment expenses and other expenses, which consist principally of professional fees, including those related to our global regulatory compliance program, external costs of fundraising, travel and related expenses, communications and information services, depreciation and amortization and foreign currency transactions. We expect that general, administrative and other expenses will vary due to infrequently occurring or unusual items. Also, in periods of significant fundraising, to the extent that we use third parties to assist in our fundraising efforts, our general, administrative and other expenses may increase accordingly. Additionally, we anticipate that general, administrative and other expenses will fluctuate from period to period due to the impact of foreign exchange transactions.

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 fair value adjustments on contingent consideration issued, as well as related to our global compliance efforts.

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.
Interest and Other Expenses of a Consolidated Real Estate VIE. Interest and other expenses of a consolidated real estate VIE reflect expenses incurred by Urbplan, consisting primarily of interest expense, general and administrative expenses,

compensation and benefits, and costs associated with land development services. Also included in this caption is the change in our estimate of the fair value of Urbplan's loans payable during the period.

Income Taxes. The Carlyle Holdings partnerships and their subsidiaries primarily operate as pass-through entities for U.S. income tax purposes and record a provision for state and local income taxes for certain entities based on applicable laws and a provision for foreign income taxes for certain foreign entities. In addition, Carlyle Holdings I GP Inc. is subject to additional entity-level taxes that are reflected in our consolidated financial statements.

Prior to our initial public offering in May 2012, we operated as a group of pass-through entities for U.S. income tax purposes and our profits and losses were allocated to the individual senior Carlyle professionals, who were individually responsible for reporting such amounts. We recorded a provision for state and local income taxes for certain entities based on applicable laws and a provision for foreign income taxes for certain foreign entities.

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 tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some or all of the deferred tax assets will not be realized.

In the normal course of business, we are subject to examination by federal and certain state, local and foreign tax regulators. As of December 31, 2014, our U.S. federal income tax returns for the years 2011 through 2013 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 2010 to 2013. Foreign tax returns are generally subject to audit from 2007 to 2013. Certain of our foreign subsidiaries are currently under audit by foreign tax authorities.

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 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 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 consolidated balance sheets.

We record significant non-controlling interests in Carlyle Holdings relating to the ownership interests of the limited partners of the Carlyle Holdings partnerships. The Partnership, through wholly owned subsidiaries, is the sole general partner of Carlyle Holdings. Accordingly, the Partnership consolidates the financial position and results of operations of Carlyle Holdings into its financial statements, and the other ownership interests in Carlyle Holdings are reflected as a non-controlling interest in the Partnership's financial statements.

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 includes certain tax expense associated with performance fee compensation and excludes the impact of all other 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 grants issued in May 2012 upon completion of the initial public offering or grants issued in acquisitions or strategic investments, corporate actions and infrequently occurring or unusual events. We believe the inclusion or 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 compensation expense for our senior Carlyle professionals, which for periods prior to our initial public offering in May 2012, was accounted for as distributions from equity under U.S.

GAAP 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 "Consolidated Results of Operations" prepared in accordance with U.S. GAAP. In

the fourth quarter of 2014, we reclassified certain tax expenses associated with carried interest attributable to certain partners and employees as a component of performance fee related compensation expense. All prior periods have been reclassified to conform with the new presentation.

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 net performance fees and investment income plus realized net performance fees, realized investment income, and equity-based compensation expense. As a result of us reclassifying certain tax expenses associated with carried interest attributable to certain partners and employees as a component of realized performance fee related compensation expense beginning in the fourth quarter of 2014, the amounts for Distributable Earnings are different than previously reported. All prior periods have been reclassified to conform with the new presentation.

Fee Related Earnings. Fee Related Earnings is a component of Distributable Earnings and is used to measure our operating profitability exclusive of performance fees, investment income from investments in our funds, performance fee-related compensation, and equity-based compensation expense. 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. Fee Related Earnings reflects compensation expense for our senior Carlyle professionals, which for periods prior to our initial public offering in May 2012, was accounted for as distributions from equity rather than as employee compensation.

Operating Metrics

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

Fee-earning Assets under Management

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

(a) for substantially all carry funds and certain co-investment vehicles where the investment period has not expired and for Metropolitan fund of funds vehicles during the weighted-average investment period of the underlying funds, the amount of limited partner capital commitments, for AlpInvest fund of funds vehicles, the amount of external investor capital commitments during the commitment fee period, and for the NGP management fee funds and certain carry funds advised by NGP, the amount of investor capital commitments before the first investment realization (see “Fee-earning AUM based on capital commitments” in the table below for the amount of this component at each period);

(b) for substantially all carry funds and certain co-investment vehicles where the investment period has expired and for Metropolitan fund of funds vehicles after the expiration of the weighted-average investment period of the underlying funds, the remaining amount of limited partner invested capital, and for the NGP management fee funds and certain carry funds advised by NGP where the first investment has been realized, the amount of partner commitments less realized and written-off investments (see “Fee-earning AUM based on invested capital” in the table below for the amount of this component at each period);

(c) the amount of aggregate Fee-earning collateral balance at par of our CLOs, as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date for each CLO and the aggregate principal amount of the notes of our other structured products (see “Fee-earning AUM based on collateral balances, at par” in the table below for the amount of this component at each period);

(d)

the net asset value of our mutual fund and the external investor portion of the net asset value (pre-redemptions and subscriptions) of our long/short credit funds, emerging markets, multi-product macroeconomic fund of hedge funds vehicles and other hedge funds (see “Fee-earning AUM based on net asset value” in the table below for the amount of this component at each period);

(e) the gross assets (including assets acquired with leverage), excluding cash and cash equivalents of our business development companies and certain carry funds; and

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

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

	As of December 31,		
	2014	2013	2012
Consolidated Results	(Dollars in millions)		
Components of Fee-earning AUM			
Fee-earning AUM based on capital commitments (1)	$38,956	$41,839	$38,491
Fee-earning AUM based on invested capital (2)	41,197	43,170	34,176
Fee-earning AUM based on collateral balances, at par (3)	17,631	16,465	16,155
Fee-earning AUM based on net asset value (4)	14,884	13,593	11,724
Fee-earning AUM based on lower of cost or fair value and other(5)	22,912	24,882	22,575
Balance, End of Period	$135,580	$139,949	$123,121

(1) Reflects limited partner capital commitments where the investment period, weighted-average investment period, or commitment fee period has not expired.

(2) Reflects limited partner invested capital and includes amounts committed to or reserved for investments for certain Real Assets and Investment Solutions funds.

(3) Represents the amount of aggregate Fee-earning collateral balances and principal balances, at par, for our CLOs/structured products.

(4) Reflects the net asset value (pre-redemptions and subscriptions) of our hedge funds, mutual fund and fund of hedge funds vehicles. Net redemption notifications received during Q4 2014 will reduce January 1, 2015 hedge fund AUM by approximately $2.2 billion.

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

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

	Twelve Months Ended December 31,		
	2014	2013	2012
Consolidated Results	(Dollars in millions)		
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$139,949	$123,121	$111,025
Acquisitions	2,894	2,235	15,434
Inflows, including Commitments (1)	16,893	27,600	11,856
Outflows, including Distributions (2)	(19,163)	(16,493)	(18,936)
Subscriptions, net of Redemptions (3)	(277)	959	1,786
Changes in CLO collateral balances (4)	1,887	56	311
Market Appreciation/(Depreciation) (5)	(1,064)	1,110	874
Foreign Exchange and other (6)	(5,539)	1,361	771
Balance, End of Period	$135,580	$139,949	$123,121

(1) Inflows represent limited partner capital raised and capital invested by our carry funds, NGP management fee funds and fund of funds vehicles outside the investment period, weighted-average investment period, or commitment fee period and capital invested in our business development companies.

(2)

Outflows represent limited partner distributions from our carry funds and fund of funds vehicles and changes in basis for our carry funds and fund of funds vehicles where the investment period, weighted-average investment period, or commitment fee period has expired.

(3) Represents the net result of subscriptions to and redemptions from our hedge funds, mutual fund and fund of hedge funds vehicles. Net redemption notifications received during Q4 2014 will reduce January 1, 2015 hedge fund AUM by approximately $2.2 billion.

(4) Represents the change in the aggregate Fee-earning collateral balances and principal balances at par of our CLOs/structured products, as of the quarterly cut-off dates.

(5) Market Appreciation/ (Depreciation) represents changes in the net asset value of our hedge funds, mutual fund and fund of hedge funds vehicles, and realized and unrealized gains (losses) on portfolio investments in our carry funds and fund of funds vehicles based on the lower of cost or fair value.

(6) Includes onboarding of fully committed existing funds from another manager and represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

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

Assets under Management

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

(a) the fair value of the capital invested in our carry funds, co-investment vehicles, fund of funds vehicles and the NGP management fee funds 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 and principal cash at par or aggregate principal amount of the notes of our CLOs and other structured products (inclusive of all positions);

(c) the net asset value (pre-redemptions and subscriptions), of our long/short credit emerging markets, multi-product macroeconomic fund of hedge funds vehicles, mutual fund and other hedge funds; and

(d) the gross assets (including assets acquired with leverage) of our business development companies.

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

We include in our calculation of AUM and Fee-earning AUM certain energy and renewable resources funds that we jointly advise with Riverstone Holdings L.L.C. ("Riverstone") and certain NGP management fee funds and carry funds that are advised by NGP. Although we include all capital commitments to NGP XI in our assets under management calculation, for certain limited partners we will only include invested capital for NGP XI in our Fee-earning AUM calculation until early 2016 when we will be entitled to charge management fees based on commitments less realized and written-off investments.

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

Our calculations of Fee-earning AUM and AUM may differ from the calculations of other 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 calculations 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 or advise.

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

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Available Capital

Available capital, commonly known as “dry powder,” for our carry funds, fund of funds vehicles and NGP management fee funds refer 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.

	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)		
Consolidated Results			
Balance, As of December 31, 2011	$37,525	$109,444	$146,969
Acquisitions	4,000	13,284	17,284
Commitments (1)	12,281	—	12,281
Capital Called, net (2)	(13,084)	12,413	(671)
Distributions (3)	3,038	(25,012)	(21,974)
Subscriptions, net of Redemptions (4)	—	1,763	1,763
Changes in CLO collateral balances (5)	—	481	481
Market Appreciation/(Depreciation) (6)	—	12,964	12,964
Foreign exchange and other (7)	174	885	1,059
Balance, As of December 31, 2012	$43,934	$126,222	$170,156
Acquisitions	622	1,599	2,221
Commitments (1)	18,495	—	18,495
Capital Called, net (2)	(13,924)	14,047	123
Distributions (3)	2,552	(26,701)	(24,149)
Subscriptions, net of Redemptions (4)	—	992	992
Changes in CLO collateral balances (5)	—	399	399
Market Appreciation/(Depreciation) (6)	—	19,280	19,280
Foreign exchange and other (7)	339	954	1,293
Balance, As of December 31, 2013	$52,018	$136,792	$188,810
Acquisitions	—	2,993	2,993
Commitments (1)	20,306	—	20,306
Capital Called, net (2)	(16,415)	16,198	(217)
Distributions (3)	3,650	(34,230)	(30,580)
Subscriptions, net of Redemptions (4)	—	(160)	(160)
Changes in CLO collateral balances (5)	—	2,087	2,087
Market Appreciation/(Depreciation) (6)	—	16,669	16,669
Foreign exchange and other (7)	(1,688)	(3,747)	(5,435)
Balance, As of December 31, 2014	$57,871	$136,602	$194,473

(1) Represents capital raised by our carry funds, NGP management fee funds, and fund of funds vehicles, net of expired available capital.

(2)

Represents capital called by our carry funds, NGP management fee funds, and fund of funds vehicles, net of fund fees and expenses and investments in our business development companies. Equity invested amounts may vary from capital called due to timing differences between acquisition and capital call dates.

(3) Represents distributions from our carry funds. NGP management fee funds, and fund of funds vehicles, net of amounts recycled and distributions from our business development companies. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.

(4) Represents the net result of subscriptions to and redemptions from our hedge funds, mutual fund and fund of hedge funds vehicles. Net redemption notifications received during Q4 2014 will reduce January 1, 2015 hedge fund AUM by approximately $2.2 billion.

(5) Represents the change in the aggregate collateral balance and principal cash and principal notes at par of the CLOs/structured products.

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

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

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

Consolidated Results of Operations

The following table and discussion sets forth information regarding our consolidated results of operations for the years ended December 31, 2014, 2013 and 2012. Our consolidated financial statements have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds. On February 28, 2012, we acquired certain European CLO management contracts from Highland Capital Management L.P. and consolidated those CLOs from that date forward. We also formed four CLOs throughout 2012, six CLOs in 2013, and eight CLOs in 2014 and consolidated those CLOs beginning on their respective formation dates or closing dates. As further described below, the consolidation of these funds had the impact of increasing interest and other income of Consolidated Funds, interest and other expenses of Consolidated Funds, and net investment gains (losses) of Consolidated Funds in the year that the fund is initially consolidated. The consolidation of these funds had no effect on net income attributable to the Partnership for the periods presented. In addition, as described in Note 17 to the consolidated financial statements included in this Annual Report on Form 10-K, as of September 30, 2013, we began consolidating Urbplan, a Brazilian real estate portfolio company of certain of our real estate investment funds.

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions, except unit and per unit data)		
Revenues			
Fund management fees	$1,166.3	$984.6	$977.6
Performance fees			
Realized	1,328.7	1,176.7	907.5
Unrealized	345.7	1,198.6	133.6
Total performance fees	1,674.4	2,375.3	1,041.1
Investment income (loss)			
Realized	23.7	14.4	16.3
Unrealized	(30.9)	4.4	20.1
Total investment income (loss)	(7.2)	18.8	36.4
Interest and other income	20.6	11.9	14.5
Interest and other income of Consolidated Funds	956.0	1,043.1	903.5
Revenue of a consolidated real estate VIE	70.2	7.5	—
Total revenues	3,880.3	4,441.2	2,973.1
Expenses			
Compensation and benefits			
Base compensation	789.0	738.0	624.5
Equity-based compensation	344.0	322.4	201.7
Performance fee related			
Realized	590.7	539.2	285.5
Unrealized	282.2	644.5	32.2
Total compensation and benefits	2,005.9	2,244.1	1,143.9
General, administrative, and other expenses	526.8	496.4	357.5
Interest	55.7	45.5	24.6
Interest and other expenses of Consolidated Funds	1,042.0	890.6	758.1
Interest and other expenses of a consolidated real estate VIE	175.3	33.8	—
Other non-operating (income) expense	(30.3)	(16.5)	7.1
Total expenses	3,775.4	3,693.9	2,291.2
Other income			
Net investment gains of Consolidated Funds	887.0	696.7	1,758.0
Income before provision for income taxes	991.9	1,444.0	2,439.9
Provision for income taxes	76.8	96.2	40.4
Net income	915.1	1,347.8	2,399.5
Net income attributable to non-controlling interests in consolidated entities	485.5	676.0	1,756.7
Net income attributable to Carlyle Holdings	429.6	671.8	642.8
Net income attributable to non-controlling interests in Carlyle Holdings	343.8	567.7	622.5
Net income attributable to The Carlyle Group L.P.	$85.8	$104.1	$20.3
Net income attributable to The Carlyle Group L.P. per common unit			
Basic	$1.35	$2.24	$0.48
Diluted	$1.23	$2.05	$0.41

Weighted-average common units			
Basic	62,788,634	46,135,229	42,562,928
Diluted	68,461,157	278,250,489	259,698,987

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013.
Revenues
Total revenues were $3,880.3 million for the year ended December 31, 2014, a decrease of 13% over total revenues in 2013. The decrease in revenues was primarily attributable to a decrease in performance fees of $700.9 million and a decrease in interest and other income of Consolidated Funds of $87.1 million for the year ended December 31, 2014 as compared to 2013. These decreases were partially offset by an increase in fund management fees of $181.7 million and an increase in revenue of a consolidated real estate VIE of $62.7 million for the year ended December 31, 2014 as compared to 2013.
Fund Management Fees. Fund management fees increased $181.7 million, or 18%, to $1,166.3 million for the year ended December 31, 2014 as compared to 2013. In addition, fund management fees from consolidated funds increased $3.0 million for the year ended December 31, 2014 as compared to 2013. These fees eliminate upon consolidation of these funds.
The overall increase, inclusive of management fees eliminated from consolidated funds, was primarily due to approximately $238.4 million of incremental management fees from the commencement of the investment period during 2013 and 2014 for certain newly raised funds and catch-up management fees from subsequent closes of funds that are in the fundraising period, approximately $33.4 million of additional management fees related to the acquisitions of Metropolitan and DGAM in November 2013 and February 2014, respectively, and approximately $32.3 million of increased management fees from greater assets under management in ESG, Claren Road, and AlpInvest. Offsetting these increases were decreases in management fees of approximately $118.2 million resulting from the change in the basis for earning management fees from commitments to invested capital for certain funds and from distributions from funds whose management fees are based on invested capital, approximately $13.0 million in decreased management fees from lower assets under management in Vermillion, and approximately $7.4 million in decreased management fees resulting from the liquidation of certain CLOs during 2013.
Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of $73.3 million and $50.6 million for the years ended December 31, 2014 and 2013, respectively. The $22.7 million increase in transaction and portfolio advisory fees resulted from greater investment activity, primarily in our buyout funds, in 2014 as compared to 2013.
Performance Fees. Performance fees for the year ended December 31, 2014 were $1,674.4 million compared to $2,375.3 million in 2013. In addition, performance fees from consolidated funds decreased $37.5 million for the year ended December 31, 2014 as compared to 2013. These fees eliminate upon consolidation. The decrease in performance fees recorded in 2014 as compared to 2013 were due principally to lesser appreciation in our carry funds in 2014 as compared to 2013, as well as the lack of any significant hedge fund incentive fees during 2014 and because two corporate private equity funds, CEP III and Carlyle Asia Partners III, L.P. ("CAP III"), exceeded their performance thresholds in 2013, resulting in a cumulative catch-up of performance fees in 2013 versus performance fee accruals in 2014 at a normalized rate. The overall portfolio appreciation in Carlyle's carry funds was 15% and 20% for 2014 and 2013, respectively. The portfolio appreciation in the carry funds in the Corporate Private Equity segment was 23% and 30% for 2014 and 2013, respectively. For the year ended December 31, 2013, the hedge funds generated incentive fees of $145.7 million, whereas hedge fund incentive fees for 2014 were not significant. During 2014, the general economic climate started the year weaker, but by the second half of the year, the U.S. macroeconomic outlook improved with gross domestic product growth averaging nearly 4% at an annualized rate. This acceleration in growth helped to offset the 2.1% contraction in the first quarter of 2014 and bring GDP growth for the year to roughly 2.5%. Stock markets outside of the U.S. were generally weaker in 2014, with the EuroStoxx index up to 3%, the MSCI ex-U.S. index down by 5.7% and the MSCI Emerging index down by 3.5%.
Approximately $1,340.2 million and $1,907.4 million of performance fees for the years ended December 31, 2014 and 2013, respectively, were generated by our Corporate Private Equity segment. Performance fees for the years ended December 31, 2014 and 2013 were $81.7 million and $208.2 million for the Global Market Strategies segment, and $66.5 million and $79.7 million for the Real Assets segment, respectively. Performance fees for the years ended December 31, 2014 and 2013 were $186.0 million and $180.0 million for the Investment Solutions segment. Further,

approximately $1,184.8 million of our performance fees for the year ended December 31, 2014 were related to CP V and CEP III, while $1,491.2 million of our performance fees for the year ended December 31, 2013 were related to CP V, CEP III, and CP IV.

Investment Income (Loss). Investment income (loss) of $(7.2) million in the year ended December 31, 2014 decreased 138% from investment income of $18.8 million for the year ended December 31, 2013. The $26.0 million decrease in investment income relates primarily to investment losses of $41.3 million associated with the investment in the general partner of NGP X, which was based principally on the Partnership's allocation of losses from the general partner of NGP X from carried interest reversals. The decrease in investment income from 2013 to 2014 was also due to incremental investment losses

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on certain European real estate investments. These decreases were partially offset by a $22.5 million investment gain associated with the sale of a European real estate investment in 2014 and higher investment income from investments in our European buyout funds. In addition, investment losses from Consolidated Funds decreased $64.1 million for the year ended December 31, 2014 as compared to 2013, which was primarily due to $32.0 million of net investment losses during the year ended December 31, 2013 from investments in Urbplan through the consolidated Carlyle vehicle and $41.8 million of lower net investment losses from a consolidated European real estate fund in 2014 as compared to 2013. The income from Consolidated Funds is eliminated upon consolidation.

Interest and Other Income. Interest and other income increased $8.7 million to $20.6 million for the year ended December 31, 2014, as compared to $11.9 million in 2013.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds was $956.0 million in the year ended December 31, 2014, a decrease of $87.1 million from $1,043.1 million in 2013. Our CLOs generate interest income primarily from investments in bonds and loans inclusive of amortization of discounts and generate other income from consent and amendment fees. Also included in this balance is interest income and dividend income recognized by the consolidated fund of funds vehicles and consolidated hedge funds. The decrease during these periods is due primarily to lower interest and dividend income of $56.5 million recognized by the consolidated fund of funds vehicles and lower interest income of $27.2 million recognized by the consolidated hedge funds in 2014 as compared to 2013. Substantially all interest and other income of the CLOs and other consolidated funds together with interest expense of our CLOs and net investment gains 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 the Partnership.

Revenue of a Consolidated Real Estate VIE. Revenue of a consolidated real estate VIE was $70.2 million in the year ended December 31, 2014 as compared to $7.5 million in 2013. For the year ended December 31, 2014, revenue reflects amounts earned for land development services of approximately $56.4 million and investment income earned on Urbplan's investments of approximately $13.8 million. During 2014, Urbplan completed several land development projects and accordingly recognized the land development revenue for those projects. For the year ended December 31, 2013, substantially all of Urbplan's revenue was derived from investment income.

Expenses

Expenses were $3,775.4 million for the year ended December 31, 2014, an increase of $81.5 million from $3,693.9 million in 2013. The increase is due primarily to increases in interest and other expenses of Consolidated Funds and interest and other expenses of a consolidated real estate VIE, which increased $151.4 million and $141.5 million, respectively. These increases were partially offset by a decrease in total compensation and benefits of $238.2 million for the year ended December 31, 2014 as compared to 2013.

Total compensation and benefits for the year ended December 31, 2014 decreased $238.2 million, or 11% from $2,244.1 million for the year ended December 31, 2013 to $2,005.9 million for the year ended December 31, 2014. The decrease in total compensation and benefits primarily reflects a decrease in performance fee related compensation expense of $310.8 million, partially offset by an increase in base compensation expense of $51.0 million and an increase in equity-based compensation expense of $21.6 million.

Compensation and Benefits. Base compensation and benefits increased $51.0 million, or 7%, for the year ended December 31, 2014 as compared to 2013. The increase primarily relates to $97.6 million of increased compensation associated with increased headcount, promotions, and bonuses, as well as incremental compensation from the addition of professionals associated with the acquisitions of Metropolitan and DGAM in November 2013 and February 2014, respectively. Offsetting this increase was decreased expense associated with employment-related contingent consideration arrangements from hedge fund acquisitions of approximately $50.5 million as a result of updated assumptions used to determine the expected payment of the contingent consideration.

Equity-based compensation increased $21.6 million, or 7%, from $322.4 million for the year ended December 31, 2013 to $344.0 million for the year ended December 31, 2014. The increase in equity-based compensation is due primarily to the ongoing granting of deferred restricted common units to new and existing employees during 2013 and

2014. The increase was partially offset by a reduction in expense of $30.8 million recognized on vesting for the difference between the estimated forfeitures and actual forfeitures on Carlyle Holdings partnership units that vested during those periods.

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Performance fee related compensation expense decreased $310.8 million for the year ended December 31, 2014 as compared to 2013. Performance fee related compensation expense as a percentage of performance fees was 52% and 50% in the years ended December 31, 2014 and 2013, respectively.

General, Administrative and Other Expenses. General, administrative and other expenses increased $30.4 million for the year ended December 31, 2014 as compared to 2013. This increase was driven primarily from an increase in intangible asset impairment losses of $45.4 million and $8.0 million of higher professional fees and information technology expenses in 2014 as compared to 2013. These increases were offset by lower fundraising costs of $24.2 million in 2014 as compared to 2013.

Interest. Interest expense for the year ended December 31, 2014 was $55.7 million, an increase of $10.2 million from 2013. The increase was due primarily to the interest on $400 million and $200 million of 5.625% senior notes due 2043 issued in March 2013 and March 2014, respectively. The increase in interest expense from 2013 to 2014 was partially offset by $1.9 million of expense recorded in 2013 related to deferred financing costs expensed upon the early extinguishment of debt.

Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds increased $151.4 million for the year ended December 31, 2014 as compared to 2013. This increase relates primarily to the six CLOs formed throughout 2013 and the eight CLOs formed in 2014. 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 and other consolidated funds together with interest expense of our CLOs and net investment gains 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 the Partnership.

Interest and Other Expenses of a Consolidated Real Estate VIE. Interest and other expenses of a consolidated real estate VIE were $175.3 million and $33.8 million for the years ended December 31, 2014 and 2013, respectively, representing an increase of $141.5 million. The increase in expense from 2013 to 2014 is partly due to $41.9 million of costs associated with land development services recognized in 2014 upon the completion of the related land development projects. Additionally, the estimated fair value of Urbplan loans increased during 2014, resulting in an incremental expense of $34.1 million as compared to 2013. Also, the Urbplan operating expenses in 2013 only represent the period from September 30, 2013 (the date that the Partnership began consolidating Urbplan) through December 31, 2013, as compared to a full year of operating expenses for 2014.

Other Non-operating Income. Other non-operating income of $30.3 million for the year ended December 31, 2014 compares to other non-operating income of $16.5 million for the year ended December 31, 2013. Included in this caption is the change in the fair value of contingent consideration associated with the Partnership’s acquisitions. During 2014 and 2013, the overall estimated fair value of the contingent consideration associated with the Partnership’s hedge fund acquisitions decreased; the overall decrease was due primarily to updated assumptions in the probability-weighted discounted cash flow models used to estimate the fair value.

Generally, the contingent consideration associated with the Partnership's acquisitions is payable at future dates over a period of years. Because the estimated fair value of these obligations relies upon estimates of cash flows in those future periods, there will be inherent volatility in the fair value of the Partnership's liability (and as a result, the periodic expense recognized) until such time as the future cash flow projections become more definitive. However, if the financial performance of the acquisitions is consistent with, or exceeds, the Partnership’s original financial forecast at acquisition, the fair value of the contingent consideration liabilities will increase over time (with a corresponding expense) as the actual performance measurement date for the payment approaches.

Net Investment Gains of Consolidated Funds.

For the year ended December 31, 2014, net investment gains of Consolidated Funds was $887.0 million, as compared to $696.7 million for the year ended December 31, 2013. This balance is driven predominantly by our consolidated AlpInvest fund of funds vehicles, CLOs, and hedge funds. For the consolidated CLOs, the amount reflects the net gain or loss on the fair value adjustment of both the assets and liabilities. The components of net investment gains of consolidated funds for the respective periods are comprised of the following:

	Year Ended December 31,	
	2014	2013
	(Dollars in millions)	
Realized gains	$1,107.4	$662.0
Net change in unrealized gains (losses)	(249.7)	728.5
Total gains	857.7	1,390.5
Gains (losses) on liabilities of CLOs	27.2	(695.1)
Gains on other assets of CLOs	2.1	1.3
Total	$887.0	$696.7

The realized and unrealized investment gains/losses include the appreciation/depreciation of the equity investments within the consolidated AlpInvest fund of funds vehicles, the appreciation/depreciation of CLO investments in loans and bonds, as well as the appreciation/depreciation of investments made by our consolidated hedge funds and other consolidated funds. The gains/losses on the liabilities of the CLOs reflect the fair value adjustment on the debt of the CLOs. The net investment gains for the year ended December 31, 2014 and 2013 were due primarily to net investment gains attributable to the consolidated AlpInvest fund of funds vehicles of $1,428.7 million and $857.9 million, respectively; net investment gains (losses) attributable to the consolidated hedge funds of $(361.5) million and $387.2 million, respectively; net investment losses attributable to the other consolidated funds of $8.3 million and $82.0 million, respectively; and the net depreciation of CLOs of $171.9 million and $466.4 million, respectively.

Net Income Attributable to Non-controlling Interests in Consolidated Entities

Net income attributable to non-controlling interests in consolidated entities was $485.5 million for the year ended December 31, 2014 compared to $676.0 million for the year ended December 31, 2013. These amounts are primarily attributable to the net earnings or losses of the Consolidated Funds for each period, which are substantially all allocated to the related funds’ limited partners or CLO investors. This balance also includes the allocation of Urbplan's net losses that are attributable to non-controlling interests.

For the year ended December 31, 2014, the net income of our Consolidated Funds was approximately $567.9 million. This income was substantially due to the consolidated AlpInvest fund of funds vehicles. The net income from the consolidated AlpInvest fund of funds vehicles was approximately $1,293.0 million for the year ended December 31, 2014. The net income was partially offset by net losses from the consolidated hedge funds and CLOs of $466.0 million and $251.7 million, respectively, for the year ended December 31, 2014. The CLOs’ investments depreciated in value more than the depreciation in the fair value of the CLOs' liabilities, thereby creating a net loss for this period.

For the year ended December 31, 2013, the net income of our Consolidated Funds was approximately $575.0 million. This income was substantially due to the consolidated AlpInvest fund of funds vehicles, hedge funds, and CLOs. The net income from the consolidated AlpInvest fund of funds vehicles and the consolidated hedge funds was approximately $778.2 million and $266.3 million, respectively, for the year ended December 31, 2013. The net income was partially offset by net losses from the consolidated CLOs of $382.9 million and the other consolidated funds of $86.6 million for the year ended December 31, 2013. The CLOs' investments appreciated in value less than the CLO liabilities, thereby creating a net loss for this period.

Net Income Attributable to The Carlyle Group L.P.

The net income attributable to the Partnership was $85.8 million for the year ended December 31, 2014. The Partnership is allocated a portion of the monthly net income attributable to Carlyle Holdings based on the Partnership’s ownership in Carlyle Holdings (which was approximately 21% as of December 31, 2014). For the year ended

December 31,

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2014, the net income attributable to Carlyle Holdings was $429.6 million. Additionally, the Partnership is allocated 100% of the net income or loss attributable to the Partnership's wholly owned taxable subsidiaries, which was net income of $2.2 million for the year ended December 31, 2014.

The net income attributable to the Partnership was $104.1 million for the year ended December 31, 2013. The Partnership is allocated a portion of the monthly net income attributable to Carlyle Holdings based on the Partnership's ownership in Carlyle Holdings (which was approximately 16% as of December 31, 2013). For the year ended December 31, 2013, the net income attributable to Carlyle Holdings was $671.8 million. Additionally, the Partnership is allocated 100% of the net income or loss attributable to the Partnership's wholly owned taxable subsidiaries, which was net income of $3.0 million for the year ended December 31, 2013.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012.
Revenues
Total revenues were $4,441.2 million for the year ended December 31, 2013, an increase of 49% over total revenues in 2012. The increase in revenues was primarily attributable to an increase in performance fees and interest and other income of Consolidated Funds, which increased $1,334.2 million and $139.6 million, respectively, for the year ended December 31, 2013 as compared to 2012.
Fund Management Fees. Fund management fees increased $7.0 million, or 1%, to $984.6 million for the year ended December 31, 2013 as compared to 2012. In addition, fund management fees from consolidated funds increased $45.5 million for the year ended December 31, 2013 as compared to 2012. These fees eliminate upon consolidation of these funds.
The overall increase, inclusive of management fees eliminated from consolidated funds, was primarily due to approximately $149.0 million of incremental management fees from the commencement of the investment period for certain newly raised funds and "catch-up" management fees from subsequent closes of funds that are in the fundraising period, approximately $61.1 million of increased management fees from greater assets under management in ESG, Claren Road, and AlpInvest, and approximately $12.7 million of incremental management fees related to the acquisition of Vermillion in October 2012. Offsetting these increases were decreases in management fees of approximately $166.1 million resulting from the change in the basis for earning management fees from commitments to invested capital for certain funds and from investment sales and monetizations in funds where the management fee basis is invested capital.
Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of $50.6 million and $49.5 million for the years ended December 31, 2013 and 2012, respectively.
Performance Fees. Performance fees for the year ended December 31, 2013 were $2,375.3 million compared to $1,041.1 million in 2012. In addition, performance fees from consolidated funds increased $54.1 million for the year ended December 31, 2013 as compared to 2012. These fees eliminate upon consolidation. The performance fees recorded in 2013 and 2012 were due principally to increases in the fair value of the underlying funds, which increased approximately 20% and 14% in total remaining value during 2013 and 2012, respectively. The increase in the fair value of the investments was driven by asset performance and operating projections as well as increases in market comparables. In comparison, the MSCI All Country World Index increased 21% and 14% during the years ended December 31, 2013 and 2012, respectively. Also during 2013, the global issuance of speculative grade credit increased and spreads fell to levels last seen in 2007. This economic environment generally provided access to reasonably priced credit for our portfolio companies and for financing new transactions during the year.
Approximately $1,907.4 million and $786.1 million of performance fees for the years ended December 31, 2013 and 2012, respectively, were generated by our Corporate Private Equity segment. During 2013, CEP III and CAP III exceeded their performance threshold and recorded a cumulative catch-up of performance fees at such time. As a result, performance fees for CEP III and CAP III were $509.1 million and $165.0 million, respectively, in 2013.
Approximately $1,491.2 million of our performance fees for the year ended December 31, 2013 were related to CP V, CEP III, and CP IV, and $532.7 million of our performance fees for the year ended December 31, 2012 were related to

CP V and CP IV.

Performance fees for the years ended December 31, 2013 and 2012 were $208.2 million and $99.6 million for the Global Market Strategies segment, and $79.7 million and $90.7 million for the Real Assets segment, respectively. Performance fees for the years ended December 31, 2013 and 2012 were $180.0 million and $64.7 million for the Investment Solutions segment.

Investment Income. Investment income of $18.8 million in the year ended December 31, 2013 decreased 48% from investment income of $36.4 million for the year ended December 31, 2012. The $17.6 million decrease relates primarily to net investment losses of $15.0 million for the year ended December 31, 2013 from the investment in NGP Management, which was primarily attributable to equity-based compensation previously granted to employees of the equity-method investment and the amortization of the basis difference in the equity-method investment. In addition, investment income from Consolidated Funds decreased $79.3 million for the year ended December 31, 2013 as compared to 2012 to an investment loss of $65.2 million, which was due primarily to $32.0 million of net investment losses from investments in Urbplan through the consolidated Carlyle vehicle prior to the Partnership's consolidation of Urbplan on September 30, 2013, and net investment losses of $53.4 million from a consolidated European real estate fund. This amount is eliminated upon consolidation.

Interest and Other Income. Interest and other income decreased $2.6 million to $11.9 million for the year ended December 31, 2013, as compared to $14.5 million in 2012.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds was $1,043.1 million in the year ended December 31, 2013, an increase of $139.6 million from $903.5 million in 2012. This increase relates primarily to increases in interest and dividend income in the consolidated fund of funds vehicles of $65.6 million and increases in interest and dividend income in the consolidated hedge funds of $45.9 million. Substantially all interest and other income of our Consolidated Funds and 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 the Partnership.

Revenue of a Consolidated Real Estate VIE. Revenue of a consolidated real estate VIE was $7.5 million in the year ended December 31, 2013. This balance consists of revenue generated by Urbplan, which primarily is revenue earned for land development services using the completed contract method and investment income earned on Urbplan's investments. For the year ended December 31, 2013, substantially all of Urbplan's revenue was derived from investment income.

Expenses

Expenses were $3,693.9 million for the year ended December 31, 2013, an increase of $1,402.7 million from $2,291.2 million in 2012. The increase is due primarily to an increase in total compensation and benefits, general, administrative and other expenses, and interest and other expenses of Consolidated Funds, which increased $1,100.2 million, $138.9 million and $132.5 million, respectively.

Total compensation and benefits for the year ended December 31, 2013 increased $1,100.2 million, or 96% from $1,143.9 million for the year ended December 31, 2012 to $2,244.1 million for the year ended December 31, 2013. For periods prior to our initial public offering in May 2012, all compensation to senior Carlyle professionals was accounted for as equity distributions in our consolidated financial statements. Had such amounts attributable to senior Carlyle professionals been accounted for as compensation expense, then total expenses would have been $3,693.9 million and $2,556.6 million in the year ended December 31, 2013 and 2012, respectively, representing an increase of $1,137.3 million due primarily to an increase in compensation and benefits of $835.8 million, an increase in general, administrative and other expenses of $138.9 million, and interest and other expenses of Consolidated Funds of $132.5 million. The increase in compensation primarily reflects higher performance fee related compensation corresponding to the increase in performance fees.

Compensation and Benefits. Base compensation and benefits increased $113.5 million, or 18%, for the year ended December 31, 2013 as compared to 2012, which primarily relates to the inclusion of base compensation attributable to senior Carlyle professionals for periods subsequent to our initial public offering in May 2012. Also contributing to the increase was $14.8 million of increased compensation expense in 2013 as compared to 2012 from the value of employment-based contingent cash consideration associated with the Partnership's acquisitions, and approximately $6.5 million of increased compensation expense associated with increased headcount related to the acquisitions of Vermillion (October 2012) and Metropolitan (November 2013). Base compensation and benefits attributable to senior

Carlyle professionals was $67.0 million for the period from January 1, 2012 through our initial public offering in May 2012. Had such amounts attributable to senior Carlyle professionals been accounted for as compensation expense, then base compensation expense would have been $738.0 million and $691.5 million for the years ended December 31, 2013 and 2012, respectively.

Equity-based compensation increased $120.7 million from $201.7 million for the year ended December 31, 2012 to $322.4 million for the year ended December 31, 2013. For the year ended December 31, 2012, equity-based compensation included $142.7 million of equity-based compensation associated with grants of deferred restricted common units and phantom deferred restricted common units and the issuance of unvested Carlyle Holdings partnership units. Also included in equity-based compensation for the year ended December 31, 2012 is $59.0 million of expense associated with the exchange of carried

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interests rights held by Carlyle professionals for Carlyle Holdings partnership units, which was a component of the reorganization in May 2012.

Excluding the equity-based compensation in 2012 associated with the exchange of carried interest rights, the increase in equity-based compensation from 2012 to 2013 was due primarily to the equity-based compensation expense for 2012 representing approximately eight months of equity-based compensation expense (from the grant in May 2012 through December 2012) versus twelve months of compensation expense for 2013. Additionally, the increase was due to $47.9 million of compensation expense recorded in 2013 related to the difference between the estimated forfeitures and actual forfeitures on Carlyle Holdings partnership units that vested in May 2013. Also contributing to the increase was (i) compensation expense recognized in 2013 for grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012; (ii) an increase in compensation expense associated with the unvested Carlyle Holdings partnership units from revisions to the estimated forfeiture rates in 2013 and from modifications to the vesting terms of certain awards; and (iii) $5.0 million of compensation expense associated with the unvested common units issued in conjunction with the AlpInvest acquisition in 2013.
Performance fee related compensation expense increased $866.0 million for the year ended December 31, 2013 as compared to 2012. Performance fee related compensation expense attributable to senior Carlyle professionals was $197.4 million for the period from January 1, 2012 through our initial public offering in May 2012. Had such amounts attributable to senior Carlyle professionals been accounted for as compensation expense, then performance fee related compensation expense would have been $1,183.7 million and $515.1 million for the year ended December 31, 2013 and 2012, respectively. As adjusted for amounts related to senior Carlyle professionals, performance fee related compensation expense as a percentage of performance fees was 50% and 49% in the years ended December 31, 2013 and 2012, respectively.
Total compensation and benefits would have been $2,244.1 million and $1,408.3 million for the years ended December 31, 2013 and 2012, respectively, had compensation attributable to senior Carlyle professionals been treated as compensation expense.
General, Administrative and Other Expenses. General, administrative and other expenses increased $138.9 million for the year ended December 31, 2013 as compared to 2012. This increase was driven primarily by (i) an increase of approximately $32.3 million in amortization expense, primarily from intangible assets acquired in 2012 and 2013; (ii) an increase of $41.8 million associated with fundraising activities for carry funds within the Corporate Private Equity and Global Market Strategies segments and for the business development companies; (iii) proceeds from an insurance settlement totaling $18.5 recognized in 2012; and (iv) an impairment loss of $20.8 million to reduce the carrying value of certain intangible assets to their estimated fair value.
Interest. Interest expense for the year ended December 31, 2013 was $45.5 million, an increase of $20.9 million from 2012. The increase is primarily attributable to a higher level of debt outstanding for the year ended December 31, 2013 as compared to 2012, as well as higher interest rates on outstanding borrowings in 2013 as compared to 2012 resulting from the issuances in 2013 of the 3.875% senior notes and the 5.625% senior notes.
Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds increased $132.5 million for the year ended December 31, 2013 as compared to 2012. This increase relates primarily to the four new CLOs formed throughout 2012 and the six new CLOs formed in 2013. 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 the Partnership.
Interest and Other Expenses of a Consolidated Real Estate VIE. Interest and other expenses of a consolidated real estate VIE were $33.8 million for the year ended December 31, 2013. This balance reflects expenses incurred by Urbplan, consisting primarily of interest expense inclusive of the fair value adjustment on Urbplan loans ($25.9 million), general and administrative expenses ($5.2 million), and compensation and benefits ($2.7 million). The

Partnership began consolidating Urbplan on September 30, 2013.

Other Non-operating (Income) Expenses. Other non-operating income of $16.5 million for the year ended December 31, 2013 compares to other non-operating expenses of $7.1 million for the year ended December 31, 2012. Included in this caption is the change in the fair value of contingent consideration associated with the Partnership’s acquisitions. During 2013, the overall estimated fair value of the contingent consideration associated with the Partnership’s hedge fund acquisitions decreased; the overall decrease was due primarily to updated assumptions in the probability-weighted discounted cash flow models used to estimate the fair value.

Generally, the contingent consideration associated with the Partnership's acquisitions is payable at future dates over a period of years. Because the estimated fair value of these obligations relies upon estimates of cash flows in those future periods, there will be inherent volatility in the fair value of the Partnership's liability (and as a result, the periodic expense recognized) until such time as the future cash flow projections become more definitive. However, if the financial performance of the acquisitions is consistent with, or exceeds, the Partnership's original financial forecast at acquisition, the fair value of the contingent consideration liabilities will increase over time (with a corresponding expense) as the actual performance measurement date for the payment approaches.

Net Investment Gains of Consolidated Funds.

For the year ended December 31, 2013, net investment gains of Consolidated Funds was $696.7 million, as compared to $1,758.0 million for the year ended December 31, 2012. This balance is driven predominantly by our consolidated AlpInvest fund of funds vehicles, CLOs, and hedge funds. For the consolidated CLOs, the amount reflects the net gain or loss on the fair value adjustment of both the assets and liabilities. The components of net investment gains (losses) of consolidated funds for the respective periods are comprised of the following:

	Year Ended December 31,	
	2013	2012
	(Dollars in millions)	
Realized gains	$662.0	$829.5
Net change in unrealized gains/losses	728.5	1,851.1
Total gains	1,390.5	2,680.6
Losses on liabilities of CLOs	(695.1)	(927.8)
Gains on other assets of CLOs	1.3	5.2
Total	$696.7	$1,758.0

The realized and unrealized investment gains/losses include the appreciation/depreciation of the equity investments within the consolidated AlpInvest fund of funds vehicles, the appreciation/depreciation of CLO investments in loans and bonds, as well as the appreciation/depreciation of investments made by our consolidated hedge funds and other consolidated funds. The losses on the liabilities of the CLOs reflect the fair value adjustment on the debt of the CLOs. The net investment gains for the year ended December 31, 2013 and 2012 were due primarily to net investment gains attributable to the consolidated AlpInvest fund of funds vehicles of $857.9 million and $2,228.0 million, respectively; net investment gains attributable to the consolidated hedge funds of $387.2 million and $101.1 million, respectively; net investment losses attributable to the other consolidated funds of $82.0 million and $1.1 million, respectively; and the net depreciation of CLOs of $466.4 million and $570.0 million, respectively.

Net Income Attributable to Non-controlling Interests in Consolidated Entities

Net income attributable to non-controlling interests in consolidated entities was $676.0 million for the year ended December 31, 2013 compared to $1,756.7 million for the year ended December 31, 2012. These amounts are primarily attributable to the portion of the net earnings or losses of the Consolidated Funds for each period that are allocated to the related funds' limited partners or CLO investors.

For the year ended December 31, 2013, the net income of our Consolidated Funds was approximately $575.0 million. This income was substantially due to the consolidated AlpInvest fund of funds vehicles, hedge funds, and CLOs. The net income from the consolidated AlpInvest fund of funds vehicles and the consolidated hedge funds was approximately $778.2 million and $266.3 million, respectively, for the year ended December 31, 2013. The net income was partially offset by net losses from the consolidated CLOs of $382.9 million and the other consolidated funds of $86.6 million for the year ended December 31, 2013. The CLOs' investments appreciated in value less than the CLO liabilities, thereby creating a net loss for this period.

During the year ended December 31, 2012, the net income of the Consolidated Funds was approximately $1,735.1 million. This income was substantially due to the income from the consolidated AlpInvest fund of funds vehicles, offset by losses from the consolidated CLOs. The net income (loss) from the consolidated AlpInvest fund of funds

vehicles and the consolidated CLOs was approximately $2,126.2 million and $(378.0) million, respectively, for the year ended December 31, 2012.

Net Income Attributable to The Carlyle Group L.P.

The net income attributable to the Partnership was $104.1 million for the year ended December 31, 2013. The Partnership is allocated a portion of the monthly net income attributable to Carlyle Holdings based on the Partnership's ownership in Carlyle Holdings (which was approximately 16% as of December 31, 2013). For the year ended December 31, 2013, the net income attributable to Carlyle Holdings was $671.8 million. Additionally, the Partnership is allocated 100% of the net income or loss attributable to the Partnership's wholly owned taxable subsidiaries, which was net income of $3.0 million for the year ended December 31, 2013.

The net income attributable to the Partnership was $20.3 million for the year ended December 31, 2012. This amount represents the allocation of income to the Partnership for the period from the initial public offering in May 2012 through December 31, 2012. For the period from our initial public offering in May 2012 through December 31, 2012, the net income attributable to Carlyle Holdings was $104.5 million. Additionally, the Partnership is allocated 100% of the net income or loss attributable to the Partnership's wholly owned taxable subsidiaries, which was net income of $5.6 million for the year ended December 31, 2012.

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 years ended December 31, 2014, 2013 and 2012. The table below shows our total segment Economic Net Income which is the sum of Fee Related Earnings, Net Performance Fees, Investment Income and Equity-based compensation expense (excluding equity-based compensation grants issued in May 2012 upon the completion of the initial public offering or grants issued in acquisitions or strategic investments). This analysis excludes the effect of consolidated funds, acquisition-related items including amortization of acquired intangible assets and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation grants issued in May 2012 upon completion of the initial public offering or grants issued in acquisitions or strategic investments, corporate actions and infrequently occurring or unusual events.

In the fourth quarter of 2014, we reclassified certain tax expenses associated with carried interest attributable to certain partners and employees as a component of performance fee related compensation expense. All prior periods have been reclassified to conform with the new presentation.

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$1,229.3	$1,054.7	$943.2
Portfolio advisory fees, net	20.1	25.9	22.0
Transaction fees, net	53.2	24.7	27.5
Total fund level fee revenues	1,302.6	1,105.3	992.7
Performance fees			
Realized	1,323.7	1,128.6	869.1
Unrealized	384.2	1,164.7	126.9
Total performance fees	1,707.9	2,293.3	996.0
Investment income (loss)			
Realized	(6.1)	10.6	16.3
Unrealized	(5.0)	(53.2)	25.2
Total investment income (loss)	(11.1)	(42.6)	41.5
Interest and other income	22.6	12.9	13.7
Total revenues	3,022.0	3,368.9	2,043.9
Segment Expenses			
Compensation and benefits			
Direct base compensation	494.0	436.0	417.4
Indirect base compensation	188.5	152.8	144.5
Equity-based compensation	80.4	15.7	1.8
Performance fee related			
Realized	590.9	454.1	368.2
Unrealized	309.6	647.8	112.7
Total compensation and benefits	1,663.4	1,706.4	1,044.6
General, administrative, and other indirect expenses	318.1	309.4	227.2
Depreciation and amortization expense	22.4	24.3	21.5
Interest expense	55.7	43.6	24.5
Total expenses	2,059.6	2,083.7	1,317.8
Economic Net Income	$962.4	$1,285.2	$726.1
(-) Net Performance Fees	807.4	1,191.4	515.1
(-) Investment Income (Loss)	(11.1)	(42.6)	41.5
(+) Equity-based Compensation	80.4	15.7	1.8
(=) Fee-Related Earnings	$246.5	$152.1	$171.3
(+) Realized Net Performance Fees	732.8	674.5	500.9
(+) Realized Investment Income (Loss)	(6.1)	10.6	16.3
(=) Distributable Earnings	$973.2	$837.2	$688.5

Income 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 before provision for income taxes to economic net income, to fee related earnings, and to distributable earnings.

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Income before provision for income taxes	$991.9	$1,444.0	$2,439.9
Adjustments:			
Partner compensation[1]	—	—	(265.4)
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	269.2	314.4	200.1
Acquisition related charges and amortization of intangibles	242.5	260.4	128.3
Other non-operating (income) expenses	(30.3)	(16.5)	7.1
Tax expense associated with performance fee compensation	(25.3)	(34.9)	(9.5)
Net income attributable to non-controlling interests in consolidated entities	(485.5)	(676.0)	(1,756.7)
Other adjustments[2]	(0.1)	(6.2)	(17.7)
Economic Net Income	$962.4	$1,285.2	$726.1
Net performance fees[3]	807.4	1,191.4	515.1
Investment income (loss)[3]	(11.1)	(42.6)	41.5
Equity-based compensation	80.4	15.7	1.8
Fee-Related Earnings	$246.5	$152.1	$171.3
Realized performance fees, net of related compensation[3]	732.8	674.5	500.9
Realized investment income (loss)[3]	(6.1)	10.6	16.3
Distributable Earnings	$973.2	$837.2	$688.5

(1) Adjustments for partner compensation reflect amounts due to senior Carlyle professionals for compensation and performance fees allocated to them, which amounts were classified as distributions from partners' capital in our consolidated financial statements for periods prior to the reorganization and initial public offering in May 2012.

(2) Other adjustments were comprised of the following:

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Losses associated with debt refinancing activities	$—	$1.9	$—
Severance and lease terminations	10.3	6.5	5.9
Provision for income taxes attributable to non-controlling interests in consolidated entities	(1.3)	(12.5)	(19.5)
Other adjustments	(9.1)	(2.1)	(4.1)
	$(0.1)	$(6.2)	$(17.7)

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

	Year Ended December 31, 2014		
	Carlyle Consolidated	Adjustments[4]	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$1,328.7	$(5.0)	$1,323.7
Unrealized	345.7	38.5	384.2
Total performance fees	1,674.4	33.5	1,707.9
Performance fee related compensation expense			
Realized	590.7	0.2	590.9
Unrealized	282.2	27.4	309.6
Total performance fee related compensation expense	872.9	27.6	900.5
Net performance fees			
Realized	738.0	(5.2)	732.8
Unrealized	63.5	11.1	74.6
Total net performance fees	$801.5	$5.9	$807.4
Investment income (loss)			
Realized	$23.7	$(29.8)	$(6.1)
Unrealized	(30.9)	25.9	(5.0)
Total investment income (loss)	$(7.2)	$(3.9)	$(11.1)

	Year Ended December 31, 2013		
	Carlyle Consolidated	Adjustments[4]	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$1,176.7	$(48.1)	$1,128.6
Unrealized	1,198.6	(33.9)	1,164.7
Total performance fees	2,375.3	(82.0)	2,293.3
Performance fee related compensation expense			
Realized	539.2	(85.1)	454.1
Unrealized	644.5	3.3	647.8
Total performance fee related compensation expense	1,183.7	(81.8)	1,101.9
Net performance fees			
Realized	637.5	37.0	674.5
Unrealized	554.1	(37.2)	516.9
Total net performance fees	$1,191.6	$(0.2)	$1,191.4
Investment income (loss)			
Realized	$14.4	$(3.8)	$10.6
Unrealized	4.4	(57.6)	(53.2)
Total investment income (loss)	$18.8	$(61.4)	$(42.6)

	Year Ended December 31, 2012		
	Carlyle Consolidated	Adjustments[4]	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$907.5	$(38.4)	$869.1
Unrealized	133.6	(6.7)	126.9
Total performance fees	1,041.1	(45.1)	996.0
Performance fee related compensation expense			
Realized	285.5	82.7	368.2
Unrealized	32.2	80.5	112.7
Total performance fee related compensation expense	317.7	163.2	480.9
Net performance fees			
Realized	622.0	(121.1)	500.9
Unrealized	101.4	(87.2)	14.2
Total net performance fees	$723.4	$(208.3)	$515.1
Investment income			
Realized	$16.3	$—	$16.3
Unrealized	20.1	5.1	25.2
Total investment income	$36.4	$5.1	$41.5

(4) Adjustments to performance fees and investment income (loss) relate to (i) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the Non-GAAP results, (ii) amounts attributable to non-controlling interests in consolidated entities, which were excluded from the Non-GAAP results, and (iii) the reclassification of NGP X performance fees, which are included in investment income in the U.S. GAAP financial statements. Adjustments to investment income (loss) also include the reclassification of earnings for the investment in NGP Management to the appropriate operating captions for the Non-GAAP results, the exclusion of charges associated with the investment in NGP Management that are excluded from the Non-GAAP results and, for 2014 and 2013, adjustments to reflect the Partnership's share of Urbplan's net losses as investment losses for the Non-GAAP results. Adjustments to performance fee related compensation expense relate to the inclusion of (i) partner compensation in the non-GAAP results for periods prior to the reorganization and initial public offering in May 2012 and (ii) certain tax expenses associated with performance fee related compensation. Adjustments are also included in these financial statement captions to reflect Carlyle's 55% economic interest in Claren Road, ESG and Vermillion and, prior to August 1, 2013, Carlyle's 60% economic interest in AlpInvest in the Non-GAAP results.

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

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Economic Net Income (Loss)			
Corporate Private Equity	$861.5	$1,053.6	$479.0
Global Market Strategies	115.0	227.7	165.2
Real Assets	(58.8)	(33.8)	67.0
Investment Solutions	44.7	37.7	14.9
Economic Net Income (Loss)	$962.4	$1,285.2	$726.1
Distributable Earnings			
Corporate Private Equity	$790.0	$537.7	$400.6
Global Market Strategies	91.4	213.5	168.6
Real Assets	47.7	46.4	102.8
Investment Solutions	44.1	39.6	16.5
Distributable Earnings	$973.2	$837.2	$688.5

Segment Analysis

Discussed below is our ENI for our segments for the periods presented. Our segment information is reflected in the manner used 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 different than those presented on a consolidated U.S. 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 U.S. GAAP basis. Furthermore, segment expenses are different than related amounts presented on a consolidated U.S. GAAP basis due to the exclusion of fund expenses that are paid by the Consolidated Funds. Segment revenue and expenses are also different than those presented on a consolidated U.S. GAAP basis because we present our segment revenues and expenses related to Claren Road, ESG, and Vermillion based on our 55% economic interest in those entities. For periods prior to August 1, 2013 (the date we acquired the remaining 40% equity interest in AlpInvest), we present our segment revenues and expenses based on our historical ownership interest in AlpInvest of 60%. Also, ENI excludes expenses associated with equity-based compensation that was issued in our initial public offering or is issued in acquisitions and strategic investments. Finally, for periods prior to the reorganization and initial public offering in May 2012, ENI includes an expense for base and performance fee related compensation attributable to senior Carlyle professionals, which was accounted for as distributions from equity in the consolidated U.S. GAAP basis financial statements.

In the fourth quarter of 2014, we reclassified certain tax expenses associated with carried interest attributable to certain partners and employees as a component of performance fee related compensation expense. All prior periods have been reclassified to conform with the new presentation.

Corporate Private Equity

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

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$564.8	$471.6	$496.2
Portfolio advisory fees, net	18.4	23.2	17.8
Transaction fees, net	51.4	20.7	19.0
Total fund level fee revenues	634.6	515.5	533.0
Performance fees			
Realized	1,156.3	914.5	639.5
Unrealized	197.2	959.1	130.8
Total performance fees	1,353.5	1,873.6	770.3
Investment income			
Realized	17.7	15.8	3.3
Unrealized	13.9	10.4	20.5
Total investment income	31.6	26.2	23.8
Interest and other income	10.8	6.5	9.0
Total revenues	2,030.5	2,421.8	1,336.1
Segment Expenses			
Compensation and benefits			
Direct base compensation	222.4	212.6	226.2
Indirect base compensation	101.8	95.0	92.5
Equity-based compensation	42.5	7.4	1.2
Performance fee related			
Realized	512.5	401.7	304.7
Unrealized	97.1	446.2	71.7
Total compensation and benefits	976.3	1,162.9	696.3
General, administrative, and other indirect expenses	151.1	166.9	134.0
Depreciation and amortization expense	11.0	13.2	12.5
Interest expense	30.6	25.2	14.3
Total expenses	1,169.0	1,368.2	857.1
Economic Net Income	$861.5	$1,053.6	$479.0
(-) Net Performance Fees	743.9	1,025.7	393.9
(-) Investment Income	31.6	26.2	23.8
(+) Equity-based Compensation	42.5	7.4	1.2
(=) Fee-Related Earnings	$128.5	$9.1	$62.5
(+) Realized Net Performance Fees	643.8	512.8	334.8
(+) Realized Investment Income	17.7	15.8	3.3
(=) Distributable Earnings	$790.0	$537.7	$400.6

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Total fee revenues were $634.6 million for the year ended December 31, 2014, representing an increase of $119.1 million, or 23%, from the year ended December 31, 2013. This increase reflects a $93.2 million increase in fund management fees and a $30.7 million increase in net transaction fees. These increases were partially offset by a decrease in net portfolio advisory fees of $4.8 million. The increase in fund management fees is partially due to CP VI and our fourth Asia buyout fund (“CAP IV”) commencing management fees in 2013 and our fourth Europe buyout fund (“CEP IV”) commencing management fees in 2014. Additionally, there was $50.9 million of catch-up management fees earned in 2014, primarily from subsequent closings of CAP IV, CEP IV, and our second financial services fund (“CGFSP II”), as compared to $23.1 million of catch-up management fees earned in 2013. The weighted average management fee rate increased from 1.15% at December 31, 2013 to 1.22% at December 31, 2014. The increase in the weighted average management fee rate reflects new commitments to funds with higher management fee rates, namely CAP IV and CEP IV. Fee-earning AUM was $40.2 billion and $43.0 billion as of December 31, 2014 and 2013, respectively, reflecting a decrease of $2.8 billion. The increase in net transaction fees is primarily due to higher investment activity, primarily in our buyout funds, in 2014 as compared to 2013.

Interest and other income was $10.8 million for the year ended December 31, 2014, an increase from $6.5 million in 2013.

Total compensation and benefits was $976.3 million and $1,162.9 million for the years ended December 31, 2014 and 2013, respectively. Performance fee related compensation expense was $609.6 million and $847.9 million, or 45% of performance fees, for each of the years ended December 31, 2014 and 2013, respectively.

Direct and indirect base compensation expense increased $16.6 million for the year ended December 31, 2014, or 5% from 2013. The increase is primarily due to incremental compensation related to increased headcount, promotions, and bonuses, primarily for our buyout funds. This increase was partially offset by lower compensation associated with fundraising efforts in 2014 as compared to 2013.

Equity-based compensation was $42.5 million for the year ended December 31, 2014, an increase from $7.4 million for the year ended December 31, 2013. The increase is due primarily to the ongoing granting of deferred restricted common units to new and existing employees during 2013 and 2014 and, to a lesser extent, a decrease in the estimated forfeiture rates during the second quarter of 2013.

General, administrative and other indirect expenses decreased $15.8 million for the year ended December 31, 2014 as compared to 2013. The decrease is primarily due to lower external costs associated with fundraising activities in 2014 as compared to 2013.

Depreciation and amortization expense was $11.0 million for the year ended December 31, 2014, a decrease from $13.2 million in 2013.

Interest expense increased $5.4 million, or 21%, for the year ended December 31, 2014 as compared to 2013. This increase was due primarily to the allocated interest on $400 million and $200 million of 5.625% senior notes due 2043 issued in March 2013 and March 2014, respectively.

Economic Net Income. ENI was $861.5 million for the year ended December 31, 2014, reflecting a 18% decrease as compared to ENI of $1,053.6 million for the year ended December 31, 2013. The decrease in ENI for the year ended December 31, 2014 was due to a decrease in net performance fees of $281.8 million and an increase in equity-based compensation of $35.1 million. These decreases in ENI were partially offset by an increase in fee related earnings of $119.4 million and an increase in investment income of $5.4 million.

Fee Related Earnings. Fee related earnings were $128.5 million for the year ended December 31, 2014, as compared to $9.1 million for 2013, representing an increase of $119.4 million. The increase in fee related earnings is primarily attributable to an increase in fee revenues of $119.1 million and a decrease in general, administrative and other indirect expenses of $15.8 million. These increases in fee related earnings were partially offset by an increase in direct and indirect base compensation expense of $16.6 million.

Performance Fees. Performance fees decreased $520.1 million for the year ended December 31, 2014 as compared to 2013. Performance fees of $1,353.5 million and $1,873.6 million are inclusive of performance fees reversed of approximately $127.1 million and $14.2 million during the years ended December 31, 2014 and 2013, respectively. Performance fees for this segment by type of fund are as follows:

	Performance Fees		Carry Fund Portfolio Appreciation	
	Year Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
	(Dollars in millions)			
Buyout funds	$1,258.2	$1,782.6	23%	30%
Growth Capital funds	95.3	91.0	25%	32%
Performance fees	$1,353.5	$1,873.6	23%	30%

The $1,353.5 million in performance fees for the year ended December 31, 2014 was primarily driven by performance fees for CP V and CEP III of $598.7 million and $580.2 million, respectively. Comparatively, the $1,873.6 million in performance fees for the year ended December 31, 2013 was primarily driven by performance fees for CP V, CEP III, CP IV, and CAP III of $584.7 million, $503.3 million, $374.8 million, and $163.5 million, respectively. The decrease in performance fees was partly due to CAP III and CEP III exceeding their performance thresholds in 2013, resulting in a cumulative catch-up of performance fees in 2013 versus performance fee accruals in 2014 at a normalized rate. During the year ended December 31, 2014, net performance fees were $743.9 million or 55% of performance fees and $281.8 million less than the net performance fees in 2013.

Investment Income. Investment income for the year ended December 31, 2014 was $31.6 million compared to $26.2 million in 2013. The increase in investment income from 2013 to 2014 relates primarily to higher gains on investments in certain Europe buyout funds.

Distributable Earnings. Distributable earnings increased $252.3 million for the year ended December 31, 2014 to $790.0 million from $537.7 million in 2013. This increase reflects an increase in realized net performance fees of $131.0 million, an increase in fee related earnings of $119.4 million, and an increase in realized investment income of $1.9 million.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Total fee revenues were $515.5 million for the year ended December 31, 2013, representing a decrease of $17.5 million, or 3%, from the year ended December 31, 2012. This decrease reflects a $24.6 million decrease in fund management fees, partially offset by an increase in net portfolio advisory fees of $5.4 million and net transaction fees of $1.7 million. The decrease in fund management fees was due primarily to the expiration of the investment period in CEP III and our second Japan buyout fund ("CJP II") prior to the raising of a successor fund, which resulted in a decrease in management fees of $40.3 million from 2012 to 2013. Offsetting the decreases from CEP III and CJP II were increases in management fees from "catch-up" management fees from subsequent closings in 2013 of our first Sub-Saharan Africa fund ("CSSAF I"), which increased fund management fees by $16.9 million from 2012 to 2013. The weighted average management fee rate decreased from 1.28% at December 31, 2012 to 1.15% at December 31, 2013. Contributing to the decrease in the weighted average management fee rate was the step-down in the management fee rate for CP V during the year ended December 31, 2013. Fee-earning AUM was $43.0 billion and $33.8 billion as of December 31, 2013 and 2012, respectively, reflecting an increase of $9.2 billion. The increase in net portfolio fees was primarily due to a fee received in 2013 upon the public offering of a portfolio company.

Interest and other income was $6.5 million for the year ended December 31, 2013, a decrease from $9.0 million in 2012.

Total compensation and benefits was $1,162.9 million and $696.3 million in the years ended December 31, 2013 and 2012, respectively. Performance fee related compensation expense was $847.9 million and $376.4 million, or 45% and 49% of performance fees, for the years ended December 31, 2013 and 2012, respectively. As part of the

reorganization and initial public offering in May 2012, the portion of carried interest allocated to our senior Carlyle professionals and other personnel who work in our fund operations decreased from historical levels to approximately 45%.

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Direct and indirect base compensation expense decreased $11.1 million for the year ended December 31, 2013, or 3% from 2012, primarily reflecting adjustments to reflect lower annual bonuses, partially offset by higher compensation associated with fundraising activities.
Equity-based compensation was $7.4 million for the year ended December 31, 2013, an increase from $1.2 million for the year ended December 31, 2012. The increase is due primarily to expense associated with grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012.
General, administrative and other indirect expenses increased $32.9 million for the year ended December 31, 2013 as compared to 2012. The expense increase primarily reflected higher expenses in 2013 associated with fundraising activities for buyout funds as well as lower expenses in 2012 from proceeds from an insurance settlement recognized in 2012.
Depreciation and amortization expense was $13.2 million for the year ended December 31, 2013, an increase from $12.5 million in 2012.
Interest expense increased $10.9 million, or 76%, for the year ended December 31, 2013 as compared to 2012. This increase was due primarily to a higher level of outstanding borrowings in 2013 as compared to 2012 and higher interest rates on outstanding borrowings in 2013 as compared to 2012 resulting from the issuances in 2013 of the 3.875% senior notes and the 5.625% senior notes.
Economic Net Income. ENI was $1,053.6 million for the year ended December 31, 2013, reflecting a 120% increase as compared to ENI of $479.0 million for the year ended December 31, 2012. The increase in ENI in the year ended December 31, 2013 was driven by a $631.8 million increase in net performance fees and a $2.4 million increase in investment income as compared to 2012, partially offset by a decrease of $53.4 million in fee related earnings and a $6.2 increase in equity-based compensation.
Fee Related Earnings. Fee related earnings were $9.1 million for the year ended December 31, 2013, as compared to $62.5 million for 2012, representing a decrease of $53.4 million. The decrease in fee related earnings is primarily attributable to a decrease in fee revenues of $17.5 million, increases in general, administrative and other indirect expenses and interest expense of $32.9 million and $10.9 million, respectively, partially offset by a decrease in base compensation expense of $11.1 million.

Performance Fees. Performance fees increased $1,103.3 million for the year ended December 31, 2013 as compared to 2012. Performance fees of $1,873.6 million and $770.3 million are inclusive of performance fees reversed of approximately $14.2 million and $15.6 million during the years ended December 31, 2013 and 2012, respectively.
Performance fees for this segment by type of fund are as follows:

	Performance Fees		Carry Fund Portfolio Appreciation	
	Year Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012
	(Dollars in millions)			
Buyout funds	$1,782.6	$767.0	30%	17%
Growth Capital funds	91.0	3.3	32%	12%
Performance fees	$1,873.6	$770.3	30%	16%

The $1,873.6 million in performance fees for the year ended December 31, 2013 was primarily driven by performance fees for CP V, CEP III, CP IV, and CAP III of $584.7 million, $503.3 million, $374.8 million, and $163.5 million, respectively. Comparatively, the $770.3 million in performance fees for the year ended December 31, 2012 was primarily driven by performance fees for CP IV, CP V, and CAP II of $231.2 million, $298.5 million, and $113.2 million, respectively. The increase in performance fees was due primarily to greater appreciation in the remaining value of assets in 2013 as compared to 2012 for CEP III and CAP III, resulting in these two funds exceeding their performance thresholds and entering into a “carry position” during 2013, which resulted in a cumulative catch-up of performance fees earned as of that date.

During the year ended December 31, 2013, net performance fees were $1,025.7 million or 55% of performance fees and $631.8 million more than the net performance fees in 2012.

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Investment Income. Investment income for the year ended December 31, 2013 was $26.2 million compared to $23.8 million in 2012.
Distributable Earnings. Distributable earnings increased $137.1 million for the year ended December 31, 2013 to $537.7 million from $400.6 million in 2012. This increase primarily reflects an increase in realized net performance fees of $178.0 million and an increase in realized investment income of $12.5 million, partially offset by a reduction in fee related earnings of $53.4 million.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2014.
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.

	As of December 31,		
	2014	2013	2012
	(Dollars in millions)		
Corporate Private Equity			
Components of Fee-earning AUM (1)			
Fee-earning AUM based on capital commitments	$22,228	$18,948	$20,865
Fee-earning AUM based on invested capital	16,709	23,244	12,975
Fee-earning AUM based on lower of cost or fair value and other	1,312	841	—
Total Fee-earning AUM	$40,249	$43,033	$33,840
Weighted Average Management Fee Rates (2)			
All Funds	1.22 %	1.15 %	1.28 %
Funds in Investment Period	1.43 %	1.42 %	1.33 %

(1) For additional information concerning the components of Fee-earning AUM, see "—Fee-earning Assets under Management."
(2) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund's Fee-earning AUM, as of the end of each period presented.

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

	Twelve Months Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Corporate Private Equity			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$43,033	$33,840	$37,996
Inflows, including Commitments (1)	4,824	17,241	1,087
Outflows, including Distributions (2)	(6,529)	(7,480)	(5,192)
Market Appreciation/Depreciation (3)	198	—	—
Foreign Exchange (4)	(1,277)	(568)	(51)
Balance, End of Period	$40,249	$43,033	$33,840

(1) Inflows represent limited partner capital raised and capital invested by carry funds outside the investment period.
(2) Outflows represent distributions from funds outside the investment period and changes in basis for our carry funds where the investment period has expired.
(3)

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

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

Fee-earning AUM was $40.2 billion at December 31, 2014, a decrease of $2.8 billion, or 6%, compared to $43.0 billion at December 31, 2013. Outflows of $6.5 billion were principally a result of distributions from several buyout funds that were outside of their investment period, in addition to the reduction in management fee basis for funds at the end of their original investment period and $1.3 billion in foreign exchange loss. This was offset by inflows of $4.8 billion, primarily related to limited partner commitments raised by CAP IV, CEP IV, CGFSP II, and our latest vintage Europe technology fund (“CETP III”).

Fee-earning AUM was $43.0 billion at December 31, 2013, an increase of $9.2 billion, or approximately 27%, compared to $33.8 billion at December 31, 2012. Inflows of $17.2 billion were primarily related to limited partner commitments raised by CP VI, CAP IV, and CGFSP II, as well as equity invested by various funds outside of their investment period. Outflows of $7.5 billion were partially driven by (a) a $3.9 billion decrease resulting from the change in basis from commitments to invested capital for CP V, CAP III, and our first global financial services fund (“CGFSP I”), and (b) $3.6 billion of distributions from several funds that were outside of their investment period. Investment and distribution activity by funds still in the investment period do not impact fee-earning AUM as these funds are based on commitments and not invested capital. Distribution activity by funds outside of their investment period only reduce fee-earning AUM to the extent that the distributions are a return of cost basis, as gain and income distributions have no impact on fee-earning AUM.

Fee-earning AUM was $33.8 billion at December 31, 2012, a decrease of $4.2 billion, or approximately 11%, compared to $38.0 billion at December 31, 2011. Outflows of $5.2 billion were partially driven by (a) a $2.7 billion decrease resulting from the change in basis from commitments to invested capital for CJP II and CEP III, and the completion of fees in our third U.S. buyout fund (“CP III”), and (b) $2.5 billion of distributions from several funds that were outside of their investment period. Inflows of $1.1 billion were primarily related to limited partner commitments raised by our equity opportunities fund (“CEOF I”), our first Peru buyout fund (“CPF I”), and CSSAF I, as well as equity invested by various funds outside of their investment period. As of December 31, 2012, approximately $5.0 billion of new limited partner commitments raised for several of our new funds, including CP VI, CAP IV, and CGFSP II are not included in Fee-Earning AUM as these funds did not begin charging fees until 2013 when the predecessor funds (CP V, CAP III, and CGFSP I, respectively) were substantially invested.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2014.
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, 2011	$13,328	$37,737	$51,065
Commitments (1)	7,560	—	7,560
Capital Called, net (2)	(4,474)	3,968	(506)
Distributions (3)	1,231	(12,017)	(10,786)
Market Appreciation/(Depreciation) (4)	—	6,035	6,035
Foreign exchange and other (5)	(3)	(27)	(30)
Balance, As of December 31, 2012	$17,642	$35,696	$53,338
Commitments (1)	11,470	—	11,470
Capital Called, net (2)	(5,313)	4,998	(315)
Distributions (3)	946	(10,974)	(10,028)
Market Appreciation/(Depreciation) (4)	—	10,289	10,289
Foreign exchange and other (5)	(2)	113	111
Balance, As of December 31, 2013	$24,743	$40,122	$64,865
Commitments (1)	6,663	—	6,663
Capital Called, net (2)	(7,380)	6,818	(562)
Distributions (3)	997	(14,742)	(13,745)
Market Appreciation/(Depreciation) (4)	—	9,330	9,330
Foreign exchange and other (5)	(584)	(1,299)	(1,883)
Balance, As of December 31, 2014	$24,439	$40,229	$64,668

(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. Equity invested amounts may vary from capital called due to timing differences between acquisition and capital call dates.
(3) Represents distributions from our carry funds, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.
(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-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Total AUM was $64.7 billion at December 31, 2014, a decrease of $0.2 billion, or 0.30%, compared to $64.9 billion at December 31, 2013. This decrease was primarily driven by (a) distributions of $14.7 billion, of which $1.0 billion is recallable, and (b) foreign exchange loss of $1.9 billion. Offsetting this decrease were (a) commitments of $6.7 billion in CAP IV, CEP IV, CETP III, CGFSP II and other funds and coinvestment vehicles, and (b) a total 2014 appreciation in remaining fair value of assets of 23%, leading to market appreciation in the segment of $9.3 billion.
Total AUM was $64.9 billion at December 31, 2013, an increase of $11.6 billion, or approximately 22%, compared to $53.3 billion at December 31, 2012. This increase was primarily driven by (a) $11.5 billion of new commitments for several funds, including CP VI, CAP IV, CGFSP II, CSSAF I, our recent vintage Japan buyout fund (“CJP III”), our Ireland fund (“CCI”) and various co-investments, and (b) market appreciation across our portfolio of $10.3 billion. The total 2013 appreciation in the remaining value of assets for funds in this segment was approximately 30%, driven by a 30% increase in the buyout funds and a 32% increase in the growth funds.

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Total AUM was $53.3 billion at December 31, 2012, an increase of $2.2 billion, or approximately 4%, compared to $51.1 billion at December 31, 2011. This increase was primarily driven by (a) $7.6 billion of new commitments for several funds, including CP VI, CEOF I, CAP IV, CGFSP II, CSSAF I, CPF I and various co-investments, and (b) market appreciation across our portfolio of $6.0 billion. The total 2012 appreciation in the remaining value of assets for funds in this segment was approximately 16%, driven by a 17% increase in the buyout funds and a 12% increase in the growth funds. Appreciation in the buyout funds was primarily driven by CP IV, CP V and CEP III.
Total AUM was $51.1 billion at December 31, 2011, a decrease of $5.2 billion, or 9%, compared to $56.3 billion at December 31, 2010. This decrease was primarily driven by $12.5 billion of distributions, of which approximately $1.5 billion was recycled back into available capital. This decrease was partially offset by $4.6 billion of market appreciation across our portfolio, which experienced a 16% increase in value over the year due to an 18% increase across our buyout funds, offset by an 8% decrease across our growth capital funds. The increase in our buyout funds was primarily driven by appreciation in CP IV and CP V partially offset by depreciation in our Asia buyout and growth capital funds. Additionally, we raised new commitments of $1.6 billion for CSABF I, CBPF, CEOF, CGFSP II and various U.S. buyout co-investment vehicles, which further offset this decrease.

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 December 31, 2014, which we refer to as our “significant funds,” is generally 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 “Item 1A. Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds, including those presented in this report, 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. See "Item 1. Business — Our Family of Funds" for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS					REALIZED/PARTIALLY REALIZED INVESTMENTS(5)			
			as of December 31, 2014					as of December 31, 2014			
	Fund Inception Date (1)	Committed Capital	Cumulative Invested Capital (2)	Total Fair Value (3)	MOIC(4)	Gross IRR (7)	Net IRR(8)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gr IR
Corporate Private Equity		(Reported in Local Currency, in Millions)						(Reported in Local Currency, in Millions)			
Fully Invested Funds(6)											
CP II	10/1994	$1,331.1	$1,362.4	$4,072.2	3.0x	34 %	25 %	$1,362.4	$4,072.2	3.0x	34
CP III	2/2000	$3,912.7	$4,031.6	$10,146.9	2.5x	27 %	21 %	$4,031.6	$10,146.9	2.5x	27
CP IV	12/2004	$7,850.0	$7,612.6	$17,758.8	2.3x	16 %	13 %	$6,367.9	$16,588.7	2.6x	19
CP V	5/2007	$13,719.7	$12,796.5	$24,241.5	1.9x	19 %	15 %	$5,984.1	$13,367.7	2.2x	23
CEP I	12/1997	€1,003.6	€981.6	€2,126.5	2.2x	18 %	11 %	€981.6	€2,126.5	2.2x	18
CEP II	9/2003	€1,805.4	€2,048.8	€3,984.4	1.9x	37 %	20 %	€1,329.1	€3,311.3	2.5x	59
CEP III	12/2006	€5,294.9	€4,988.0	€9,662.6	1.9x	18 %	13 %	€1,989.4	€5,279.5	2.7x	27
CAP I	12/1998	$750.0	$627.7	$2,492.6	4.0x	25 %	18 %	$627.7	$2,492.6	4.0x	25
CAP II	2/2006	$1,810.0	$1,628.6	$2,761.0	1.7x	11 %	8 %	$720.0	$2,117.4	2.9x	24
CAP III	5/2008	$2,551.6	$2,512.2	$3,855.8	1.5x	17 %	10 %	$984.4	$1,931.7	2.0x	22
CJP I	10/2001	¥50,000.0	¥47,291.4	¥137,266.0	2.9x	61 %	37 %	¥39,756.6	¥131,454.6	3.3x	65
CJP II	7/2006	¥165,600.0	¥141,866.7	¥173,486.9	1.2x	5 %	1 %	¥64,306.1	¥89,674.4	1.4x	7
CGFSP I	9/2008	$1,100.2	$1,052.5	$1,816.9	1.7x	19 %	12 %	$218.1	$529.8	2.4x	28
CETP II	2/2007	€521.6	€431.5	€920.6	2.1x	25 %	16 %	€149.8	€538.7	3.6x	34
CAGP IV	6/2008	$1,041.4	$807.3	$1,159.4	1.4x	15 %	8 %	$155.0	$370.0	2.4x	33
All Other Funds(9)	Various		$3,733.2	$5,803.2	1.6x	17 %	7 %	$2,817.1	$4,756.1	1.7x	20
Coinvestments and Other(10)	Various		$8,040.2	$19,975.4	2.5x	36 %	33 %	$5,003.3	$15,656.8	3.1x	36
Total Fully Invested Funds			$56,008.2	$116,878.0	2.1x	27 %	19 %	$34,447.3	$87,495.9	2.5x	29
Funds in the Investment Period(6)											
CP VI (12)	5/2012	$13,000.0	$3,813.7	$3,865.9	1.0x	n/m	n/m				
CEP IV (12)	8/2013	€1,576.9	€191.8	€185.8	1.0x	n/m	n/m				
CAP IV (12)	11/2012	$3,880.4	$591.0	$564.3	1.0x	n/m	n/m				
CEOF I	5/2011	$1,119.1	$770.3	$1,166.1	1.5x	35 %	23 %				
CGFSP II (12)	4/2013	$1,000.0	$90.4	$119.4	1.3x	n/m	n/m				
All Other Funds(11)	Various		$983.7	$985.7	1.0x	(1)%	(15)%				
Total Funds in the Investment Period			$6,481.2	$6,926.2	1.1x	9 %	(7)%	$161.0	$519.5	3.2x	78
TOTAL CORPORATE PRIVATE EQUITY(13)			$62,489.4	$123,804.2	2.0x	27 %	19 %	$34,608.3	$88,015.5	2.5x	29

(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.

(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.

(4) Multiple of invested capital ("MOIC") represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR,

when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Corporate Private Equity.

(6) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.

(7) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

(8) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(9) Aggregate includes the following funds: CP I, CMG, CVP I, CVP II, CUSGF III, CEVP, CETP I, CAVP I, CAVP II, CAGP III, Mexico, and MENA.

(10) Includes co-investments and certain other stand-alone investments arranged by us.

(11) Aggregate includes the following funds: CJP III, CSABF, CSSAF, CBPF, CPF I, CCI, and CETP III.

(12) Returns are not considered meaningful, as the investment period commenced in May 2012 for CP VI, November 2012 for CAP IV, April 2013 for CGFSP II, and August 2013 for CEP IV.

(13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investme Period End Date
	As of December 31, 2014									
Corporate Private Equity										
CP V	$12,655.4	2.0x	1.9x	93%	X	X	100%	Jun-07	31	May-13
CEP III	€4,652.2	1.8x	1.9x	94%	X	X	100%	Jul-07	30	Dec-12
CP VI	$3,890.7	1.0x	1.0x	29%			100%	Jun-13	7	May-18
CP IV	$2,465.1	1.3x	2.3x	97%	X	X	80%	Apr-05	39	Dec-10
CAP III	$2,132.2	1.4x	1.5x	98%	X		100%	Jun-08	27	May-14
CGFSP I	$1,096.3	1.4x	1.7x	96%	X	X	100%	Oct-08	25	Sep-14
CEOF I	$1,028.9	1.3x	1.5x	69%	X		80%	Sep-11	14	May-17
CAP II	$998.7	1.0x	1.7x	90%	(X)		80%	Mar-06	36	Feb-12
CAGP IV	$821.0	1.3x	1.4x	78%			100%	Aug-08	26	Jun-14
CJP II	¥96,331.2	1.2x	1.2x	86%			80%	Oct-06	33	Jul-12
CEP II	€589.3	0.9x	1.9x	113%	X		80%	Sep-03	46	Sep-08
CAP IV	$581.3	1.0x	1.0x	15%			100%	Jul-13	6	Nov-18
CETP II	€435.7	1.5x	2.1x	83%	X	X	100%	Jan-08	28	Jul-13

CEP IV	€188.2	1.0x	1.0x	12 %			100%	Sep-14	2	Aug-19
CGFSP II	$116.8	1.4x	1.3x	9 %			100%	Jun-13	7	Dec-17
All Other Funds (8)	$2,005.8	1.0x	2.2x		n/m	n/m				
Coinvestment and Other (9)	$4,517.5	1.7x	2.5x		n/m	n/m				
Total Corporate Private Equity (12)	$40,211.2	1.5x	2.0x							

(1) Net asset value of our carry funds. Reflects significant funds with remaining fair value of greater than $100 million.

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(2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by investment cost.

(3) Total MOIC represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital

(4) Represents cumulative equity invested as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.

(5) Fund has accrued carry/(clawback) as of the reporting period.

(6) Fund has realized carry in the last twelve months.

(7) Represents the date of the first capital contribution for management fees.

(8) Aggregate includes the following funds: CP II, CP III, CP IV, CEP I, CAP I, CAP IV, CBPF, CJP I, CJP III, CEVP, CETP I, CETP II, CAVP II, Mexico, MENA, CSABF, CGFSP II, CSSAF, CPF, CVP II, and CUSGF III. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(9) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

Global Market Strategies

For purposes of presenting our results of operations for this segment, we include only our 55% economic interest in the results of operations of Claren Road, ESG and Vermillion. The following table presents our results of operations for our Global Market Strategies segment:

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$259.3	$275.2	$237.2
Portfolio advisory fees, net	0.9	1.4	2.5
Transaction fees, net	0.2	0.1	3.5
Total fund level fee revenues	260.4	276.7	243.2
Performance fees			
Realized	36.0	151.9	112.4
Unrealized	76.5	32.4	(21.2)
Total performance fees	112.5	184.3	91.2
Investment income (loss)			
Realized	8.4	17.5	13.1
Unrealized	(3.6)	(1.5)	9.6
Total investment income (loss)	4.8	16.0	22.7
Interest and other income	5.8	4.2	2.3
Total revenues	383.5	481.2	359.4
Segment Expenses			
Compensation and benefits			
Direct base compensation	110.6	99.6	86.3
Indirect base compensation	24.6	21.8	21.3
Equity-based compensation	13.9	3.0	0.2
Performance fee related			
Realized	17.4	42.1	46.2
Unrealized	35.4	13.7	(8.4)
Total compensation and benefits	201.9	180.2	145.6
General, administrative, and other indirect expenses	52.9	60.9	40.6
Depreciation and amortization expense	4.0	4.5	3.5
Interest expense	9.7	7.9	4.5
Total expenses	268.5	253.5	194.2
Economic Net Income	$115.0	$227.7	$165.2
(-) Net Performance Fees	59.7	128.5	53.4
(-) Investment Income	4.8	16.0	22.7
(+) Equity-based Compensation	13.9	3.0	0.2
(=) Fee-Related Earnings	$64.4	$86.2	$89.3
(+) Realized Net Performance Fees	18.6	109.8	66.2
(+) Realized Investment Income	8.4	17.5	13.1
(=) Distributable Earnings	$91.4	$213.5	$168.6

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013
Total fee revenues were $260.4 million for the year ended December 31, 2014, a decrease of $16.3 million from 2013. The decrease was due primarily to the absence in 2014 of approximately $10.0 million of "catch-up" management fees earned from subsequent closings of our third distressed and corporate opportunities fund ("CSP III") during the year ended December 31, 2013, approximately $7.4 million in subordinated management fees recognized in 2013 from two CLOs that were liquidated in 2013, and lower AUM in the Vermillion hedge funds. Offsetting these decreases were increases in management fees from the Claren Road and ESG hedge funds from greater assets under management of $16.3 million. The weighted average management fee rate on our hedge funds decreased from 1.77% at December 31, 2013 to 1.73% at December 31, 2014 due to higher AUM in the ESG hedge funds, which charge a lower rate, and decreases in AUM in the Vermillion hedge funds. The weighted average management fee rate on our carry funds decreased from 1.53% at December 31, 2013 to 1.48% at December 31, 2014 due to a step down in fee basis from commitments to invested capital on our second corporate mezzanine fund ("CMP II").
Interest and other income was $5.8 million for the year ended December 31, 2014 as compared to $4.2 million in 2013.
Total compensation and benefits was $201.9 million and $180.2 million for the years ended December 31, 2014 and 2013, respectively. Performance fee related compensation expense was $52.8 million and $55.8 million for the years ended December 31, 2014 and 2013, respectively. With respect to Claren Road, ESG, and Vermillion, where we only include our respective 55% economic interests in our Non-GAAP results, performance fee related compensation expense can vary as a percentage of performance fees based on a variety of factors, including absolute and relative performance to comparable peers. As a result, the percentage of performance fee related compensation expense to performance fees is generally not a comparable measurement for Global Market Strategies from period to period. Direct and indirect base compensation increased $13.8 million for the year ended December 31, 2014 as compared to 2013, which primarily relates to incremental compensation costs related to increased headcount, promotions, and bonuses.
Equity-based compensation was $13.9 million for the year ended December 31, 2014, an increase from $3.0 million for the year ended December 31, 2013. The increase is due primarily to the ongoing granting of deferred restricted common units to new and existing employees during 2013 and 2014 and, to a lesser extent, a decrease in the estimated forfeiture rates during the second quarter of 2013.
General, administrative and other indirect expenses decreased $8.0 million to $52.9 million for the year ended December 31, 2014 as compared to 2013. The decrease is primarily due to higher external costs associated with fundraising activities for the business development companies and for carry funds during 2013 as compared to 2014.
Depreciation and amortization expense was $4.0 million for the year ended December 31, 2014, a decrease from $4.5 million in 2013.
Interest expense increased $1.8 million, or 23%, for the year ended December 31, 2014 as compared to 2013. This increase was due primarily to the allocated interest on $400 million and $200 million of 5.625% senior notes due 2043 issued in March 2013 and March 2014, respectively.
Economic Net Income. ENI was $115.0 million for the year ended December 31, 2014, a decrease of $112.7 million from $227.7 million in 2013. The decrease in ENI for the year ended December 31, 2014 as compared to 2013 was due to a decrease in net performance fees of $68.8 million, a decrease in fee related earnings of $21.8 million, a decrease in investment income of $11.2 million, and an increase in equity-based compensation of $10.9 million.
Fee Related Earnings. Fee related earnings decreased $21.8 million to $64.4 million for the year ended December 31, 2014 as compared to 2013. The decrease was primarily due to a decrease in fee revenues of $16.3 million and an increase in direct and indirect base compensation of $13.8 million. These decreases were partially offset by a decrease in general, administrative and other indirect expenses of $8.0 million.

Performance Fees. Performance fees of $112.5 million and $184.3 million in 2014 and 2013, respectively, are inclusive of performance fees reversed of approximately $12.0 million and $0.7 million, respectively. Performance fees for this segment by type of fund are as follows:

	Year Ended December 31,	
	2014	2013
	(Dollars in millions)	
Carry funds	$84.6	$62.5
Hedge funds	(3.0)	115.1
Structured credit funds	27.6	6.7
Business development companies	3.3	—
Performance fees	$112.5	$184.3

Performance fees for the year ended December 31, 2014 were generated primarily by our carry funds, including $34.4 million from CSP III, $29.6 million from our first energy mezzanine fund (“CEMOF I”), and $27.9 million from CMP II. Our carry funds in this segment appreciated 20% and 28% during the years ended December 31, 2014 and 2013, respectively. Performance fees for the year ended December 31, 2013 were generated primarily by the hedge funds, including $39.9 million from the Claren Road Master Fund, $39.6 million from the ESG Cross Border Equity Fund, and $19.1 million from the Claren Road Opportunities Fund, as well as the carry funds, including $38.3 million of performance fees from our second distressed and corporate opportunities fund (“CSP II”).

Net performance fees decreased $68.8 million to $59.7 million for the year ended December 31, 2014 as compared to $128.5 million in 2013.

Investment Income. Investment income was $4.8 million for the year ended December 31, 2014 compared to $16.0 million in 2013. The decrease in investment income was due primarily to a realization of a debt investment in 2013 that resulted in a net investment gain of approximately $4.7 million. Also contributing to the decrease was lower appreciation on our CLO investments in 2014 as compared to 2013, which resulted in a decrease in investment income of $4.2 million from 2013 to 2014.

Distributable Earnings. Distributable earnings decreased $122.1 million to $91.4 million for the year ended December 31, 2014 from $213.5 million in 2013. The decrease related to a decrease in realized net performance fees of $91.2 million driven primarily by the hedge funds, a decrease in fee related earnings of $21.8 million, and a decrease in realized investment income of $9.1 million for the year ended December 31, 2014 as compared to 2013.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Total fee revenues were $276.7 million for the year ended December 31, 2013, an increase of $33.5 million from 2012. The increase was due primarily to approximately $10.0 million of “catch-up” management fees earned from subsequent closings of CSP III during the year ended December 31, 2013, an increase of $18.8 million in management fees from the Claren Road and ESG hedge funds from greater assets under management, an increase in management fees of $10.8 million generated by CLOs that were started in 2012 and 2013, and $7.0 million of increased management fees from the acquisition of Vermillion on October 1, 2012. These increases were partially offset by approximately $13.2 million of “catch-up” management fees earned in 2012 from subsequent closings of CEMOF I in 2012. The weighted average management fee rate on our hedge funds decreased from 1.82% at December 31, 2012 to 1.77% at December 31, 2013 due to a higher proportion of Fee-earning AUM related to ESG funds, which charge a lower rate than the Claren Road funds. The weighted average management fee rate on our carry funds increased from 1.46% at December 31, 2012 to 1.53% at December 31, 2013 due to increased commitments to CSP III, which is currently in the investment period. Fee-earning AUM was $33.4 billion and $31.0 billion as of December 31, 2013 and 2012, respectively, reflecting an increase of $2.4 billion.

Interest and other income was $4.2 million for the year ended December 31, 2013 as compared to $2.3 million in 2012.

Total compensation and benefits was $180.2 million and $145.6 million for the years ended December 31, 2013 and 2012, respectively. Performance fee related compensation expense was $55.8 million and $37.8 million for the years ended December 31, 2013 and 2012, respectively, reflecting the increase in performance fees. With respect to Claren Road, ESG, and Vermillion, where we only include our respective 55% economic interests in our Non-GAAP results, performance fee related

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compensation expense can vary as a percentage of performance fees based on a variety of factors, including absolute and relative performance to comparable peers. As a result, the percentage of performance fee related compensation expense to performance fees is generally not a comparable measurement for Global Market Strategies from period to period.

Direct and indirect base compensation increased $13.8 million for the year ended December 31, 2013 as compared to 2012, which primarily related to the acquisition of Vermillion in October 2012 and higher compensation levels at the hedge funds.

Equity-based compensation was $3.0 million for the year ended December 31, 2013, an increase from $0.2 million for the year ended December 31, 2012. The increase is due primarily to expense associated with grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012.

General, administrative and other indirect expenses increased $20.3 million to $60.9 million for the year ended December 31, 2013 as compared to 2012. The expense increase primarily reflected higher expenses in 2013 associated with fundraising activities for CSP III and the business development companies, incremental costs associated with the acquisition of Vermillion in October 2012, as well as lower expenses in 2012 from proceeds from an insurance settlement recognized in 2012.

Depreciation and amortization expense was $4.5 million for the year ended December 31, 2013, an increase from $3.5 million in 2012.

Interest expense increased $3.4 million, or 76%, for the year ended December 31, 2013 as compared to 2012. This increase was due primarily to a higher level of outstanding borrowings in 2013 as compared to 2012 and higher interest rates on outstanding borrowings in 2013 as compared to 2012 resulting from the issuances in 2013 of the 3.875% senior notes and the 5.625% senior notes.

Economic Net Income. ENI was $227.7 million for the year ended December 31, 2013, an increase of $62.5 million from $165.2 million in 2012. The increase in ENI for the year ended December 31, 2013 as compared to 2012 was primarily driven by an increase in net performance fees of $75.1 million. This increase was partially offset by a decrease in investment income of $6.7 million and a decrease in fee related earnings of $3.1 million.

Fee Related Earnings. Fee related earnings decreased $3.1 million to $86.2 million for the year ended December 31, 2013 as compared to 2012. The decrease was primarily due to increases in general, administrative and other indirect expenses of $20.3 million, base compensation expense of $13.8 million, and interest expense of $3.4 million, partially offset by increases in fee revenues of $33.5 million.

Performance Fees. Performance fees of $184.3 million and $91.2 million in 2013 and 2012, respectively, are inclusive of performance fees reversed of approximately $0.7 million and $0.7 million, respectively. Performance fees for this segment by type of fund are as follows:

	Year Ended December 31,	
	2013	2012
	(Dollars in millions)	
Carry funds	$62.5	$59.9
Hedge funds	115.1	28.2
Structured credit funds	6.7	3.1
Performance fees	$184.3	$91.2

Performance fees for the year ended December 31, 2013 were generated primarily by the hedge funds, including $39.9 million from the Claren Road Master Fund, $39.6 million from the ESG Cross Border Equity Fund, and $19.1 million from the Claren Road Opportunities Fund, as well as the carry funds, including $38.3 million of performance fees from CSP II. Performance fees for the year ended December 31, 2012 were generated primarily by the distressed debt funds, including $56.8 million from CSP II, and the hedge funds, including $12.7 million from the Claren Road Master Fund.

Net performance fees increased $75.1 million to $128.5 million for the year ended December 31, 2013 as compared to $53.4 million in 2012.

Investment Income. Investment income was $16.0 million for the year ended December 31, 2013 compared to $22.7 million in 2012. The decrease in investment income from 2012 to 2013 was due primarily to changes in the fair value of our investments in our CLOs. The net appreciation of our investments in our CLOs during 2013 was less than the net appreciation recognized in 2012.
Distributable Earnings. Distributable earnings increased $44.9 million to $213.5 million for the year ended December 31, 2013 from $168.6 million in 2012. The increase related primarily to increases in net realized performance fees of $43.6 million and realized investment income of $4.4 million, partially offset by a decrease in fee related earnings of $3.1 million for the year ended December 31, 2013 as compared to 2012.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2014.
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.

	As of December 31,		
	2014	2013	2012
	(Dollars in millions)		
Global Market Strategies			
Components of Fee-earning AUM (1)			
Fee-earning AUM based on capital commitments	$1,916	$2,439	$2,077
Fee-earning AUM based on invested capital	653	607	1,066
Fee-earning AUM based on collateral balances, at par	17,631	16,465	16,155
Fee-earning AUM based on net asset value	12,812	13,593	11,724
Fee-earning AUM based on other (2)	886	307	12
Total Fee-earning AUM	$33,898	$33,411	$31,034
Weighted Average Management Fee Rates (3)			
All Funds, excluding CLOs	1.69 %	1.73 %	1.75 %

(1) For additional information concerning the components of Fee-earning AUM, see "—Fee-earning Assets under Management."
(2) Includes funds with fees based on notional value and gross asset 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 included.

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

	Twelve Months Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Global Market Strategies			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$33,411	$31,034	$23,186
Acquisitions	—	78	5,126
Inflows, including Commitments (1)	2	639	1,283
Outflows, including Distributions (2)	(479)	(462)	(511)
Subscriptions, net of Redemptions (3)	767	959	1,786
Changes in CLO collateral balances (4)	1,887	56	311
Market Appreciation/(Depreciation) (5)	(1,548)	834	(164)
Foreign Exchange and other (6)	(142)	273	17
Balance, End of Period	$33,898	$33,411	$31,034

(1) Inflows represent limited partner capital raised and capital invested by our carry funds outside the investment period and investments in our business development companies.

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

(3) Represents subscriptions and redemptions in our hedge funds and mutual fund. Net redemption notifications received during Q4 2014 will reduce January 1, 2015 hedge fund AUM by approximately $2.2 billion.

(4) Represents the change in the aggregate Fee-earning collateral balances at par of our CLOs/structured products, as of the quarterly cut-off dates.

(5) Market Appreciation/ (Depreciation) represents changes in the net asset value of our hedge funds and mutual fund.

(6) Includes activity of funds with fees based on gross asset value. Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was $33.9 billion at December 31, 2014, an increase of $0.5 billion, or 1%, compared to $33.4 billion at December 31, 2013. This was driven by a $1.9 billion increase in the aggregate par value of our CLO collateral balances as a result of the eight new CLOs issued during the year and $0.8 billion of subscriptions, net of redemptions in our hedge funds. These increases are offset by $1.5 billion in market depreciation, primarily in our hedge funds and $0.5 billion in distributions from our fully invested carry funds. Distributions from carry funds still in the investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.

Fee-earning AUM was $33.4 billion at December 31, 2013, an increase of $2.4 billion, or 8%, compared to $31.0 billion at December 31, 2012. This increase was driven by $1.0 billion of subscriptions, net of redemptions, market appreciation of $0.8 billion in our hedge funds and $0.6 billion of new commitments raised by our carry funds. These increases are offset by $0.5 billion in distributions from our fully invested carry funds.
Fee-earning AUM was $31.0 billion at December 31, 2012, an increase of $7.8 billion, or 34%, compared to $23.2 billion at December 31, 2011. This increase was primarily a result of the acquisitions of certain CLO management contracts from Highland Capital Management, L.P. and a 55% equity interest in Vermillion Asset Management, resulting in additional Fee-earning AUM of $5.1 billion. Additional inflows consisted of $1.8 billion of subscriptions, net of redemptions in our hedge funds, and $1.2 billion of new commitments raised by our carry funds. The $0.3 billion increase in the aggregate par value of our CLO collateral balances was a result of the four new CLOs issued

during the year, offset by the liquidation of certain existing CLOs according to their business plan. These increases are offset by $0.5 billion in distributions from our fully invested carry funds.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2014.
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)		
Global Market Strategies			
Balance, As of December 31, 2011	$1,079	$23,434	$24,513
Acquisitions	—	5,178	5,178
Commitments (1)	1,202	—	1,202
Capital Called, net (2)	(625)	543	(82)
Distributions (3)	164	(1,008)	(844)
Subscriptions, net of Redemptions (4)	—	1,763	1,763
Changes in CLO collateral balances (5)	—	481	481
Market Appreciation/(Depreciation) (6)	—	311	311
Foreign exchange and other (7)	—	20	20
Balance, As of December 31, 2012	$1,820	$30,722	$32,542
Acquisitions	—	78	78
Commitments (1)	319	—	319
Capital Called, net (2)	(945)	1,212	267
Distributions (3)	264	(1,055)	(791)
Subscriptions, net of Redemptions (4)	—	992	992
Changes in CLO collateral balances (5)	—	399	399
Market Appreciation/(Depreciation) (6)	—	1,380	1,380
Foreign exchange and other (7)	—	291	291
Balance, As of December 31, 2013	$1,458	$34,019	$35,477
Acquisitions	—	—	—
Commitments (1)	150	—	150
Capital Called, net (2)	(566)	812	246
Distributions (3)	474	(887)	(413)
Subscriptions, net of Redemptions (4)	—	924	924
Changes in CLO collateral balances (5)	—	2,087	2,087
Market Appreciation/(Depreciation) (6)	—	(1,237)	(1,237)
Foreign exchange and other (7)	(4)	(489)	(493)
Balance, As of December 31, 2014 (8)	$1,512	$35,229	$36,741

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

(2) Represents capital called by our carry funds and business development companies, net of fund fees and expenses. Equity invested amounts may vary from capital called due to timing differences between acquisition and capital call dates.

(3) Represents distributions from our carry funds and business development companies, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.

(4) Represents the net result of subscriptions to and redemptions from our hedge funds and mutual fund. Net redemption notifications received during Q4 2014 will reduce January 1, 2015 hedge fund AUM by approximately $2.2 billion.

(5) Represents the change in the aggregate collateral balance and principal cash at par of the CLOs.

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

(7) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds and other changes in AUM. 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.

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(8) Ending balance is comprised of approximately $18.5 billion from our structured credit /other structured product funds, $13.4 billion in our hedge funds, $4.0 billion (including $1.5 billion of Available Capital) in our carry funds, $0.9 billion from our business development companies, and $0.1 billion in our mutual fund. Net redemption notifications received during the fourth quarter of 2014 will reduce January 1, 2015 hedge fund AUM by approximately $2.2 billion.

Total AUM was $36.7 billion at December 31, 2014, an increase of $1.3 billion, or 4%, compared to $35.5 billion at December 31, 2013. This increase was driven by (a) changes in the aggregate par value of our CLO collateral balances of $2.1 billion, primarily due to eight new issue CLOs raised, and (b) commitments of approximately $0.2 billion related to our carry funds and their related coinvestments. These increases were partially offset by market depreciation of $1.2 billion and distributions in our carry funds of $0.9 billion, of which $0.5 billion was recycled back into available capital. Increases due to subscriptions, net of redemptions, to our hedge funds of $0.9 billion in 2014 are exclusive of approximately $2.2 billion of net redemption notifications effective January 1, 2015.

Total AUM was $35.5 billion at December 31, 2013, an increase of $3.0 billion, or approximately 9%, compared to $32.5 billion at December 31, 2012. This increase was driven by (a) market appreciation of $1.4 billion (b) subscriptions, net of redemptions, to our hedge funds of $1.0 billion, (c) new commitments to our CSP III carry fund of approximately $0.3 billion, and (d) six new issue CLOs raised totaling $3.1 billion, offset by the liquidation of certain existing CLOs in accordance with their business plans. These increases were partially offset by distributions in our carry funds of $1.1 billion, of which $0.3 billion was recycled back into available capital.

Total AUM was $32.5 billion at December 31, 2012, an increase of $8.0 billion, or approximately 33%, compared to $24.5 billion at December 31, 2011. This increase was driven by (a) acquisitions of $5.2 billion related to the Highland CLOs and the 55% equity interest in Vermillion Asset Management, (b) subscriptions, net of redemptions, to our hedge funds of $1.8 billion, (c) new commitments to our CEMOF I and CSP III carry funds of approximately $1.2 billion, and (d) four new issue CLOs raised totaling $2.3 billion, offset by the liquidation of certain existing CLOs in accordance with their business plans. These increases were partially offset by distributions in our carry funds of $1.0 billion, of which $0.2 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 "Item 1A. Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds including those presented in this report 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 table reflects 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. See "Business — Our Family of Funds" for a legend of the fund acronyms listed below.

			as of December 31, 2014			Inception to December 31, 2014	
	Fund Inception Date (1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(5)	Net IRR(6)
	(Reported in Local Currency, in Millions)						
CSP II	6/2007	$1,352.3	$1,352.3	$2,426.0	1.8x	17%	12%
CEMOF I	12/2010	$1,382.5	$1,043.1	$1,364.1	1.3x	26%	14%

(1) The data presented herein that provides "inception to date" performance results for CSP II and CEMOF I related to the period following the formation of the funds in June 2007 and December 2010, respectively.

(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.
(4) Multiple of invested capital ("MOIC") represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.
(5) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.
(6) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

	Remaining Fair Value (1)	Unrealized MOIC (2)	Total MOIC (3)	% Invested (4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch up Rate	Fee Initiation Date (7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of December 31, 2014									
Global Market Strategies										
CEMOF I	$1,004.4	1.1x	1.3x	75 %	X		100 %	Dec-10	17	Dec-15
CSP II	$404.4	0.9x	1.8x	100 %	X	X	80 %	Dec-07	29	Jun-11
All Other Funds (8)	$675.4	1.1x	1.5x		n/m	n/m				
Coinvestment and Other (9)	$375.4	1.1x	1.2x		n/m	n/m				
Total Global Market Strategies	$2,459.5	1.1x	1.5x							

(1) Net asset value of our carry funds. Reflects significant funds with remaining fair value of greater than $100 million.
(2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by investment cost.
(3) Total MOIC represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.
(4) Represents cumulative equity invested as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.
(5) Fund has accrued carry/(clawback) as of the reporting period.
(6) Fund has realized carry in the last twelve months.
(7) Represents the date of the first capital contribution for management fees.
(8) Aggregate includes the following funds: CSP I, CSP III, CMP I, and CMP II. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
(9) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

The following table reflects the performance of the Claren Road Master Fund and the Claren Road Opportunities Fund, which had AUM of approximately $4.8 billion and $2.5 billion, respectively, as of December 31, 2014:

	1 Year (2)	3-Year (2)	5-Year (2)	Inception (3)
Net Annualized Return (1)				
Claren Road Master Fund	(10)%	(1)%	1%	7%
Claren Road Opportunities Fund	(12)%	—%	4%	10%
Barclays Aggregate Bond Index	6%	3%	4%	5%
Volatility (4)				
Claren Road Master Fund Standard Deviation (Annualized)	10%	7%	6%	5%
Claren Road Opportunities Fund Standard Deviation (Annualized)	16%	10%	9%	9%
Barclays Aggregate Bond Index Standard Deviation (Annualized)	2%	3%	3%	3%
Sharpe Ratio (1M LIBOR) (5)				
Claren Road Master Fund	(0.99)	(0.21)	0.21	0.97
Claren Road Opportunities Fund	(0.80)	(0.05)	0.40	0.89
Barclays Aggregate Bond Index	2.51	0.93	1.58	1.04

(1) For the Claren Road funds, net annualized return is presented for fee-paying investors only on a total return basis, net of all fees and expenses. The Barclays Aggregate Bond Index is a market-value weighted, intermediate-term bond index of over 8,400 intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities. This index is an unmanaged statistical composite and its returns do not include payment of any sales charge or fees an investor would pay to purchase the securities the index represents, which would lower performance if taken into account. The index results are shown for illustrative purposes only.

(2) As of December 31, 2014.

(3) The Claren Road Master Fund was established in January 2006. The Claren Road Opportunities Fund was established in April 2008. Performance is from inception through December 31, 2014.

(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.

The following table reflects the performance of the ESG Cross Border Equity Master Fund Ltd. and the ESG Domestic Opportunity Master Fund, Ltd, which had AUM of approximately $3.5 billion and $1.1 billion, respectively, as of December 31, 2014:

	1 Year (2)	3-Year (2)	5-Year (2)	Inception (3)
Net Annualized Return (1)				
CBE	(7)%	4%	6%	5%
DOF	(1)%	8%	n/a	5%
MSCI EM index	(2)%	4%	2%	3%
Volatility (4)				
CBE Standard Deviation (Annualized)	7%	6%	6%	8%
DOF Standard Deviation (Annualized)	11%	9%	n/a	11%
MSCI EM index Standard Deviation (Annualized)	14%	15%	19%	25%
Sharpe Ratio (1M LIBOR) (5)				

CBE	(1.05)	0.66	1.09	0.55
DOF	(0.12)	0.87	n/a	0.49
MSCI EM index	(0.16)	0.28	0.11	0.10

(1) For the ESG funds, net annualized return is presented on a total return basis, net of all fees and expenses. The MSCI EM Index comprises large and mid-cap securities across 21 emerging markets countries. This index is an unmanaged statistical composite and its returns do not include payment of any sales charges or fees an investor would pay to

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purchase the securities the index represents, which would lower performance if taken into account. The index results are shown for illustrative purposes only.

(2) As of December 31, 2014.

(3) The CBE Fund was established in January 2007. The DOF Fund was established in April 2011. Performance is from inception through December 31, 2014.

(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.

The asset-weighted hedge fund performance of our reported funds was (9.1%) for 2014 versus 8.4% for 2013.

Real Assets

For purposes of presenting our results of operations for this segment, our earnings from our investments in NGP are presented in the respective operating captions and, for 2013, the net income or loss from the consolidation of Urbplan allocable to the Partnership (after consideration of amounts allocable to non-controlling interests) is presented within investment income. The following table presents our results of operations for our Real Assets segment:

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$223.8	$188.9	$141.0
Portfolio advisory fees, net	0.8	1.3	1.7
Transaction fees, net	1.6	3.9	5.0
Total fund level fee revenues	226.2	194.1	147.7
Performance fees			
Realized	88.5	40.5	106.6
Unrealized	(39.5)	43.4	(13.2)
Total performance fees	49.0	83.9	93.4
Investment income (loss)			
Realized	(32.2)	(22.7)	(0.1)
Unrealized	(15.7)	(62.3)	(4.9)
Total investment income (loss)	(47.9)	(85.0)	(5.0)
Interest and other income	4.7	2.0	1.7
Total revenues	232.0	195.0	237.8
Segment Expenses			
Compensation and benefits			
Direct base compensation	75.2	70.2	71.1
Indirect base compensation	48.5	30.4	24.5
Equity-based compensation	19.2	4.6	0.4
Performance fee related			
Realized	30.1	(4.0)	7.3
Unrealized	32.1	56.7	17.3
Total compensation and benefits	205.1	157.9	120.6
General, administrative, and other indirect expenses	72.2	58.4	41.9
Depreciation and amortization expense	3.6	4.3	3.9
Interest expense	9.9	8.2	4.4
Total expenses	290.8	228.8	170.8
Economic Net Income (Loss)	$(58.8)	$(33.8)	$67.0
(-) Net Performance Fees	(13.2)	31.2	68.8
(-) Investment Income (Loss)	(47.9)	(85.0)	(5.0)
(+) Equity-based Compensation	19.2	4.6	0.4
(=) Fee-Related Earnings	$21.5	$24.6	$3.6
(+) Realized Net Performance Fees	58.4	44.5	99.3
(+) Realized Investment Income (Loss)	(32.2)	(22.7)	(0.1)
(=) Distributable Earnings	$47.7	$46.4	$102.8

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Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Total fee revenues were $226.2 million for the year ended December 31, 2014, an increase of $32.1 million from 2013. The increase in total fee revenues reflects an increase in fund management fees of $34.9 million, partially offset by a decline in net portfolio advisory and transaction fees of $2.8 million. The increase in fund management fees primarily reflects $40.9 million of incremental management fees earned in 2014 from our first international energy fund ("CIEP I"), which commenced its investment period in September 2013, including catch-up management fees earned in 2014 from subsequent closings of that fund of approximately $14.4 million. Also contributing to the increase was $16.1 million of incremental management fees from the commencement of management fees on our seventh U.S. real estate fund ("CRP VII") in 2014, which includes $3.3 million of catch-up management fees from subsequent closings of that fund. This increase was partially offset by declines in management fees from distributions from certain other U.S. and European real estate funds and NGP management fee funds outside of their investment periods. The total weighted average management fee rate increased to 1.31% when compared to 1.18% at December 31, 2013, primarily due to commitments to CRP VII and CIEP I. Despite the step down from commitments to invested capital in one of our Legacy Energy funds ("Renew II"), from which we are entitled a 10% allocation of management fee related revenues, the weighted average management fee rate for funds in the investment period increased from 1.27% at December 31, 2013 to 1.54% at December 31, 2014 due to fundraising in CIEP I and CRP VII, from which we are entitled to 100% of management fee related revenues.

Interest and other income was $4.7 million for the year ended December 31, 2014, an increase from $2.0 million in 2013.

Total compensation and benefits was $205.1 million and $157.9 million for the years ended December 31, 2014 and 2013, respectively. Performance fee related compensation expense was $62.2 million and $52.7 million for the years ended December 31, 2014 and 2013. Performance fees earned from the Legacy Energy funds and from NGP funds are allocated solely to Carlyle and are not otherwise shared or allocated with our investment professionals. Accordingly, performance fee related compensation expense as a percentage of performance fees is generally not a comparable measurement for Real Assets from period to period.

Direct and indirect base compensation was $123.7 million for the year ended December 31, 2014 as compared to $100.6 million for 2013. The increase in compensation was due primarily to increased compensation associated with fundraising efforts for CRP VII and NGP carry funds, as well as incremental compensation costs related to increased headcount, promotions, and bonuses.

Equity-based compensation was $19.2 million for the year ended December 31, 2014, an increase from $4.6 million for the year ended December 31, 2013. The increase is due primarily to the ongoing granting of deferred restricted common units to new and existing employees during 2013 and 2014 and, to a lesser extent, a decrease in the estimated forfeiture rates during the second quarter of 2013.

General, administrative and other indirect expenses increased $13.8 million to $72.2 million for the year ended December 31, 2014 as compared to 2013. The increase primarily relates to an increase in external costs associated with fundraising activities for CRP VII and CIEP I, as well as an increase in professional fees associated with CIEP I.

Depreciation and amortization expense was $3.6 million for the year ended December 31, 2014, a decline from $4.3 million in 2013.

Interest expense increased $1.7 million, or 21%, for the year ended December 31, 2014 as compared to 2013. This increase was due primarily to the allocated interest on $400 million and $200 million of 5.625% senior notes due 2043 issued in March 2013 and March 2014, respectively.

Economic Net Income (Loss). ENI was $(58.8) million for the year ended December 31, 2014, a decline of $25.0 million from $(33.8) million in 2013. The decline in ENI for the year ended December 31, 2014 as compared to 2013 was due to a decline in net performance fees of $44.4 million, an increase in equity-based compensation of $14.6 million, and a decline in fee related earnings of $3.1 million. These declines were partially offset by a decline in investment losses of $37.1 million.

Fee Related Earnings. Fee related earnings declined $3.1 million for the year ended December 31, 2014 as compared to 2013 to $21.5 million. The decline in fee related earnings is primarily attributable to an increase in direct and

indirect base compensation of $23.1 million and an increase in general, administrative, and other indirect expenses of $13.8 million, partially offset by an increase in fee revenues of $32.1 million.

Performance Fees. Performance fees of $49.0 million and $83.9 million for the years ended December 31, 2014 and 2013, respectively, are inclusive of performance fees reversed of approximately $92.5 million and $39.0 million, respectively. Performance fees for this segment by type of fund are as follows:

	Performance Fees		Carry Fund Portfolio Appreciation / (Depreciation)	
	Year Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
	(Dollars in millions)			
Real Estate funds [(1)]	$122.1	$106.4	18 %	4 %
Natural Resources funds [(1)]	(25.1)	5.2	(13)%	17 %
Legacy Energy funds [(1)]	(48.0)	(27.7)	(12)%	(2)%
Performance fees	$49.0	$83.9	(2)%	1 %

(1) During 2014, we created the "Legacy Energy funds" category to include our energy and renewable resources funds that we jointly advise with Riverstone Holdings L.L.C. We also created the "Natural Resources funds" category to include NGP carry funds, our infrastructure, power, and international energy funds. Our infrastructure and power funds were previously classified as part of our "Real Estate funds" category. Prior periods have been reclassified to conform with the current presentation.

Performance fees for the year ended December 31, 2014 were primarily driven by performance fees related to our sixth U.S. real estate fund ("CRP VI") of $98.5 million and NGP Natural Resources X, L.P. ("NGP X") of $(39.2) million. Performance fees for the year ended December 31, 2013 were primarily driven by performance fees related to CRP VI of $76.2 million. Even though carry fund portfolio appreciation for real estate funds in 2014 exceeded the appreciation for 2013, performance fees from our real estate funds were largely unchanged. CRP VI was a greater percentage of the total and funds not in carry impacted the total appreciation.

Net performance fees for the year ended December 31, 2014 were $(13.2) million, representing a decline of $44.4 million over $31.2 million in net performance fees for the year ended December 31, 2013.

Investment Income (Loss). Investment loss was $47.9 million for the year ended December 31, 2014 compared to an investment loss of $85.0 million in 2013. The decrease in investment loss from 2013 to 2014 was due primarily to net investment losses on certain European real estate investments of $23.6 million in 2014 versus $76.6 million in 2013. This was offset by higher investment losses related to Urbplan, which were $24.3 million in 2014 versus $11.8 million in 2013.

Distributable Earnings. Distributable earnings increased $1.3 million to $47.7 million for the year ended December 31, 2014 from $46.4 million in 2013. The increase was due to an increase in realized net performance fees of $13.9 million, partially offset by a decrease in realized investment losses of $9.5 million and a decline in fee related earnings of $3.1 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Total fee revenues were $194.1 million for the year ended December 31, 2013, an increase of $46.4 million from 2012. The increase in total fee revenues reflects an increase in fund management fees of $47.9 million, partially offset by a decline in net portfolio advisory and transaction fees of $1.5 million. The increase in fund management fees was due primarily to a full year of management fees from NGP Management in 2013 versus a partial period of management fees in 2012, resulting in an increase in fund management fees of $61.2 million. This increase was partially offset by declines in management fees due to the change in basis from commitments to invested capital for our infrastructure fund in 2013 and from distributions from U.S. real estate funds outside of their investment periods, resulting in a total decline in management fees of $16.2 million from 2012 to 2103. The weighted average management fee rate was 1.18% at December 31, 2013, a decline from 1.26% at December 31, 2012, primarily due to new commitments to real estate accounts that charge lower fees. Fee-earning AUM was $28.4 billion and $29.3 billion as of December 31, 2013 and 2012, respectively, reflecting a decline of $0.9 billion.

Interest and other income was $2.0 million for the year ended December 31, 2013, an increase from $1.7 million in 2012.

Total compensation and benefits was $157.9 million and $120.6 million for the years ended December 31, 2013 and 2012, respectively. Performance fee related compensation expense was $52.7 million and $24.6 million for the years ended

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December 31, 2013 and 2012, respectively, reflecting an increase in performance fees from our U.S. real estate funds. Performance fees earned from the Legacy Energy funds and from NGP funds are allocated solely to Carlyle and are not otherwise shared or allocated with our investment professionals. Accordingly, performance fee related compensation expense as a percentage of performance fees is generally not a comparable measurement for Real Assets from period to period.

Direct and indirect base compensation was $100.6 million for the year ended December 31, 2013 as compared to $95.6 million for 2012. The increase in compensation was due primarily to increased fundraising costs related to certain of our energy funds (international energy and power funds) and latest Asia real estate fund.

Equity-based compensation was $4.6 million for the year ended December 31, 2013, an increase from $0.4 million for the year ended December 31, 2012. The increase is due primarily to expense associated with grants of deferred restricted common units that occurred subsequent to the initial public offering in May 2012.

General, administrative and other indirect expenses increased $16.5 million to $58.4 million for the year ended December 31, 2013 as compared to 2012. The increase primarily relates to an increase in professional fees related to CIEP I and Urbplan, as well as lower expenses in 2012 from proceeds from an insurance settlement recognized in 2012.

Depreciation and amortization expense was $4.3 million for the year ended December 31, 2013, an increase from $3.9 million in 2012.

Interest expense increased $3.8 million, or 86%, for the year ended December 31, 2013 as compared to 2012. This increase was due primarily to a higher level of outstanding borrowings in 2013 as compared to 2012 and higher interest rates on outstanding borrowings in 2013 as compared to 2012 resulting from the issuances in 2013 of the 3.875% senior notes and the 5.625% senior notes.

Economic Net Income (Loss). ENI was $(33.8) million for the year ended December 31, 2013, a decline of $100.8 million from $67.0 million in 2012. The decline in ENI for the year ended December 31, 2013 as compared to 2012 was primarily driven by an increase in investment losses of $80.0 million, a decline in net performance fees of $37.6 million, and an increase in equity-based compensation of $4.2 million, partially offset by an increase in fee related earnings of $21.0 million.

Fee Related Earnings. Fee related earnings increased $21.0 million for the year ended December 31, 2013 as compared to 2012 to $24.6 million. The increase in fee related earnings is primarily attributable to an increase in fee revenues of $46.4 million, partially offset by increases in general, administrative, and other indirect expenses of $16.5 million, base compensation of $5.0 million, and interest expense of $3.8 million.

Performance Fees. Performance fees of $83.9 million and $93.4 million for the years ended December 31, 2013 and 2012, respectively, are inclusive of performance fees reversed of approximately $39.0 million and $13.6 million, respectively. Performance fees for this segment by type of fund are as follows:

	Performance Fees		Carry Fund Portfolio Appreciation (Depreciation)	
	Year Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012
	(Dollars in millions)			
Real Estate funds [1]	$106.4	$50.0	4%	16%
Natural Resources funds [1]	5.2	—	17%	(1)%
Legacy Energy funds [1]	(27.7)	43.4	(2)%	8%
Performance fees	$83.9	$93.4	1%	9%

(1) During 2014, we created the “Legacy Energy funds” category to include our energy and renewable resources funds that we jointly advise with Riverstone Holdings L.L.C. We also created the “Natural Resources funds” category to include NGP carry funds, our infrastructure, power, and international energy funds. Our infrastructure and power funds were previously classified as part of our “Real Estate funds” category. Prior periods have been reclassified to

conform with the current presentation.

Performance fees for the year ended December 31, 2013 were primarily driven by performance fees related to CRP VI of $76.2 million. Performance fees for the year ended December 31, 2012 were primarily driven by performance fees related to two of the Legacy Energy funds (Energy III and Energy II) (including co-investments) of $24.0 million and $12.1 million, respectively, CRP VI of $17.2 million, and our third U.S. real estate fund (“CRP III”) of $13.6 million.

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Net performance fees for the year ended December 31, 2013 were $31.2 million, representing a decline of $37.6 million over $68.8 million in net performance fees for the year ended December 31, 2011.
Investment Income (Loss). Investment loss was $85.0 million for the year ended December 31, 2013 compared to an investment loss of $5.0 million in 2012. The increase in realized investment losses of $22.6 million was due primarily to the realization of a $15.0 million investment loss related to an investment in Urbplan that was originally reserved in 2012 and realized losses from investments in a European real estate fund. The increase in unrealized investment losses of $57.4 million was due primarily to unrealized losses on investments in two European real estate funds totaling $67.1 million, unrealized losses related to investments in Urbplan of $6.4 million prior to the Partnership's consolidation of Urbplan on September 30, 2013, and the Partnership's allocation of Urbplan's net losses of $5.6 million for the period subsequent to the consolidation of Urbplan.

Distributable Earnings. Distributable earnings declined $56.4 million to $46.4 million for the year ended December 31, 2013 from $102.8 million in 2012. The decline was due to declines in realized net performance fees of $54.8 million and increases in realized investment losses of $22.6 million, partially offset by an increase in fee related earnings of $21.0 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Fee-earning AUM as of and for each of the Three Years in the Period Ended December 31, 2014.
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.

	As of December 31,					
	2014		2013		2012	
	(Dollars in millions)					
Real Assets						
Components of Fee-earning AUM (1)						
Fee-earning AUM based on capital commitments	$5,143		$9,593		$9,170	
Fee-earning AUM based on invested capital (2)	22,528		18,199		20,135	
Fee-earning AUM based on lower of cost or fair value and other (3)	680		646		—	
Total Fee-earning AUM (4)	$28,351		$28,438		$29,305	
Weighted Average Management Fee Rates (5)						
All Funds	1.31	%	1.18	%	1.26	%
Funds in Investment Period	1.54	%	1.27	%	1.22	%

(1) For additional information concerning the components of Fee-earning AUM, See "—Fee-earning Assets under Management."
(2) Includes amounts committed to or reserved for investments for certain real estate funds.
(3) Includes certain funds that are calculated on gross asset value.
(4) Energy II, Energy III, Energy IV, Renew I, and Renew II (collectively, the "Legacy Energy Funds"), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. With the exception of Energy IV and Renew II, where Carlyle has a minority representation on the funds' management committees, management of each of the Legacy Energy Funds is vested in committees with equal representation by Carlyle and Riverstone, and the consent of representatives of both Carlyle and Riverstone is required for investment decisions. As of December 31, 2014, the Legacy Energy Funds had, in the aggregate, approximately $9.9 billion in AUM and $7.2 billion in Fee-earning AUM. NGP VII, NGP VIII, NGP IX, or in the case of NGP M&R, NGP ETP I, NGP ETP II, and NGPC, certain affiliated entities (collectively, the "NGP management fee funds") and NGP X, NGP GAP and NGP XI (collectively, "carry funds"), are managed by NGP Energy Capital Management. As of December 31, 2014, the NGP management fee funds and

carry funds had, in the aggregate, approximately $14.6 billion in AUM and $8.7 billion in Fee-earning AUM.

(5) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund's Fee-earning AUM, as of the end of each period presented. Calculation reflects Carlyle’s 10% and 47.5% interest in management fees earned by the Legacy Energy funds, NGP management fee funds, and carry funds, respectively. Accounts based on gross asset base generally have an effective management fee rate of 0.5% or less.

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

	Twelve Months Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Real Assets			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$28,438	$29,305	$22,172
Acquisitions	—	—	10,308
Inflows, including Commitments (1)	6,126	2,115	2,006
Outflows, including Distributions (2)	(5,864)	(3,055)	(5,264)
Market Appreciation/(Depreciation) (3)	(6)	—	—
Foreign Exchange and other (4)	(343)	73	83
Balance, End of Period	$28,351	$28,438	$29,305

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

(2) Outflows represent distributions from funds outside the investment period 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 fund of funds vehicles based on the lower of cost or fair value.

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

Fee-earning AUM was relatively unchanged at $28.4 billion for the periods ended December 31, 2014 and December 31, 2013. Outflows of $5.9 billion were principally due to distributions from our fully invested Legacy Energy funds, our U.S. and Europe real estate funds and foreign exchange loss of $0.3 billion. Inflows of $6.1 billion were primarily to commitments to CRP VII and CIEP I, in addition to investments made by our Legacy Energy funds, our U.S. real estate funds and NGP funds with fees based on invested equity. Investment and distribution activity by 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 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 $28.4 billion at December 31, 2013, a decrease of $0.9 billion, or 3%, compared to $29.3 billion at December 31, 2012. Outflows of $3.1 billion were principally due to distributions from our fully invested Legacy Energy funds, one of the NGP management fee funds (“NGP VIII”), and U.S. real estate funds and related co-investments. Inflows of $2.1 billion were primarily related to investment activity in our power (“CPOCP”) fund and related coinvestments, our infrastructure (“CIP”) fund, and several of our real estate funds in the U.S., Europe and Asia that are outside of their initial investment period, in addition to commitments to CIEP I.

Fee-earning AUM was $29.3 billion at December 31, 2012, an increase of $7.1 billion, or 32%, compared to $22.2 billion at December 31, 2011. This was primarily driven by the acquisition of an equity interest in NGP which entitles Carlyle to an allocation of income equal to 47.5% of NGP’s management fee-related revenues and resulted in an increase of $10.3 billion in Fee-earning AUM. Inflows of $2.0 billion were primarily related to investment activity in both our energy funds and several of our real estate funds in the U.S., Europe and Asia that are outside of their initial investment period. Outflows of $5.3 billion were principally due to a change in management fee basis from commitments to invested equity on one of our Legacy Energy funds (“Energy IV”) and CIP I, in addition to distributions from our fully invested Legacy Energy funds, and U.S. real estate funds and related co-investments.

Total AUM as of and for each of the Three Years in the Period Ended December 31, 2014.
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, 2011	$8,278	$22,394	$30,672
Acquisitions	4,000	8,106	12,106
Commitments (1)	(42)	—	(42)
Capital Called, net (2)	(3,510)	3,488	(22)
Distributions (3)	1,208	(5,411)	(4,203)
Market Appreciation/(Depreciation) (4)	—	1,581	1,581
Foreign exchange and other (5)	10	92	102
Balance, As of December 31, 2012	$9,944	$30,250	$40,194
Commitments (1)	1,961	—	1,961
Capital Called, net (2)	(4,013)	4,097	84
Distributions (3)	845	(6,059)	(5,214)
Market Appreciation/(Depreciation) (4)	—	1,649	1,649
Foreign exchange and other (5)	17	(27)	(10)
Balance, As of December 31, 2013	$8,754	$29,910	$38,664
Commitments (1)	8,888	—	8,888
Capital Called, net (2)	(3,612)	4,081	469
Distributions (3)	1,751	(8,698)	(6,947)
Market Appreciation/(Depreciation) (4)	—	1,577	1,577
Foreign exchange and other (5)	(67)	(289)	(356)
Balance, As of December 31, 2014	$15,714	$26,581	$42,295

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

(2) Represents capital called by our carry funds and NGP management fee funds, net of fund fees and expenses. Equity invested amounts may vary from capital called due to timing differences between acquisition and capital call dates.

(3) Represents distributions from our carry funds and NGP management fee funds, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.

(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-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Total AUM was $42.3 billion at December 31, 2014, an increase of $3.6 billion, or 9%, compared to $38.7 billion at December 31, 2013. This increase is due to (a) commitments of $8.9 billion in CRP VII, NGP XI, CIEP I, CPP II and related coinvestment vehicles, and (b) market appreciation of $1.6 billion, despite a 2% decrease in values across the real assets carry funds due to the inclusion of the NGP management fee funds in Total AUM. Offsetting this increase were net distributions of $6.9 billion, primarily in our Natural Resources and Legacy Energy fund platforms.

Total AUM was $38.7 billion at December 31, 2013, a decrease of $1.5 billion, or 4%, compared to $40.2 billion at December 31, 2012. The decrease was primarily due to distributions of $6.0 billion, of which approximately $0.8 billion was recycled back into available capital. This decrease was offset by commitments raised of $2.0 billion by CIEP I, CPOCP I, and various coinvestments and managed accounts in our Asia real estate funds. Market appreciation

of $1.6 billion was driven by a 1% increase in values across the real assets carry funds, primarily driven by a 5% increase in our infrastructure and real estate funds.

Total AUM was $40.2 billion at December 31, 2012, an increase of $9.5 billion, or 31%, compared to $30.7 billion at December 31, 2011. The increase was primarily due to the acquisition of an equity interest in NGP resulting in the inclusion of

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approximately $12.1 billion of AUM. This increase was offset by distributions of $5.4 billion, of which approximately $1.2 billion was recycled back into available capital. Market appreciation of $1.6 billion was driven by a 9% increase in values across the real assets carry funds, primarily driven by our real estate funds.

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 December 31, 2014 and excluding the NGP management fee funds, which we refer to as our "significant funds," is generally 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 "Item 1A. Risk Factors — Risks Related to Our Business Operations — The historical returns attributable to our funds, including those presented in this report, 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. See "Business — Our Family of Funds" for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS as of December 31, 2014					REALIZED/PARTIALLY REALIZED INVESTMENTS(5) as of December 31, 2014			
	Fund Inception Date (1)	Committed Capital	Cumulative Invested Capital (2)	Total Fair Value (3)	MOIC (4)	Gross IRR (7)	Net IRR (8)	Cumulative Invested Capital (2)	Total Fair Value (3)	MOIC (4)	Gross IRR (7)
Real Assets			(Reported in Local Currency, in Millions)					(Reported in Local Currency, in Millions)			
Fully Invested Funds(6)											
CRP III	11/2000	$564.1	$522.5	$1,448.1	2.8x	44%	30%	$522.5	$1,448.1	2.8x	44%
CRP IV	12/2004	$950.0	$1,198.6	$1,461.8	1.2x	4%	—%	$479.4	$550.4	1.1x	10%
CRP V	11/2006	$3,000.0	$3,290.4	$4,827.7	1.5x	11%	8%	$2,690.5	$4,055.0	1.5x	13%
CRP VI	9/2010	$2,340.0	$1,862.1	$2,897.8	1.6x	34%	22%	$598.5	$1,154.0	1.9x	39%
CEREP I	3/2002	€426.6	€517.0	€691.5	1.3x	12%	7%	€517.0	€691.5	1.3x	12%
CEREP II	4/2005	€762.7	€833.8	€128.1	0.2x	n/a	n/a	€594.1	€130.6	0.2x	n/a
CEREP III	5/2007	€2,229.5	€1,981.6	€1,985.4	1.0x	0%	(4)%	€567.8	€710.3	1.3x	6%
CIP	9/2006	$1,143.7	$1,011.7	$1,224.3	1.2x	5%	2%	$180.7	$—	0.0x	n/a
NGP X (14)	1/2012	$3,586.0	$2,458.8	$2,965.9	1.2x	14%	8%	$272.2	$674.5	2.5x	75%
Energy II	7/2002	$1,100.0	$1,334.8	$3,259.5	2.4x	81%	55%	$827.4	$3,131.6	3.8x	105%
Energy III	10/2005	$3,800.0	$3,559.9	$5,861.8	1.6x	11%	8%	$1,545.4	$4,052.7	2.6x	26%
Energy IV	12/2007	$5,979.1	$5,786.3	$8,317.5	1.4x	14%	9%	$2,522.4	$4,764.0	1.9x	28%
Renew II	3/2008	$3,417.5	$2,808.8	$4,013.1	1.4x	11%	8%	$643.1	$842.7	1.3x	13%
All Other Funds(9)	Various		$2,824.8	$3,049.5	1.1x	3%	(2)%	$2,167.1	$2,306.7	1.1x	3%
Coinvestments and Other(10)	Various		$5,271.9	$8,252.4	1.6x	17%	13%	$2,100.3	$4,460.4	2.1x	28%
Total Fully Invested Funds			$35,963.2	$50,973.6	1.4x	13%	8%	$16,580.9	$29,294.2	1.8x	23%

Funds in the Investment Period(6)											
CRP VII (12)	3/2014	$2,662.1	$195.1	$187.3	1.0x	n/m	n/m				
CIEP I (12)	9/2013	$2,159.1	$341.7	$294.5	0.9x	n/m	n/m				
NGP XI (12)	6/2014	$4,244.7	$18.0	$18.0	1.0x	n/m	n/m				
All Other Funds(11)	Various		$97.9	$93.1	1.0x	n/m	n/m				
Total Funds in the Investment Period			$652.6	$592.9	0.9x	(34)%	(66)%	$—	$—	n/a	n/a
TOTAL Real Assets(13)			$36,615.9	$51,566.5	1.4x	13 %	8 %	$16,580.9	$29,294.2	1.8x	23 %

(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.

(4) Multiple of invested capital ("MOIC") represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Real Assets.

(6) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.

(7) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

(8) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(9) Aggregate includes the following funds: CRP I, CRP II, CAREP I, CAREP II, CRCP I, CPOCP, Energy I and Renew I.

(10) Includes coinvestments, prefund investments and certain other stand-alone investments arranged by us.

(11) Aggregate includes the following funds: CPP II and NGP GAP.

(12) Returns are not considered meaningful, as the investment period commenced in September 2013 for CIEP I, March 2014 for CRP VII, and June 2014 for NGP XI.

(13) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

(14) NGP X was previously categorized as an NGP management fee fund, but as of July 1, 2014, is categorized as a Natural Resources carry fund.

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	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of December 31, 2014									
Real Assets										
Energy IV	$3,378.6	1.0x	1.4x	97 %	X	X	80 %	Feb-08	28	Dec-13
NGP X	$2,590.4	1.2x	1.2x	69 %	X		80 %	Jan-12	12	May-17
Renew II	$2,368.5	1.3x	1.4x	82 %	(X)		80 %	Mar-08	28	May-14
CRP VI	$1,766.2	1.4x	1.6x	80 %	X	X	50 %	Mar-11	16	Mar-16
CEREP III	€1,320.7	0.9x	1.0x	89 %			67 %	Jun-07	31	May-11
Energy III	$1,425.8	0.7x	1.6x	94 %	(X)		80 %	Nov-05	37	Oct-11
CRP V	$1,067.5	1.5x	1.5x	110 %			50 %	Nov-06	33	Nov-11
CIP	$965.5	1.0x	1.2x	88 %			80 %	Oct-06	33	Sep-12
CRP IV	$902.1	1.3x	1.2x	126 %			50 %	Jan-05	40	Dec-09
CIEP I	$308.6	0.9x	0.9x	16 %			80 %	Oct-13	5	Sep-19
CRP III	$297.1	48.2x	2.8x	93 %	X	X	50 %	Mar-01	56	May-05
CRP VII	$190.5	1.0x	1.0x	7 %			0.8	Jun-14	3	Mar-19
Energy II	$139.9	0.3x	2.4x	121 %	(X)		0.8	Jan-03	48	Jul-08
All Other Funds (8)	$465.8	0.8x	0.9x		n/m	n/m				
Coinvestment and Other (9)	$3,214.0	1.0x	1.6x		n/m	n/m				
Total Real Assets (10)	$20,678.6	1.0x	1.4x							

(1) Net asset value of our carry funds. Reflects significant funds with remaining fair value of greater than $100 million.

(2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by investment cost.

(3) Total MOIC represents total fair value before management fees, expenses and carried interest, divided by cumulative invested capital.

(4) Represents cumulative equity invested as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.

(5) Fund has accrued carry/(clawback) as of the reporting period.

(6) Fund has realized carry in the last twelve months.

(7) Represents the date of the first capital contribution for management fees.

(8) Aggregate includes the following funds: CRP I, CRP II, CRP VII, CRCP I, CEREP I, CEREP II, CAREP I, CAREP II, CPOCP I, NGP GAP, Energy I and Renew I. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(9) Includes coinvestments, prefund investments and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

(10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

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Investment Solutions

Through August 1, 2013, our Investment Solutions segment results reflected our 60% ownership interest in AlpInvest's operations, while our consolidated financial statements reflected 100% of AlpInvest's operations and a non-controlling interest of 40%. As a result of our acquisition of the remaining 40% equity interest in AlpInvest on August 1, 2013, our segment results prospectively from that date reflect our 100% ownership interest in AlpInvest. Also, as a result of our acquisitions of Metropolitan on November 1, 2013 and DGAM on February 3, 2014, our segment results include the results of operations of Metropolitan and DGAM since that date. Investment Solutions was previously referred to as Solutions. The following table presents our results of operations for our Investment Solutions segment:

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Segment Revenues			
Fund level fee revenues			
Fund management fees	$181.4	$119.0	$68.8
Portfolio advisory fees, net	—	—	—
Transaction fees, net	—	—	—
Total fund level fee revenues	181.4	119.0	68.8
Performance fees			
Realized	42.9	21.7	10.6
Unrealized	150.0	129.8	30.5
Total performance fees	192.9	151.5	41.1
Investment income			
Realized	—	—	—
Unrealized	0.4	0.2	—
Total investment income	0.4	0.2	—
Interest and other income	1.3	0.2	0.7
Total revenues	376.0	270.9	110.6
Segment Expenses			
Compensation and benefits			
Direct base compensation	85.8	53.6	33.8
Indirect base compensation	13.6	5.6	6.2
Equity-based compensation	4.8	0.7	—
Performance fee related			
Realized	30.9	14.3	10.0
Unrealized	145.0	131.2	32.1
Total compensation and benefits	280.1	205.4	82.1
General, administrative, and other indirect expenses	41.9	23.2	10.7
Depreciation and amortization expense	3.8	2.3	1.6
Interest expense	5.5	2.3	1.3
Total expenses	331.3	233.2	95.7
Economic Net Income[(1)]	$44.7	$37.7	$14.9
(-) Net Performance Fees[(1)]	17.0	6.0	(1.0)
(-) Investment Income	0.4	0.2	—
(+) Equity-based Compensation	4.8	0.7	—
(=) Fee-Related Earnings	$32.1	$32.2	$15.9
(+) Realized Net Performance Fees[(1)]	12.0	7.4	0.6
(+) Realized Investment Income	—	—	—

(=) Distributable Earnings[1]	$44.1	$39.6	$16.5

(1) - In the fourth quarter of 2014, we reclassified certain tax expenses associated with carried interest attributable to certain partners and employees as a component of performance fee related compensation expense. Prior periods have been reclassified to conform with our new presentation.

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Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Total fee revenues were $181.4 million and $119.0 million for the year ended December 31, 2014 and 2013, respectively. The increase was due primarily to the increase of $15.9 million of management fees from our acquisition of Metropolitan, the incremental $17.5 million of management fees from our acquisition of DGAM, and the increase in management fees from our acquisition of the remaining 40% equity interest in AlpInvest in August 2013.

Total compensation and benefits were $280.1 million and $205.4 million for the year ended December 31, 2014 and 2013, respectively. Performance fee related compensation expense was $175.9 million and $145.5 million, or 91% and 96% of performance fees for the year ended December 31, 2014 and 2013, respectively.

Direct and indirect base compensation expense was $99.4 million and $59.2 million for the year ended December 31, 2014 and 2013, respectively. After considering the increase in compensation expense from our acquisition of Metropolitan of $11.0 million and our acquisition of DGAM of $11.0 million, and the acquisition of the remaining 40% equity interest in AlpInvest, the increase was also due to incremental costs related to investments in additional investor relations personnel for the Investment Solutions business lines.

Equity-based compensation was $4.8 million and $0.7 million for the years ended December 31, 2014 and 2013, respectively. The increase is due primarily to the ongoing granting of deferred restricted common units to new and existing employees during 2013 and 2014 and, to a lesser extent, a decrease in the estimated forfeiture rates during the second quarter of 2013.

General, administrative and other indirect expenses were $41.9 million and $23.2 million for the years ended December 31, 2014 and 2013, respectively. The increase was due primarily to the increase in general, administrative and other indirect expenses from our acquisition of Metropolitan of $5.9 million and our acquisition of DGAM of $4.8 million, and the acquisition of the remaining 40% equity interest in AlpInvest.

Depreciation and amortization expense was $3.8 million and $2.3 million for the years ended December 31, 2014 and 2013, respectively.

Interest expense was $5.5 million and $2.3 million for the years ended December 31, 2014 and 2013, respectively. The increase was due primarily to the allocated interest on $400 million and $200 million of 5.625% senior notes due 2043 issued in March 2013 and March 2014, respectively.

Economic Net Income. Economic net income was $44.7 million and $37.7 million for the years ended December 31, 2014 and 2013, respectively. The increase in ENI for the year ended December 31, 2014 as compared to 2013 was primarily driven by an increase in net performance fees of $11.0 million, partially offset by an increase in equity-based compensation expense of $4.1 million and a decrease in fee related earnings of $0.1 million.

Fee Related Earnings. Fee related earnings were $32.1 million and $32.2 million for the years ended December 31, 2014 and 2013, respectively.

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

Performance fees were $192.9 million and $151.5 million for the years ended December 31, 2014 and 2013, respectively. Performance fees for 2014 are inclusive of approximately $0.7 million of performance fee reversals; there were no reversals of performance fees for 2013. Performance fees for this segment by type of fund are as follows:

	Year Ended December 31,	
	2014	2013
	(Dollars in millions)	
Private equity fund of funds	$185.7	$151.5
Hedge fund of funds	7.2	—
Performance fees	$192.9	$151.5

The $192.9 million in performance fees for the year ended December 31, 2014 was driven by performance fees for the Co-Investment Fund & Secondaries Fund (2012-2013) of $32.9 million, Co-Investment Fund & Secondaries Fund (2009-2010) of $24.3 million, Partnership Fund (2007) of $14.5 million, and Partnership Fund (2008) of $13.8 million. Performance fees for the years ended December 31, 2014 and 2013 were primarily due to the overall appreciation in the investments in the AlpInvest fund of funds vehicles of approximately 30% and 17% for the years ended December 31, 2014 and 2013, respectively.

Net performance fees for the year ended December 31, 2014 were $17.0 million, representing an increase of $11.0 million from $6.0 million in net performance fees for the year ended December 31, 2013.

Distributable Earnings. Distributable earnings were $44.1 million and $39.6 million for the years ended December 31, 2014 and 2013, respectively. The increase in distributable earnings was due to the increase in realized net performance fees of $4.6 million, partially offset by a decrease in fee related earnings of $0.1 million.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Total fee revenues were $119.0 million and $68.8 million for the year ended December 31, 2013 and 2012, respectively. After considering the increase in management fees from our acquisition of the remaining 40% equity interest in AlpInvest in August 2013 and the incremental $3.6 million of management fees from our acquisition of Metropolitan in November 2013, the increase in management fees was also due to an increase in Fee-earning AUM. Fee-earning AUM was $35.1 billion and $28.9 billion as of December 31, 2013 and 2012, respectively, representing an increase of $6.2 billion. Also, coinvestments represent a larger percentage of Fee-earning AUM in 2013 as compared to 2012. The management fee rate for coinvestments generally is higher than the management fee rates for fund investments and secondary investments.

Total compensation and benefits were $205.4 million and $82.1 million for the year ended December 31, 2013 and 2012, respectively. Performance fee related compensation expense was $145.5 million and $42.1 million, or 96% and 102% of performance fees for the year ended December 31, 2013 and 2012, respectively. The decrease in performance fee compensation as a percentage of performance fees is due primarily to incremental allocations of carried interest to Carlyle under our existing arrangements with the historical owners and management team of AlpInvest.

Direct and indirect base compensation expense was $59.2 million and $40.0 million for the year ended December 31, 2013 and 2012, respectively. After considering the increase in compensation expense from our acquisition of the remaining 40% equity interest in AlpInvest in August 2013 and the acquisition of Metropolitan in November 2013, the increase in direct and indirect base compensation expense was due to adjustments to reflect higher annual bonuses.

Equity-based compensation expense was $0.7 million for the year ended December 31, 2013.

General, administrative and other indirect expenses were $23.2 million and $10.7 million for the years ended December 31, 2013 and 2012, respectively. Such expenses are comprised primarily of professional fees and rent. After considering the increase in these expenses from our acquisition of the remaining 40% equity interest in AlpInvest in August 2013 and the acquisition of Metropolitan in November 2013, the increase in expense from 2012 to 2013 was due to lower expenses in 2012 from proceeds from an insurance settlement recognized in 2012.

Depreciation and amortization expense was $2.3 million and $1.6 million for the years ended December 31, 2013 and 2012, respectively.
Interest expense was $2.3 million and $1.3 million for the years ended December 31, 2013 and 2012, respectively.

Economic Net Income. Economic net income was $37.7 million and $14.9 million for the years ended December 31, 2013 and 2012, respectively. After considering the increase in ENI from our acquisitions of the remaining 40% equity interest in AlpInvest and the acquisition of Metropolitan, the increase was also due to increases in net performance fees and fee related earnings.
Fee Related Earnings. Fee related earnings were $32.2 million and $15.9 million for the years ended December 31, 2013 and 2012, respectively. After considering the increase in fee related earnings from our acquisitions of the remaining 40% equity interest in AlpInvest and the acquisition of Metropolitan, the increase was also due to increases in fee revenues, partially offset by increases in direct and indirect base compensation.
Performance Fees. Performance fees were $151.5 million and $41.1 million for the years ended December 31, 2013 and 2012, respectively. The increase is due primarily to multiple fund of funds vehicles exceeding their performance threshold during 2013, resulting in the recognition of a cumulative catch-up of performance fees at such time, which was driven by overall appreciation in the investments in the AlpInvest fund of funds vehicles of 17% during 2013. Additionally, the increase in performance fees during 2013 was due to appreciation in fair value during 2013 of various fund of funds vehicles that were already generating performance fees after having previously exceeded their performance threshold. The remainder of the increase was due to our acquisition of the remaining 40% equity interest in AlpInvest.

Distributable Earnings. Distributable earnings were $39.6 million and $16.5 million for the years ended December 31, 2013 and 2012, respectively. After considering the increase in distributable earnings from our acquisitions of the remaining 40% equity interest in AlpInvest and 100% interest in Metropolitan, the increase was also due primarily to increases in fee related earnings.

Fee-earning AUM as of and for each of the Three Years Ended December 31, 2014.
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 during the period.

	As of December 31,		
	2014	2013	2012
	(Dollars in millions)		
Investment Solutions			
Components of Fee-earning AUM (1)			
Fee-earning AUM based on capital commitments	$9,669	$10,859	$6,379
Fee-earning AUM based on invested capital (2)	1,307	1,120	—
Fee-earning AUM based on net asset value	2,072	—	—
Fee-earning AUM based on lower of cost or fair market value	20,034	23,088	22,563
Total Fee-earning AUM	$33,082	$35,067	$28,942

(1) For additional information concerning the components of Fee-earning AUM, see “—Fee-earning Assets under Management”
(2) Includes amounts committed to or reserved for investments for certain Metropolitan fund of funds vehicles.

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

	Twelve Months Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Investment Solutions			
Fee-earning AUM Rollforward			
Balance, Beginning of Period	$35,067	$28,942	$27,671
Acquisitions	2,894	2,157	—
Inflows, including Commitments (1)	5,941	7,605	7,480
Outflows, including Distributions (2)	(6,291)	(5,496)	(7,969)
Subscriptions, net of Redemptions (3)	(1,044)	—	—
Market Appreciation/(Depreciation) (4)	292	276	1,038
Foreign Exchange and other (5)	(3,777)	1,583	722
Balance, End of Period	$33,082	$35,067	$28,942

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

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

(3) Represents subscriptions and redemptions in our fund of hedge funds vehicles.

(4) Market Appreciation/(Depreciation) represents changes in the net asset value of our fund of hedge funds vehicles and realized and unrealized gains (losses) on our fund of funds vehicles based on the lower of cost or fair value.

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

Fee-earning AUM was $33.1 billion at December 31, 2014, a decrease of $2.0 billion, or 6%, compared to $35.1 billion at December 31, 2013. Outflows of $6.3 billion were primarily due to distributions in the AlpInvest and Metropolitan funds outside of their commitment or weighted-average investment periods, in addition to the reduction in basis from commitments to invested equity for those fund of funds vehicles that reached the end of their commitment period. Distributions from funds still in the commitment fee period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital. In addition, there was $3.8 billion in foreign exchange loss on our AlpInvest fund of funds vehicles due to the decreasing value of the Euro in the translation to U.S. dollars as of the end of the period. Offsetting this decrease was the acquisition of DGAM in February 2014, with Fee-earning AUM of $2.9 billion and its subsequent net redemptions of $1.0 billion during the year. Inflows of $5.9 billion were primarily related to the initiation of fees on several 2014 mandates that made their first investment during the year and do not include approximately $3.3 billion of commitments raised in 2014 which have not yet activated their fees. Inflows also include amounts invested by funds outside of their commitment fee period that are based on the lower of cost or fair value of the underlying investments.

Fee-earning AUM was $35.1 billion at December 31, 2013, an increase of $6.2 billion, or approximately 21%, compared to $28.9 billion at December 31, 2012. Inflows of $7.6 billion were primarily related to the initiation of fees on several 2013 mandates that made their first investment during the year and also include amounts invested by funds outside of their commitment fee period that are based on the lower of cost or fair value of the underlying investments. This increase was also related to the acquisition of 22 fund of funds vehicles managed by Metropolitan of $2.2 billion. Outflows of $5.5 billion were principally a result of a change in basis from commitments to the lower of cost or fair value for vehicles that reached the end of their commitment fee period, as well as distributions from several funds

outside of their commitment fee period. In addition, the segment experienced a $1.6 billion increase resulting from the translation of the euro-denominated funds into U.S. Dollars as of the end of the period.

Fee-earning AUM was $28.9 billion at December 31, 2012, an increase of $1.2 billion, or approximately 4%, compared to $27.7 billion at December 31, 2011. Inflows of $7.5 billion were primarily related to the initiation of fees on several 2012 mandates that made their first investment during the year. Outflows of $8.0 billion were principally a result of a change in basis from commitments to the lower of cost or fair value for vehicles that reached the end of their commitment fee

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period, as well as distributions from several funds outside of their commitment fee period. In addition, the segment experienced a $0.7 billion increase resulting from the translation of the euro-denominated funds into U.S. Dollars as of the end of the period and a $1.0 billion in market appreciation for funds that are outside the commitment fee period and based on the lower of cost or fair value.

Total AUM as of and for each of the Three Years Ended December 31, 2014.

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)		
Investment Solutions			
Balance, As of December 31, 2011	$14,840	$25,879	$40,719
Commitments (1)	3,561	—	3,561
Capital Called, net (2)	(4,475)	4,414	(61)
Distributions (3)	435	(6,576)	(6,141)
Market Appreciation/(Depreciation) (4)	—	5,037	5,037
Foreign exchange and other (5)	167	800	967
Balance, As of December 31, 2012	$14,528	$29,554	$44,082
Acquisitions	622	1,521	2,143
Commitments (1)	4,745	—	4,745
Capital Called, net (2)	(3,653)	3,740	87
Distributions (3)	497	(8,613)	(8,116)
Market Appreciation/(Depreciation) (4)	—	5,962	5,962
Foreign exchange and other (5)	324	577	901
Balance, As of December 31, 2013	$17,063	$32,741	$49,804
Acquisitions	—	2,993	2,993
Commitments (1)	4,605	—	4,605
Capital Called, net (2)	(4,857)	4,487	(370)
Distributions (3)	428	(9,903)	(9,475)
Subscriptions, net of Redemptions (4)	—	(1,084)	(1,084)
Market Appreciation/(Depreciation) (5)	—	6,999	6,999
Foreign exchange and other (6)	(1,033)	(1,670)	(2,703)
Balance, As of December 31, 2014	$16,206	$34,563	$50,769

(1) Represents capital raised by our fund of funds vehicles, including activation of new mandates, net of expired available capital.

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

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

(4) Represents the net result of subscriptions to and redemptions from our fund of hedge funds vehicles.

(5) Market Appreciation/(Depreciation) represents changes in the net asset value of our fund of hedge funds vehicles and realized and unrealized gains (losses) on fund investments, secondary investments, coinvestments, and real estate fund of funds vehicles. Fair market values for fund of funds vehicles are based on the latest available valuations of the underlying limited partnership interests (in most cases as of September 30, 2014) as provided by their general partners, plus the net cash flows since the latest valuation, up to December 31, 2014.

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

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Total AUM was $50.8 billion as of December 31, 2014, an increase of $1.0 billion, or 2%, compared to $49.8 billion as of December 31, 2013. This increase was primarily driven by (a) market appreciation of $7.0 billion, due to 30% appreciation in our AlpInvest fund of funds vehicles, (b) activation of new mandates at AlpInvest and new commitments to Metropolitan during the year of approximately $4.6 billion, and (c) $3.0 billion from the DGAM acquisition. This was offset by (a) distributions of approximately $9.5 billion in the quarter, net of amounts recycled, (b) loss on the translation to U.S. dollars for our Euro-denominated funds of $2.7 billion, and (c) net redemptions of $1.1 billion in our fund of hedge funds vehicles.

Total AUM was $49.8 billion at December 31, 2013, an increase of $5.7 billion, or 13%, compared to $44.1 billion at December 31, 2012. This increase was primarily driven by (a) market appreciation of $6.0 billion, due to 17% appreciation in our AlpInvest fund of funds vehicles, (b) activation of new mandates during the year of approximately $4.7 billion, and (c) $2.1 billion from the Metropolitan acquisition. This was offset by distributions of approximately $8.1 billion in the quarter, net of amounts recycled.

Total AUM was $44.1 billion at December 31, 2012, an increase of $3.4 billion, or 8%, compared to $40.7 billion at December 31, 2011. This increase was primarily a result of market appreciation of $5.0 billion and activation of new mandates during the year of approximately $3.6 billion. This was offset by distributions of approximately $6.1 billion in the quarter, net of amounts recycled.

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 December 31, 2014, which we refer to as our "significant funds," is generally 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 "Item 1A. Risk Factors—Risks Related to Our Business Operations—The historical returns attributable to our funds, including those presented in this report, 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 Investment Solutions business.

	TOTAL INVESTMENTS as of December 31, 2014						
	Vintage Year	Fund Size	Cumulative Invested Capital (2)(8)	Total Fair Value (3)(8)	MOIC (4)	Gross IRR (6)	Net IRR (7)
	(Reported in Local Currency, in Millions)						
Investment Solutions (1)							
Fully Committed Funds (5)							
Main Fund I - Fund Investments	2000	€5,174.6	€4,120.0	€6,727.6	1.6x	12 %	12 %
Main Fund II - Fund Investments	2003	€4,545.0	€4,697.5	€7,201.4	1.5x	10 %	10 %
Main Fund III - Fund Investments	2005	€11,500.0	€11,789.8	€16,831.2	1.4x	9 %	9 %
Main Fund IV - Fund Investments	2009	€4,880.0	€3,131.9	€3,878.0	1.2x	13 %	12 %
Main Fund I - Secondary Investments	2002	€519.4	€483.7	€905.7	1.9x	56 %	52 %
Main Fund II - Secondary Investments	2003	€998.4	€978.3	€1,789.0	1.8x	27 %	26 %
Main Fund III - Secondary Investments	2006	€2,250.0	€2,265.8	€3,204.3	1.4x	10 %	10 %
Main Fund IV - Secondary Investments	2010	€1,856.4	€1,818.3	€2,746.9	1.5x	20 %	19 %
Main Fund II - Co-Investments	2003	€1,090.0	€909.5	€2,472.1	2.7x	44 %	42 %
Main Fund III - Co-Investments	2006	€2,760.0	€2,712.7	€3,729.7	1.4x	6 %	5 %
Main Fund IV - Co-Investments	2010	€1,475.0	€1,301.4	€2,424.6	1.9x	22 %	20 %
Main Fund V - Co-Investments	2012	€1,122.2	€957.2	€1,385.0	1.4x	41 %	37 %
Main Fund II - Mezzanine Investments	2004	€700.0	€742.6	€1,018.2	1.4x	8 %	7 %
Main Fund III - Mezzanine Investments	2006	€2,000.0	€1,700.8	€2,257.4	1.3x	11 %	9 %
All Other Funds (9)	Various		€1,760.5	€2,467.8	1.4x	16 %	13 %
Total Fully Committed Funds			€39,370.2	€59,038.8	1.5x	12 %	12 %
Funds in the Commitment Period							
Main Fund V - Fund Investments	2012	€5,080.0	€983.9	€962.2	1.0x	(3)%	(7)%
Main Fund V - Secondary Investments	2011	€3,793.0	€1,566.0	€2,237.5	1.4x	31 %	28 %
All Other Funds (9)	Various		€72.3	€72.1	1.0x	(1)%	(11)%
Total Funds in the Commitment Period			€2,622.2	€3,271.8	1.2x	24 %	20 %
TOTAL INVESTMENT SOLUTIONS			€41,992.4	€62,310.6	1.5x	13 %	12 %
TOTAL INVESTMENT SOLUTIONS (USD) (10)			$50,813.6	$75,400.0	1.5x		

(1) Includes private equity and mezzanine primary fund investments, secondary fund investments and co-investments originated by the AlpInvest team. Excluded from the performance information shown are a) investments that were not originated by AlpInvest, b) Direct Investments, which was spun off from AlpInvest in 2005, and c) Metropolitan Real Estate fund of funds vehicles. As of December 31, 2014, these excluded investments represent

$0.6 billion of AUM at AlpInvest and $2.0 billion of AUM at Metropolitan.

(2) Represents the original cost of all capital called for investments since inception of the fund.

(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.

(4) Multiple of invested capital ("MOIC") represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) Fully Committed funds are past the expiration date of the commitment period as defined in the respective limited partnership agreement.

(6) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.

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(7) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.
(8) For purposes of aggregation, funds that report in foreign currency have been converted to Euro at the reporting period spot rate.
(9) Aggregate includes Main Fund I - Co-Investments, Main Fund I - Mezzanine Investments, AlpInvest CleanTech Funds and funds which are not included as part of a main fund.
(10) Represents the U.S. dollar equivalent balance translated at the spot rate as of period end.

Liquidity and Capital Resources
Historical Liquidity and Capital Resources
We have historically required limited capital resources to support the working capital and operating needs of our business. Our management fees have largely covered our operating costs and we have distributed all realized performance fees after related compensation to equityholders. Historically, approximately 95% of all capital commitments to our funds have been provided by our fund investors, with the remaining amount typically funded by our senior Carlyle professionals, operating executives and other professionals.
For periods prior to our initial public offering in May 2012, our cash distributions included compensatory payments to our senior Carlyle professionals, which we accounted for as distributions from equity rather than as employee compensation, and also included distributions in respect of co-investments made by the owners of the Parent Entities indirectly through the Parent Entities. Distributions related to co-investments are allocable solely to the individuals that funded those co-investments.
Cash Flows
The significant captions and amounts from our consolidated statements of cash flows which include the effects of our Consolidated Funds and CLOs in accordance with U.S. GAAP are summarized below.

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Statements of Cash Flows Data			
Net cash provided by operating activities	$2,645.7	$2,994.3	$2,028.4
Net cash provided by (used in) investing activities	37.0	(135.1)	(126.1)
Net cash used in financing activities	(2,293.4)	(2,503.7)	(1,841.3)
Effect of foreign exchange rate change	(113.9)	44.0	(3.5)
Net change in cash and cash equivalents	$275.4	$399.5	$57.5

Net Cash Provided by 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, the related non-cash performance fee related compensation, and non-cash equity-based compensation, all of which are included in earnings. Cash flows from operating activities prior to our initial public offering do not reflect any amounts paid or distributed to senior Carlyle professionals as these amounts were included as a use of cash for distributions in financing activities. Subsequent to our initial public offering in May 2012, we record cash compensation expense related to senior Carlyle professionals, which has the effect of reducing cash provided by operating activities and cash used in financing activities as compared to the periods prior to the initial public offering. Cash used to purchase investments and trading securities 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 year ended December 31, 2014, investment proceeds were $541.6 million while investment purchases were $221.9 million. During the year ended December 31, 2013, investment proceeds were $294.3 million while investment purchases were $93.0 million. During the year ended December 31, 2012, investment proceeds were

$215.6 million while investment purchases were $540.4 million. Also included in our net cash provided by operating activities are proceeds from sales of investments by the Consolidated Funds, offset by purchases of investments by the Consolidated Funds. For the year ended December 31, 2014, proceeds from the sales and settlements of investments by the Consolidated Funds were $10,685.6 million, while purchases of investments by the Consolidated Funds were $10,566.3 million. For the year ended December 31, 2013, proceeds from the sales and settlements of investments by the Consolidated Funds were $11,631.6 million, while

purchases of investments by the Consolidated Funds were $11,555.0 million. For the year ended December 31, 2012, proceeds from the sales and settlements of investments by the Consolidated Funds were $8,530.5 million, while purchases of investments by the Consolidated Funds were $7,176.3 million.

Net Cash Provided by (Used in) Investing Activities. Our investing activities generally reflect cash used for acquisitions, fixed assets and software for internal use, and changes in restricted cash. During the year ended December 31, 2014, cash provided by investing activities primarily reflects a change in restricted cash balances. During the fourth quarter of 2013, we received $89.2 million of cash on behalf of a non-consolidated Carlyle fund that was remitted to the fund in January 2014; this amount was classified as restricted cash as of December 31, 2013. Purchases of fixed assets were $29.7 million, $29.5 million and $32.7 million for the years ended December 31, 2014, 2013 and 2012, respectively. The 2014 acquisition of DGAM resulted in the net use of cash of $3.1 million during the year ended December 31, 2014. The 2013 acquisition of Metropolitan resulted in the net use of cash of $10.2 million during the year ended December 31, 2013. The acquisitions of Vermillion and the Highland CLOs resulted in the net use of cash of $83.8 million during the year ended December 31, 2012.

Net Cash Used in Financing Activities. Financing activities are a net use of cash in each of the historical periods presented. In March 2014, the Partnership received net proceeds from the issuance of 13,800,000 newly issued common units of $449.5 million. The Partnership used $303.4 million of these proceeds to acquire 9,300,000 Carlyle Holdings partnership units from limited partners of the Carlyle Holdings partnerships. The remaining net proceeds of $146.1 million were used by the Partnership to acquire 4,500,000 newly issued Carlyle Holdings partnership units. Carlyle Holdings is using the proceeds from the issuance of the 4,500,000 Carlyle Holdings partnership units for general corporate purposes, including investments in our funds as well as investment capital for acquisitions of new fund platforms and strategies or other growth initiatives, to drive innovation across the broader Carlyle platform. Also, during March 2014, we received net proceeds of $210.8 million, net of financing costs, from the issuance of an additional $200.0 million of our 5.625% senior notes due 2043 at 104.315% of par. The net proceeds from this issuance is being used for general corporate purposes, including investments in our funds as well as investment capital for acquisitions of new fund platforms and strategies and other growth initiatives.

For the year ended December 31, 2013, we received net proceeds of $495.3 million, net of financing costs, from the $500.0 million senior notes issuance in January 2013 and $394.1 million, net of financing costs, for the $400.0 million senior notes issuance in March 2013. The proceeds from these senior notes issuances were used to repay outstanding borrowings under our revolving credit facility and our term loan. For the year ended December 31, 2013, our repayments under our revolving credit facility were $386.3 million and our payments on our loans payable were $475.0 million. In addition, for the year ended December 31, 2013, we received net proceeds of $17.1 million, net of financing costs, from the loan issued related to one of our European CLO investments.

As noted above, for periods prior to the initial public offering in May 2012, financing activities include distributions to senior Carlyle professionals, CalPERS, and Mubadala of $452.3 million for the year ended December 31, 2012. For the year ended December 31, 2012, our net borrowings under our revolving credit facility were $75.4 million and our payments on our loans payable were $310.0 million. The net proceeds from our initial public offering in May 2012 were $615.8 million.

Distributions to our common unitholders were $102.7 million, $59.9 million, and $11.7 million for the years ended December 31, 2014, 2013, and 2012, respectively. Distributions to the non-controlling interest holders in Carlyle Holdings were $486.9 million, $372.9 million, and $96.6 million for the years ended December 31, 2014, 2013, and 2012, respectively. The net payments on loans payable by our Consolidated Funds during the years ended December 31, 2014, 2013, and 2012 were $1,033.4 million, $1,595.2 million, and $1,415.2 million, respectively. For the years ended December 31, 2014, 2013, and 2012, contributions from non-controlling interest holders were $2,203.1 million, $2,474.9 million, and $2,044.7 million, respectively, which relate primarily to contributions from the non-controlling interest holders in Consolidated Funds. For the years ended December 31, 2014, 2013, and 2012, distributions to non-controlling interest holders were $4,190.4 million, $3,038.0 million, and $2,310.2 million, respectively, which relate primarily to distributions to the non-controlling interest holders in Consolidated Funds.

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 compliance costs and other obligations as they arise;

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- fund capital expenditures;
- repay borrowings and related interest costs and expenses;
- pay earnouts and contingent cash consideration associated with our acquisitions and strategic investments;
- pay income taxes;
- make distributions to our unitholders and the holders of the Carlyle Holdings partnership units in accordance with our distribution policy; and
- fund the capital investments of Carlyle in our funds.

With respect to distribution year 2014, we declared distributions to common unitholders totaling approximately $143.2 million, or $2.09 per common unit, consisting of $0.16 per common unit in respect of each of the first three quarters of 2014 and an additional distribution in respect of the fourth quarter of 2014 of $1.61 per common unit (approximately $110.9 million), which is payable on March 6, 2015 to holders of record of common units at the close of business on February 23, 2015. Distributions to common unitholders paid during the calendar year ended December 31, 2014 were $102.7 million, representing the amount paid in March 2014 of $1.40 per common unit with respect to the fourth quarter of 2013 and the $0.16 per common unit quarterly distributions paid in each of May, August and November of 2014.

With respect to distribution year 2013, we declared distributions to common unitholders totaling approximately $93.5 million, or $1.88 per common unit, consisting of $0.16 per common unit in respect of each of the first three quarters of 2013 and an additional distribution in respect of the fourth quarter of 2013 of $1.40 per common unit ($70.4 million), which was paid in March 2014. Distributions to common unitholders paid during the calendar year ended December 31, 2013 were $59.9 million, representing the amount paid in March 2013 of $0.85 per common unit with respect to the fourth quarter of 2012 and the $0.16 per common unit quarterly distributions paid in each of May, August and November of 2013.

With respect to distribution year 2012, we declared distributions to common unitholders totaling approximately $48.5 million, or $1.12 per common unit, consisting of $0.11 per common unit for the second quarter of 2012 (a pro-rated amount from the IPO in May 2012), $0.16 per common unit for the third quarter of 2012, and $0.85 in respect of the fourth quarter of 2012 which was paid in March 2013. Distributions to common unitholders paid during the calendar year ended December 31, 2012 were $11.7 million, representing the $0.11 per common unit quarterly distribution paid in August 2012 and the $0.16 per common unit quarterly distribution paid in November of 2012.

With respect to distribution year 2014, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $524.5 million, or $2.09 per Carlyle Holdings unit, consisting of the distributions declared in respect of the first three quarters of 2014 and an additional distribution in respect of the fourth quarter of 2014 of $1.61 per Carlyle Holdings unit (approximately $404.1 million), which is payable on March 5, 2015 to holders of record of Carlyle Holdings units at the close of business on February 23, 2015. Distributions to the other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2014 were $486.9 million, representing the quarterly distributions paid in each of March, May, August, and November of 2014.

With respect to distribution year 2013, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $515.9 million, or $1.97 per Carlyle Holdings unit, consisting of the distributions declared in respect of the first three quarters of 2013 and an additional distribution in respect of the fourth quarter of 2013 of $1.40 per Carlyle Holdings unit ($366.5 million), which was paid in March 2014. Distributions to the other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2013 were $372.9 million, representing the quarterly distributions paid in each of March, May, August, and November of 2013.

With respect to distribution year 2012, we declared distributions to the other limited partners of Carlyle Holdings totaling approximately $320.1 million, or $1.22 per Carlyle Holdings unit, consisting of the distributions declared in respect of the second quarter and third quarter of 2013 and $0.85 in respect of the fourth quarter of 2012 which was paid in March 2013. Distributions to other limited partners of Carlyle Holdings paid during the calendar year ended December 31, 2012 were $96.6 million, representing the quarterly distributions paid in August and November of 2012.

Distributions for the 2014 fiscal year and prior years, including the fourth quarter distribution, were determined in accordance with Carlyle's distribution policy in effect for those years. For those periods, Carlyle Holdings made quarterly distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries, that enabled The Carlyle Group L.P. to pay a quarterly distribution of $0.16 per common unit for each of the first three quarters of each year and for the fourth quarter of each year, to pay a distribution of at least $0.16 per common unit that, taken together with the prior quarterly distributions in respect of that year, represented its share, net of taxes and amounts payable under the tax receivable agreement, of Carlyle's Distributable Earnings in excess of the amount determined by Carlyle's general partner that was necessary or appropriate to provide for the conduct of Carlyle's business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements. The aggregate amount of our distributions for those years were less than our Distributable Earnings for that year due to these funding requirements.
Commencing with distributions for the 2015 fiscal year, it is Carlyle's intention to cause Carlyle Holdings to make quarterly distributions to its partners, including The Carlyle Group L.P.'s wholly owned subsidiaries, that will enable The Carlyle Group L.P. to pay a quarterly distribution of approximately 75% of Distributable Earnings per common unit, net of taxes and amounts payable under the tax receivable agreement, for the quarter. Carlyle's general partner may adjust the distribution for amounts determined to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements, or to provide for future cash requirements such as tax-related payments, clawback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter.
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.
Generally, we intend to have Carlyle commit to fund approximately 1% of the capital commitments to our future carry funds, although we may elect to invest additional amounts in funds focused on new investment areas. We may, from time to time, exercise our right to purchase additional interests in our investment funds that become available in the ordinary course of their operations. We expect our senior Carlyle professionals and employees to continue to make significant capital contributions to our funds based on their existing commitments, and to make capital commitments to future funds consistent with the level of their historical commitments. We also intend to make investments in our open-end funds and our CLO vehicles.
We generally use our working capital and cash flows to invest in growth initiatives, service our debt, fund the working capital needs of our business and investment funds and pay distributions to our unitholders. 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 a revolving credit facility with $750.0 million available as of December 31, 2014. We believe these sources will be sufficient to fund our capital needs for at least the next 12 months. If we determine that market conditions are favorable after taking into account our liquidity requirements, including the amounts available under our senior credit facility, we may seek to issue and sell common units in a registered public offering or to issue additional senior notes or other debt. For example, during the first quarter of 2014, we issued 13,800,000 common units in a registered public offering that provided net proceeds to us of $449.5 million. We also issued an additional $200 million of our 5.625% senior notes due 2043 during the first quarter of 2014 that provided net proceeds to us of $210.8 million. We used a portion of the net proceeds from the equity issuance to purchase from certain holders, including certain of our directors and executive officers, an equivalent number of outstanding Carlyle Holdings partnership units. The remaining proceeds from the equity issuance and the proceeds from the debt issuance is being used for general corporate purposes, investments in our funds as well as

investment capital for acquisitions of new fund platforms and strategies or other growth initiatives, to drive innovation across the broader Carlyle platform. During the first quarter of 2013, we issued $500 million of senior notes due 2023 and $400 million of senior notes due 2043 and used the proceeds from those note issuances to repay the outstanding balance under our revolving credit facility and $475.0 million of our term loan borrowings.

Since our inception through December 31, 2014, we and our senior Carlyle professionals, operating executives and other professionals have invested or committed to invest in or alongside our funds. Approximately 5% of all capital commitments to our funds are funded collectively by us and our senior Carlyle professionals, operating executives and other professionals. The current invested capital and unfunded commitment of Carlyle and our senior Carlyle professionals, operating executives and other professionals to our investment funds as of December 31, 2014, consisted of the following:

Asset Class	Current Equity Invested	Unfunded Commitment	Total Current Equity Invested and Unfunded Commitment
	(Dollars in millions)		
Corporate Private Equity	$1,593.2	$1,915.1	$3,508.3
Global Market Strategies	1,111.0	250.6	1,361.6
Real Assets	805.0	728.4	1,533.4
Investment Solutions	97.8	38.8	136.6
Total	$3,607.0	$2,932.9	$6,539.9

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, operating executives and other professionals through our internal co-investment program. Of the $2.9 billion of unfunded commitments, approximately $2.6 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership.

Investments as of December 31, 2014 consist of the following (dollars in millions):

Investments	$931.6	
Less: Amounts attributable to non-controlling interests in consolidated entities	(252.1	)
Less: Strategic equity method investment in NGP Management	(483.5	)
Less: Investment in the general partner of NGP X associated with carried interest rights	(18.5	)
Investments excluding non-controlling interests and NGP	177.5	
Plus: investments in Consolidated Funds, eliminated in consolidation	183.3	
Total investments attributable to Carlyle Holdings, exclusive of NGP management	$360.8	

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 December 31, 2014, 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	$2,932.6	$52.4	$2,880.2
Global Market Strategies	129.9	—	129.9
Real Assets	272.9	52.0	220.9
Investment Solutions	460.2	—	460.2
Total	$3,795.6	$104.4	$3,691.2
Plus: Investment in the general partner of NGP X associated with carried interest rights			18.5
Less: Accrued performance fee-related compensation			(1,815.4)
Plus: Receivable for giveback obligations from current and former employees			27.7
Less: Deferred taxes on accrued performance fees			(85.6)
Less: Net accrued performance fees attributable to non-controlling interests in consolidated entities			34.0
Net accrued performance fees excluding compensation and non-controlling interests			1,870.4
Plus: Net accrued performance fees in Consolidated Funds, eliminated in consolidation			4.3
Less: Net accrued performance fees realized in 2014 and to be collected in 2015			(122.4)
Net accrued performance fees attributable to Carlyle Holdings, excluding realized amounts			$1,752.3

As of December 31, 2014, the net accrued performance fees attributable to Carlyle Holdings, excluding realized amounts, related to our carry funds and our other vehicles by segment were as follows (dollars in millions):

Carry fund-related	
Corporate Private Equity:	
Buyout	$1,421.6
Growth Capital	66.2
Total Corporate Private Equity	1,487.8
Real Assets:	
Real Estate	127.0
Natural Resources	29.1
Legacy Energy	7.1
Total Real Assets	163.2
Global Market Strategies	69.8
Investment Solutions and other non-carry funds	31.5
Net accrued performance fees attributable to Carlyle Holdings	$1,752.3

Cash and cash equivalents were approximately $1.2 billion at December 31, 2014. However, a portion of this cash is allocated for specific business purposes, including, but not limited to, (1) performance fee-related cash that has been received but not yet distributed as performance fee related compensation and amounts owed to non-controlling interests; (ii) proceeds received from realized investments that are allocable to non-controlling interests; and (iii) cash reserved for potential future giveback obligations. After deducting cash amounts allocated to these specific requirements, the remaining cash and cash equivalents is approximately $720 million as of December 31, 2014. This remaining amount will be used towards our primary liquidity needs, as previously outlined.

Our Balance Sheet and Indebtedness

Total assets were $36.0 billion at December 31, 2014, an increase of $0.4 billion from December 31, 2013. The increase in total assets was primarily attributable to increases in cash and cash equivalents, cash and cash equivalents held at Consolidated Funds, investments and accrued performance fees. Assets of the Consolidated Funds were approximately $28.8

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billion at December 31, 2014, representing a decrease of $0.1 billion from December 31, 2013. Cash and cash equivalents were approximately $1.2 billion, an increase of $0.3 billion from December 31, 2013. Accrued performance fees were approximately $3.8 billion at December 31, 2014, representing an increase of $0.1 billion from December 31, 2013.
Total liabilities were $23.1 billion at December 31, 2014, an increase of $2.2 billion from December 31, 2013. The increase in liabilities was primarily attributable to increases in the liabilities of the Consolidated Funds, which increased $1.9 billion from December 31, 2013 to December 31, 2014, and an increase in the outstanding 5.625% senior notes due 2043, which increased $0.2 billion from December 31, 2013 to December 31, 2014.
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. The assets and liabilities of the consolidated real estate VIE are also held in separate legal entities; we have not guaranteed or assumed any obligation for repayment of its liabilities nor are its assets available to meet our liquidity requirements.
Our balance sheet without the effect of the Consolidated Funds can be seen in Note 21 to the consolidated financial statements included in this Annual Report on Form 10-K. At December 31, 2014, our total assets were $7.4 billion, including cash and cash equivalents of $1.2 billion and accrued performance fees of $3.8 billion.
Loans Payable. Loans payable on our balance sheet at December 31, 2014 reflects $25.0 million outstanding under our senior credit facility, comprised of $25.0 million of term loan balance outstanding. No amount was outstanding under the revolving credit facility of our senior secured credit facility. Additionally, loans payable at December 31, 2014 includes $15.2 million outstanding under a separate term loan entered into during 2013 related to an investment in a CLO.

Senior Credit Facility. The senior credit facility includes $25.0 million in a term loan and $750.0 million in a revolving credit facility. The term loan and revolving credit facility mature on August 9, 2018. Principal amounts outstanding under the amended term loan and revolving credit facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.75%, or (b) at LIBOR plus an applicable margin not to exceed 1.75% (1.41% at December 31, 2014).
The senior credit facility is unsecured. We are required to maintain management fee earning assets (as defined in the new senior credit facility) of at least $65 billion plus 70% of any future acquired AUM and a total debt leverage ratio of less than 3.0 to 1.0, in each case, tested on a quarterly basis. Non-compliance with any of the financial or non-financial covenants without cure or waiver would constitute an event of default under the senior credit facility. An event of default resulting from a breach of certain financial or non-financial covenants may result, at the option of the lenders, in an acceleration of the principal and interest outstanding, and a termination of the revolving credit facility. The senior credit facility also contains other customary events of default, including defaults based on events of bankruptcy and insolvency, nonpayment of principal, interest or fees when due, breach of specified covenants, change in control and material inaccuracy of representations and warranties.
Other Term Loan. On October 3, 2013, the Partnership borrowed €12.6 million ($15.2 million at December 31, 2014) under a new term loan and security agreement with a financial institution. Interest on the term loan accrues at EURIBOR plus 1.75% (1.83% at December 31, 2014). The Partnership may prepay the facility in whole or in part at any time without penalty. The facility is scheduled to mature on the earlier of five years after closing or the date that the CLO is dissolved. The facility is secured by the Partnership's investment in the CLO.
3.875% Senior Notes. In January 2013, Carlyle Holdings Finance L.L.C., an indirect finance subsidiary of the Partnership issued $500.0 million of 3.875% senior notes due February 1, 2023 at 99.966% of par. Interest is payable semi-annually on February 1 and August 1, beginning August 1, 2013. The notes are unsecured and unsubordinated obligations of Carlyle Holdings Finance L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Carlyle Group L.P. and each of the Carlyle Holdings partnerships. The indenture governing the notes contains customary covenants that, among other things, limit Carlyle Holdings Finance L.L.C. and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity

interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.
5.625% Senior Notes. In March 2013, Carlyle Holdings II Finance L.L.C., an indirect finance subsidiary of the Partnership, issued $400.0 million of 5.625% Senior Notes due March 30, 2043 at 99.583% of par. Interest is payable semi-

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annually on March 30 and September 30, beginning September 30, 2013. The notes are unsecured and unsubordinated obligations of Carlyle Holdings Finance L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Carlyle Group L.P. and each of the Carlyle Holdings partnerships. The indenture governing the notes contains customary covenants that, among other things, limit Carlyle Holdings II Finance L.L.C. and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.
In March 2014, Carlyle Holdings II Finance L.L.C. issued $200.0 million of 5.625% Senior Notes due March 30, 2043 at 104.315% of par. These notes were issued as additional 5.625% Senior Notes due March 30, 2043 and will be treated as a single class with the already outstanding $400.0 million aggregate principal amount of these senior notes.
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 consolidated balance sheets.

As of December 31, 2014, the following borrowings were outstanding at our CLOs, including preferred shares classified as liabilities (Dollars in millions):

	Borrowings Outstanding	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior secured notes	$15,104.2	1.68	%	9.21
Subordinated notes, Income notes and Preferred shares	1,242.3	N/A	(1)	8.28
Combination notes	15.0	N/A	(2)	7.14
Total	$16,361.5			

(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 securities 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 December 31, 2014 was $14,757.5 million, $1,278.8 million, and $15.9 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.
Loans Payable of a Consolidated Real Estate VIE. This balance consists of the borrowings of Urbplan for its real estate development activities. As of December 31, 2014, the principal amount outstanding on the loans was approximately $243.6 million. The Partnership records the borrowings of Urbplan at fair value on its consolidated balance sheet; the fair value of the Urbplan borrowings at December 31, 2014 was $146.2 million. The principal amounts of the loans accrue interest at a variable rate based on an index plus an applicable margin. Interest rates are based on: (i) CDI plus a margin ranging from 4.0% to 7.4% (15.6% to 19.0% as of December 31, 2014); (ii) IGP-M plus a margin ranging from 11.0% to 12.0% (14.7% to 15.7% as of December 31, 2014); or (iii) IPCA plus a margin ranging from 10.0% to 13.5% (16.4% to 19.9% as of December 31, 2014).
Substantially all of Urbplan's customer and other receivables and investments have been pledged as collateral for the loans. As of December 31, 2014, substantially all of the loans payable of Urbplan are not in compliance with their

related debt covenants or are otherwise in technical default. These violations do not cause a default or event of default under the Partnership's senior credit facility or senior notes. Urbplan management is in discussions with the lenders to cure or re-negotiate the loans in default. Currently there are no outstanding notices of acceleration of payment on the loans in default.

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All of the loans payable of Urbplan are contractually non-recourse to us.

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 or by a pledge of the equity of the underlying investment. 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 or for working capital needs. In certain instances, however, they may be used for other investment related activities, including serving as bridge financing for investments. The degree of leverage employed varies among portfolio companies.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning limited or general partner interests in consolidated and non-consolidated funds, entering into derivative transactions, entering into operating leases and entering into guarantee arrangements. We also have ongoing capital commitment arrangements with certain of our consolidated and non-consolidated funds. We do not have any other off-balance sheet arrangements that would require us to fund losses or guarantee target returns to investors in any of our other investment funds.

For further information regarding our off-balance sheet arrangements, see Note 2 to the consolidated financial statements included in this Annual Report on Form 10-K.

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of December 31, 2014 on a consolidated basis and on a basis excluding the obligations of the Consolidated Funds:

	2015	2016-2017	2018-2019	Thereafter	Total
	(Dollars in millions)				
Loans payable and senior notes(a)	$—	$—	$40.2	$1,100.0	$1,140.2
Interest payable(b)	56.4	109.8	107.4	844.4	1,118.0
Contingent cash consideration(c)	48.3	102.0	64.8	264.8	479.9
Operating lease obligations(d)	53.3	100.5	82.9	230.0	466.7
Capital commitments to Carlyle funds(e)	2,940.4	—	—	—	2,940.4
Tax receivable agreement payments(f)	0.5	7.1	7.9	73.5	89.0
Loans payable of Consolidated Funds(g)	310.3	507.6	930.1	17,121.5	18,869.5
Loans payable of a consolidated real estate VIE(h)	72.5	107.6	93.4	216.5	490.0
Unfunded commitments of the CLOs and Consolidated Funds(i)	965.7	—	—	—	965.7
Redemptions payable of Consolidated Funds(j)	954.3	—	—	—	954.3
Consolidated contractual obligations	5,401.7	934.6	1,326.7	19,850.7	27,513.7
Loans payable of Consolidated Funds(g)	(310.3)	(507.6)	(930.1)	(17,121.5)	(18,869.5)
Loans payable of a consolidated real estate VIE(h)	(72.5)	(107.6)	(93.4)	(216.5)	(490.0)
Capital commitments to Carlyle funds(e)	(2,642.8)	—	—	—	(2,642.8)
Unfunded commitments of the CLOs and Consolidated Funds(i)	(965.7)	—	—	—	(965.7)
Redemptions payable of Consolidated Funds(j)	(954.3)	—	—	—	(954.3)
Carlyle Operating Entities contractual obligations	$456.1	$319.4	$303.2	$2,512.7	$3,591.4

(a) The table above assumes that no prepayments are made on the term loans or senior notes and that the outstanding balance on the revolving credit facility is repaid on the maturity date of the senior credit facility. On August 9, 2013, we entered into Amendment No. 1 to the senior credit facility to extend the maturity date of the term loan and revolving credit facility from September 30, 2016 until August 9, 2018, and to eliminate all amortization of outstanding term loans, with all such term loans being due and payable on the new maturity date. The term loan entered into during 2013 related to an investment in a CLO matures on the earlier of 2018 or the date that the CLO is dissolved. For purposes of the table above, it is assumed that the CLO does not dissolve prior to 2018.

(b) The interest rate on the loans payable consist of 3.875% on $500.0 million of senior notes, 5.625% on $600.0 million of senior notes, approximately 2.33% on $25.0 million of the term loan of our senior credit facility (inclusive of the effect of the outstanding interest rate swaps), and approximately 1.83% on $15.2 million of our other term loan. Interest payments assume that no prepayments are made and loans are held until maturity.

(c) These obligations represent our probability-weighted estimate of amounts to be paid on the contingent cash consideration obligations associated with our business acquisitions and strategic investment in NGP Management. The actual amounts to be paid under these agreements will not be determined until the specific performance conditions are met. Refer to "— Contingent Cash Payments for Business Acquisitions and Strategic Investments" below for the maximum amounts we may be required to pay under these arrangements and Note 6 and Note 9 to the consolidated financial statements included in this Annual Report on Form 10-K for more information. Included in these amounts are $43.0 million of employment-based contingent consideration payments that have been earned but are not payable until the individuals are no longer employees of Carlyle, the timing of which cannot be predicted. For purposes of the table above, the timing has been based on a probability-weighted estimate.

(d) 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 2015 through 2031. The amounts in this table represent the minimum lease payments required over the term of the lease.

(e) 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 $2.9 billion of unfunded commitments, approximately $2.6 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership. Also included in these amounts is $7.5 million that was paid to NGP in January 2015 in exchange for an additional 7.5% equity interest in NGP Management. As a result of this transaction, beginning in January 2015, the Partnership will receive 55% of the management fee-related revenues of NGP entities that serve as the advisers to certain private equity funds.

(f) Represents obligations by the Partnership's corporate taxpayers to make payments under the tax receivable agreement. Holders of partnership units in Carlyle Holdings may exchange their Carlyle Holdings partnership units for common units in The Carlyle Group L.P. on a one-for-one basis. These exchanges may reduce the amount of tax that the corporate taxpayers would be required to pay in the future. The corporate taxpayers will pay to the limited partner of Carlyle Holdings making the exchange 85% of the amount of cash savings that the corporate taxpayers realize upon an exchange. See "Tax Receivable Agreement" below.

(g) These obligations represent amounts due to holders of debt securities issued by the consolidated CLO vehicles. These obligations include interest to be paid on debt securities issued by the consolidated CLO vehicles. Interest payments assume that no prepayments are made and loans are held until

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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 December 31, 2014, at spreads to market rates pursuant to the debt agreements, and range from 0.31% to 7.48%.

(h) These obligations represent amounts owed to the lenders of Urbplan. These obligations include interest to be paid on the loans of Urbplan. Principal and interest payments shown herein assume that amounts will be paid according to the contractual maturities of the loans without acceleration due to default or covenant violation or other voluntarily prepayments. Interest payments on variable-rate debt are based on interest rates in effect as of December 31, 2014, at spreads to market rates pursuant to the loan agreements, and range from 14.7% to 19.9%. Due to the timing and availability of financial information from Urbplan, we consolidate the financial position and results of operations of Urbplan on a financial reporting lag of 90 days. The balances shown in this table are based on Urbplan's outstanding borrowings as of September 30, 2014.

(i) These obligations represent commitments of the CLOs and Consolidated Funds to fund certain investments. These amounts are generally due on demand and are therefore presented in the less than one year category.

(j) 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.

Excluded from the table above are liabilities for uncertain tax positions of $18.7 million at December 31, 2014 as we are unable to estimate when such amounts may be paid. Also excluded from the table above are outstanding commitments of Urbplan for land development services with an estimated $118 million of future costs to be incurred; these amounts have been excluded as we are unable to determine when such amounts will be paid.

Contingent Funding of the Consolidated Real Estate VIE

As described in Note 17 to the consolidated financial statements included in this Annual Report on Form 10-K, we and certain of our senior Carlyle professionals have made and may make additional investments in Urbplan. From April 2013 (the time of the first additional investment into Urbplan) through December 31, 2014, $213.3 million has been funded to Urbplan by us and our senior Carlyle professionals (net of gains from related foreign currency forward contracts). We have funded $50.8 million of the $213.3 million and the remaining $162.5 million has been funded by our senior Carlyle professionals indirectly through the Partnership. For the year ended December 31, 2014, $143.7 million was funded to Urbplan, of which we funded $35.9 million and the senior Carlyle professionals funded $107.8 million indirectly through us.

At this time, Urbplan is estimated to require approximately $100 million of additional capital in 2015 to complete its expected business turnaround. While no contractual or other obligations exist to provide additional financial support to Urbplan, we and our senior Carlyle professionals expect to provide additional capital funding to Urbplan in the future and Urbplan will continue to seek capital funding from unaffiliated parties. We and our senior Carlyle professionals will evaluate the possibility of further capital infusions based on the circumstances at the time (including levels of third-party funding participation). It is anticipated that we would fund 25% and our senior Carlyle professionals would fund 75% indirectly through us of any additional investments made by us and our senior Carlyle professionals.

We may not recover, in whole or in part, the capital that we have invested in or any additional capital that we may elect to invest in Urbplan in the future, and our results of operations could be adversely impacted by impairments, write-downs, lawsuits by customers or creditors, other claims against Urbplan or us or other losses associated with our investment in Urbplan. Urbplan is currently a party to various litigation, disputes and other potential claims. We do not believe it is probable that the outcome of any existing Urbplan litigation, government investigations and proceedings, disputes, or other potential claims will materially affect us or our consolidated financial statements.

The assets and liabilities of Urbplan are held in legal entities separate from the Partnership; we have not guaranteed or assumed any obligation for repayment of Urbplan's liabilities nor are the assets of Urbplan available to meet our liquidity requirements. However, if Urbplan fails to complete its construction projects, customers, partners,

government agencies or municipalities or other creditors in certain circumstances might seek to assert claims against us and our assets unrelated to under certain consumer protection or other laws.

Contingent Cash Payments For Business Acquisitions and Strategic Investments

We have certain contingent cash obligations associated with our business acquisitions and our strategic investment in NGP Management. For our business acquisitions, these contingent cash payments relate to performance-based contingent cash consideration payable to the sellers of the businesses, some of whom are Carlyle professionals. Certain of these payments to those Carlyle professionals require such Carlyle professional to be employed by us at the time the performance conditions are met, while other payments are not contingent upon employment.

For our strategic investment in NGP Management, the contingent cash payments relate to performance-based contingent cash consideration payable to ECM Capital, L.P. and an affiliate of Barclays Bank PLC. The performance-based contingent cash consideration payable to an affiliate of Barclays Bank PLC totaling $183.0 million, which is payable partly in cash and partly by a promissory note, is earned based on NGP's achievement of certain business performance goals, including

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the successful fundraising by NGP of new fund commitments. See Note 6 to the consolidated financial statements included in this Annual Report on Form 10-K for more information.
The amounts shown in the contractual obligations table above represent our probability-weighted estimate of amounts to be paid on the contingent cash consideration obligations associated with our business acquisitions and our strategic investment in NGP Management. Except as noted below, the following table represents the maximum amounts that could be paid from our contingent cash obligations associated with our business acquisitions and our strategic investment in NGP Management:

	As of December 31, 2014			
	Business Acquisitions	NGP Investment	Total	Liability Recognized on Financial Statements(1)
	(Dollars in millions)			
Performance-based contingent cash consideration	$231.9	$183.0	$414.9	$227.8
Employment-based contingent cash consideration	260.5	45.0	305.5	156.8
Total	$492.4	$228.0	$720.4	$384.6

(1) On our consolidated balance sheet, the liability for performance-based contingent cash consideration is included in due to affiliates (for amounts owed to Carlyle professionals and NGP) and accounts payable, accrued expenses, and other liabilities (for amounts owed to other sellers), and the liability for employment-based contingent cash consideration is included in accrued compensation and benefits.

Some of the employment-based contingent cash consideration agreements do not contain provisions limiting the amount that could be paid by us. For purposes of the table above, we have used our current estimate of the amount to be paid upon the determination dates for such payments. In our consolidated financial statements, we record the performance-based contingent cash consideration from our business acquisitions at fair value at each reporting period. For the employment-based contingent cash consideration, we accrue the compensation liability over the implied service period.
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 $11.3 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 2%, reset quarterly. At December 31, 2014, approximately $7.9 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.
In July 2012, we provided a guarantee to the French tax authorities as credit support for a €45.7 million tax assessment and in October 2012, placed an additional €4.4 million in escrow, in each case, related to CEREP I. We expect to incur costs on behalf of CEREP I and its related entities. We will attempt to recover any amounts advanced or paid under the guarantee from proceeds of subsequent portfolio dispositions by CEREP I. The amount of any unrecoverable costs that may be incurred by us is not estimable at this time. Refer to “Contingencies” below and Note 11 to the consolidated financial statements included in this Annual Report on Form 10-K for additional information.
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 consolidated financial statements as of December 31, 2014.
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

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forth in the partnership agreements of the Carlyle Holdings partnerships, may (subject to the terms of the exchange agreement) exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three Carlyle Holdings partnerships to effect an exchange for a common unit. The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that Carlyle Holdings I GP Inc. and any other corporate taxpayers would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

In connection with the reorganization and initial public offering, we have entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships that will provide for the payment by the corporate taxpayers to such parties of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayers and not of Carlyle Holdings. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, the payments that we may make under the tax receivable agreement will be substantial. The payments under the tax receivable agreement are not conditioned upon these parties' 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 the counterparties 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, the counterparties 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 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 $104.4 million at December 31, 2014 ($113.4 million before $9.0 million is eliminated in the consolidation of Consolidated Funds) is shown as accrued giveback obligations on our consolidated balance sheet, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at December 31, 2014. However, the ultimate giveback obligation, if any, does not arise until the end of a fund's life. We have recorded $27.7 million of unbilled receivables from former and current employees and our individual senior Carlyle professionals as of December 31, 2014 related to giveback obligations, which are included in due from affiliates and other receivables, net in our consolidated balance sheet as of such date.

If, as of December 31, 2014, 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 $1.4 billion, 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
In the ordinary course of business, we are a party to litigation, investigations, disputes and other potential claims. Certain of these matters are described below. We are not currently able to estimate the reasonably possible amount of loss or range of loss for the matters that have not been resolved. We do not believe it is probable that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect us. We believe that these matters described below are without merit and intend to vigorously contest all allegations for the matters that have not been resolved.

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, later renamed Kirk Dahl v. Bain Capital Partners LLC). The complaint alleges, among other things, that certain global alternative asset firms, including the Partnership, violated Section 1 of the Sherman Act by forming multi-sponsor consortiums for the purpose of bidding collectively in company buyout transactions in certain going private transactions and agreeing not to submit topping bids once a consortium has announced a signed deal, which the plaintiffs allege constitutes a “conspiracy in restraint of trade.” To avoid the risk and cost associated with continuing the litigation through trial, we entered into an agreement with plaintiffs on August 29, 2014 to settle all claims against us without any admission of liability. All of our codefendants also reached settlement agreements with plaintiffs. The Court granted preliminary approval of all the defendants' settlements, including Carlyle's, on September 29, 2014. A hearing on final approval of the settlements was held on February 11, 2015 and we are awaiting the Court's ruling. Carlyle Partners IV, L.P. (“CP IV”) and its affiliates will bear the costs of the settlement not covered by insurance. As a result, our performance fees from CP IV were reduced by $19.3 million.
Along with many other companies and individuals in the financial sector, Carlyle and Carlyle Mezzanine Partners, L.P. (“CMP”) 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 Santa 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 on the grounds 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.
Carlyle Capital Corporation Limited (“CCC”) was a fund sponsored by Carlyle that invested in AAA-rated residential mortgage backed securities on a highly leveraged basis. In March of 2008, amidst turmoil throughout the mortgage markets and money markets, CCC filed for insolvency protection in Guernsey. Several different lawsuits, described below, developed from the CCC insolvency. Some of these lawsuits were dismissed, but two remain, which are described below.
First, in November 2009, another CCC investor, National Industries Group (Holding) (“National Industries”) instituted legal proceedings on similar grounds in Kuwait’s Court of First Instance (National Industries Group v. Carlyle Group) seeking to recover losses incurred in connection with an investment in CCC. In July 2011, the Delaware Court of Chancery issued a decision restraining National Industries from proceeding in Kuwait on any CCC-related claims based on the forum selection clause in National Industries’ subscription agreement, which provided for exclusive jurisdiction in the Delaware courts. In September 2011, National Industries reissued its complaint in Kuwait naming CCC only, and reissued its complaint in January 2012 joining Carlyle Investment Management, L.L.C. as a defendant. In April 2013, the court in Kuwait dismissed National Industries’ claim without prejudice for failure to serve process. Hearings in the case and related to the case have nevertheless taken place on several occasions since that time, most recently in September 2013. Meanwhile, in August 2012, National Industries had filed a motion to vacate the

Delaware Court of Chancery's decision. Carlyle successfully opposed that motion and the Court's injunction remained in effect. In November 2012, National Industries appealed that decision to the Delaware Supreme Court. On May 29, 2013, the Delaware Supreme Court affirmed the Chancery Court's decision and upheld the 2011 injunction barring National Industries from filing or prosecuting any CCC-related action in any forum other than the courts of Delaware. Second, the Guernsey liquidators who took control of CCC in March 2008 filed four suits on July 7, 2010 against Carlyle, certain of its affiliates and the former directors of CCC in the Delaware Chancery Court, the Royal Court of Guernsey, the Superior Court of the District of Columbia and the Supreme Court of New York, New York County (Carlyle Capital Corporation Limited v. Conway et al.) 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

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allegedly owed to CCC and its shareholders. The liquidators 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. In July 2011, the Royal Court of Guernsey held that the case should be litigated in Delaware pursuant to the exclusive jurisdiction clause in the investment management agreement. That ruling was appealed by the liquidators, and in February 2012 was reversed by the Guernsey Court of Appeal, which held that the case should proceed in Guernsey. Defendants' attempts to appeal to the Privy Council were unsuccessful and the plaintiffs' case is proceeding in Guernsey. Two claims in that case, which sought the return of certain documents and other property purportedly belonging to CCC, were resolved by agreement of the parties and order of the Royal Court of Guernsey in December 2012. Carlyle has now completed its document production pursuant to that order. On July 24, 2013, plaintiffs filed an amended complaint, which contained further detail in support of the existing claims but no new defendants or claims. On December 20, 2013, defendants filed a defense to the amended complaint and on September 30, 2014 plaintiffs filed their reply. The Court has set the case schedule and trial is scheduled for the first available date after February 1, 2016. In addition, the liquidators' lawsuit in Delaware was dismissed without prejudice in 2010 and their lawsuits in New York and the District of Columbia were dismissed in December 2011 without prejudice.

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

Other Contingencies

From 2007 to 2009, a Luxembourg subsidiary of CEREP I, a real estate fund, received proceeds from the sale of real estate located in Paris, France. The relevant French tax authorities have asserted that CEREP I was ineligible to claim certain exemptions from French tax under the Luxembourg-French tax treaty, and have issued a tax assessment seeking to collect approximately €97.0 million, consisting of taxes, interest and penalties. Additionally, the French Ministry of Justice has commenced an investigation regarding the legality under French law of claiming the exemptions under the tax treaty.

CEREP I and its subsidiaries are contesting the French tax assessment. An income tax hearing on these matters will be held on March 11, 2015 in front of the Administrative Court of Paris. In July 2012, we provided a guarantee to the French tax authorities as credit support for the €45.7 million tax assessment and in October 2012, placed an additional €4.4 million in escrow, in each case, related to CEREP I. We expect to incur costs on behalf of CEREP I and its related entities. We will attempt to recover any amounts advanced or paid from proceeds of subsequent portfolio dispositions by CEREP I. The amount of any unrecoverable costs that may be incurred by us is not estimable at this time.

Commencing with the issuance of the credit support on behalf of CEREP I in July 2012, we consolidated the fund into our consolidated financial statements. As of December 31, 2014, CEREP I had accrued €75.0 million ($90.8 million as of December 31, 2014) related to this contingency, which is included in other liabilities of Consolidated Funds in our consolidated financial statements.

Carlyle Holdings Partnership Units

A rollforward of the outstanding Carlyle Holdings partnership units from December 31, 2013 through December 31, 2014 is as follows:

Units as of December 31, 2013	Units Issued	Units Forfeited	Units Exchanged	Units as of December 31, 2014
48,605,870	9,033,879	—	9,389,293	67,029,042

Carlyle Holdings partnership units held by the Partnership					
Carlyle Holdings partnership units not held by the Partnership	262,164,851	516,526	(2,096,789)	(9,389,293)	251,195,295
Total Carlyle Holdings partnership units	310,770,721	9,550,405	(2,096,789)	—	318,224,337

The Carlyle Holdings partnership units issued to the Partnership during the period from December 31, 2013 through December 31, 2014 related to: (i) the Partnership using the net cash proceeds from the issuance of 4,500,000 common units in March 2014 to acquire 4,500,000 newly issued Carlyle Holdings partnership units, (ii) the vesting of the Partnership's deferred

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restricted common units during the year ended December 31, 2014, (iii) the acquisition of DGAM in February 2014, (iv) the satisfaction of certain performance-vesting contingent consideration arrangements related to our acquisition of Metropolitan, and (iv) the acquisition by the Partnership of 15,566 Carlyle Holdings partnership units upon the vesting of certain of the Partnership's common units associated with the acquisition of the remaining 40% equity interest in AlpInvest in August 2013. Further, the Partnership is expected to acquire an additional 731,970 Carlyle Holdings partnership units in future periods upon the vesting of certain of the Partnership's unvested common units associated with the acquisition of the remaining 40% equity interest in AlpInvest.
The Carlyle Holdings partnership units issued to other limited partners during the period from December 31, 2013 through December 31, 2014 were issued to the sellers of Claren Road and Metropolitan as a result of the satisfaction of certain performance-vesting contingent consideration arrangements related to the acquisitions of Claren Road and Metropolitan. The Carlyle Holdings partnership units forfeited during the period from December 31, 2013 through December 31, 2014 relate to unvested Carlyle Holdings partnership units that were forfeited when the holder ceased to provide services to the Partnership. The Carlyle Holdings partnership units exchanged relate primarily to the Partnership's use of the net cash proceeds from the issuance of 9,300,000 common units in March 2014 to acquire 9,300,000 Carlyle Holdings partnership units from the other limited partners of Carlyle Holdings.

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, the acquisitions of Claren Road, AlpInvest, ESG, Vermillion, Metropolitan, DGAM, our investment in NGP Management, and our investments in Urbplan.
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 example, commencing with our issuance of credit support in connection with a potential tax liability of CEREP I, our first European real estate fund, in July 2012, CEREP I became a VIE and we concluded that we were its primary beneficiary. Accordingly, as of that date, we began to consolidate CEREP I into our consolidated financial statements.

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. 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 consolidated financial statements.

The assets of the Consolidated Funds are classified principally within investments of Consolidated Funds; the liabilities of the Consolidate Funds are classified principally within loan payable 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 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 10% to 20% on external coinvestment vehicles, with some earning no carried interest, or approximately 2% 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 (generally 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 consolidated financial statements, is recognized by us upon appreciation of the valuation of our funds’ investments above certain return hurdles 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. Because of the inherent uncertainty, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the difference could be material.

Carried interest is ultimately realized and distributed when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the investment fund’s cumulative returns are in excess of the preferred return and (iv) we have decided to collect carry rather than return additional capital to limited partner investors. Our decision to realize carry considers such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to the limited partner investors, and the length of time the fund has been in carry, as well as other qualitative measures.

Realized carried interest may be clawed-back or given back to the fund if the fund's investment values decline below certain return hurdles, which vary from fund to fund. When the fair value of a fund’s investments remains constant or falls below certain return hurdles, previously recognized performance fees are reversed. 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 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. 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 consolidated balance sheets.

The timing of receipt of carried interest in respect of investments of our carry funds is dictated by the terms of the partnership agreements that govern such funds, which generally allow for carried interest distributions in respect of an investment upon a realization event after satisfaction of obligations relating to the return of capital, any realized losses, applicable fees and expenses and the applicable annual preferred limited partner return. Distributions to eligible senior Carlyle professionals in respect of such carried interest are generally made shortly thereafter. The giveback obligation, if any, in respect of previously realized carried interest is generally determined and due upon the winding up or liquidation of a carry fund pursuant to the terms of the fund’s partnership agreement.

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 assets under management 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 net asset value 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 net asset value of such investor's account at the end of the year is lower that year than any prior year net asset value or the net asset value at the date of such fund investor's investment, generally excluding any contributions and redemptions for purposes of calculating net asset value. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved has been achieved based on the hedge funds' then-current fair value. These incentive fees are a component of performance fees in our consolidated financial statements and are treated as accrued until paid to us.

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 recognition of the related performance fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Upon any reversal of performance fee revenue, the related compensation expense is also reversed.

Income Taxes. For periods prior to the reorganization and initial public offering in May 2012, no provision was made for U.S. federal income taxes in the consolidated financial statements since the profits and losses were allocated to the senior Carlyle professionals who were individually responsible for reporting such amounts. During those periods, based on applicable foreign, state and local tax laws, a provision for income taxes was recorded for certain entities.

For periods subsequent to the reorganization and initial public offering in May 2012, certain of our wholly-owned subsidiaries and the Carlyle Holdings partnerships are subject to federal, state, local and foreign corporate income taxes at the entity level and the related tax provision attributable to our share of this income is reflected in the consolidated financial statements. Based on applicable foreign, state and local tax laws, we record a provision for income taxes for certain entities. Tax positions taken by us are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

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

Under U.S. GAAP for income taxes, the amount of tax benefit to be recognized is the amount of benefit that is “more likely than not” to be sustained upon examination. We analyze our tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where we are required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, we determine that uncertainties in tax positions exist, a liability is established, which is included in accounts payable, accrued expenses and other liabilities in the consolidated financial statements. We recognize accrued interest and penalties related to unrecognized tax positions in the provision for income taxes. If recognized, the entire amount of unrecognized tax positions would be recorded as a reduction in the provision for income taxes.

Fair Value Measurement. U.S. GAAP 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. We do not adjust the quoted price for these instruments, even in situations where we hold 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. Investments in hedge funds are classified in this category when their net asset value is redeemable without significant restriction.
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. Investments in fund of funds are generally included in this category.

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. Our 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.

Investment professionals with responsibility for the underlying investments are responsible for preparing the investment valuations pursuant to the policies, methodologies and templates prepared by our valuation group, which is a team made up of dedicated valuation professionals reporting to our chief financial officer. The valuation group is responsible for maintaining our valuation policy and related guidance, templates and systems that are designed to be consistent with the guidance found in US GAAP. These valuations, inputs and preliminary conclusions are reviewed by the fund accounting teams. The valuations are then reviewed and approved by the respective fund valuation subcommittees which are comprised of the respective fund head(s), segment head, chief financial officer and chief accounting officer, as well as members of the valuation group. The valuation group compiles the aggregate results and significant matters and presents them for review and approval by the global valuation committee, which is comprised of our co-chief executive officers, co-presidents and co-chief operating officers, chief risk officer, chief financial officer, chief accounting officer, deputy chief investment officer, the business segment heads, and observed by the chief compliance officer, the director of internal audit, and our audit committee. Additionally, each quarter a sample of valuations are reviewed by external valuation firms.

In the absence of observable market prices, we value our investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist. Our determination of fair value is then based on the best information available in the circumstances and may incorporate our 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 and real estate properties, and certain debt positions. The valuation technique for each of these investments is described below:

Private Equity and Real Estate Investments — The fair values of private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization (“EBITDA”), the discounted cash flow method, public market or private transactions, valuations for comparable companies or sales of comparable assets, and other measures which, in many cases, are unaudited at the time received. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rate (“cap rate”) analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., applying a key performance metric of the investment such as EBITDA or net operating income to a relevant valuation multiple or cap rate observed in the range of comparable companies or transactions), adjusted by us for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar models. Adjustments to observable valuation measures are frequently made upon the initial investment to calibrate the initial investment valuation to industry observable inputs. Such adjustments are made to align the investment to observable industry inputs for differences in size, profitability, projected growth rates, geography and capital structure if applicable. The adjustments are reviewed with each subsequent valuation to assess

how the investment has evolved relative to the observable inputs. Additionally, the investment may be subject to certain specific risks and/or development milestones which are also taken into account in the valuation assessment. Option pricing models and similar tools do not currently drive a significant portion of private equity or real estate valuations and are used primarily to value warrants, derivatives, certain restrictions and other atypical investment instruments.

Credit-Oriented Investments — The fair values of credit-oriented investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments. Specifically, for investments in distressed debt and corporate loans and bonds, the fair values are generally determined by

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valuations of comparable investments. In some instances, we may utilize other valuation techniques, including the discounted cash flow method.

CLO Investments and CLO Loans Payable — We have elected the fair value option to measure the loans payable of the CLOs at fair value, as we have determined that measurement of the loans payable 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 values of the CLO loan and bond assets are primarily based on quotations from reputable dealers or relevant pricing services. In situations where valuation quotations are unavailable, the assets are valued based on similar securities, market index changes, and other factors. We corroborate quotations from pricing services either with other available pricing data or with our own models. Generally, the loan and bond assets of the CLOs are not actively traded and are classified as Level III.

The fair values of the CLO loans payable and the CLO structured asset positions are determined based on both discounted cash flow analyses and third-party quotes. Those analyses consider the position size, liquidity, current financial condition of the CLOs, the third-party financing environment, reinvestment rates, recovery lags, discount rates, and default forecasts and are compared to broker quotations from market makers and third party dealers.

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 (approximately $16.1 billion as of December 31, 2014) coupled with a correlated 10% change in value of the loans payable of the CLOs (approximately $16.1 billion as of December 31, 2014) 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 the Partnership is not significant.

Loans Payable of a Consolidated Real Estate VIE – We have elected the fair value option to measure the loans payable of a consolidated real estate VIE at fair value. The fair values of the loans are primarily based on discounted cash flows analyses, which consider the liquidity and current financial condition of the consolidated real estate VIE. These loans are classified as Level III.

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

Investments include (i) our ownership interests (typically general partner interest) in the funds, (ii) the investments held by the Consolidated Funds, (iii) strategic investments made by us, and (iv) 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.

The valuation methodologies described above 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. 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. See “Risk Factors — Risks Related to Our Company — 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.”

Equity-Method Investments. We account for our investments, which include our fund investments in Corporate Private Equity, Global Market Strategies and Real Assets, typically general partner interests, and its investments in NGP Management (included within Real Assets), which are not consolidated, using the equity method of accounting. The carrying value of equity-

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method investments is determined based on amounts invested by us, adjusted for the equity in earnings or losses of the investee allocated based on the respective partnership agreement, less distributions received. Equity-method investment income includes the related amortization of the basis difference between our carrying value of our investment and our share of underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by us to employees of the equity method investee. We evaluate our equity-method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

Compensation and Distributions Payable to Carlyle Partners. For periods prior to the reorganization and initial public offering in May 2012, compensation attributable to our senior Carlyle professionals was accounted for as distributions from equity rather than as employee compensation. For those periods, we recognized a distribution from capital and distribution payable to our individual senior Carlyle professionals when services were rendered and carried interest allocations were earned. Any unpaid distributions, which reflected our obligation to those senior Carlyle professionals, were presented as due to senior Carlyle professionals in our consolidated balance sheet. Subsequent to the reorganization and initial public offering, we account for compensation attributable to our senior Carlyle professionals as compensation expense in our consolidated statement of operations, and the liability for all compensatory amounts owed to these Carlyle individuals is included in accrued compensation and benefits on our consolidated balance sheet.

Equity-based Compensation. Compensation expense relating to the issuance of equity-based awards to our employees is measured at fair value on the grant date. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis, adjusted for estimated forfeitures of awards not expected to vest. Upon the end of the service period, compensation expense is adjusted to account for the actual forfeiture rate. The compensation expense for awards that do not require future service is recognized immediately. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved; in certain instances, such compensation expense may be recognized prior to the grant date of the award.

Equity-based awards issued to non-employees are recognized as general, administrative and other expenses. The expense associated with the deferred restricted common units we granted to NGP personnel are recognized as a reduction of our investment income in NGP. The grant-date fair value of equity-based awards granted to our non-employee directors is expensed on a straight-line basis over the vesting period. The cost of services received in exchange for an equity-based award issued to consultants is measured at each vesting date, and is not measured based on the grant-date fair value of the award unless the award is vested at the grant date. Equity-based awards that require the satisfaction of future service criteria are recognized over the relevant service period, adjusted for estimated forfeitures of awards not expected to vest, based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. Accordingly, the measured value of the award will not be finalized until the vesting date.

In determining the aggregate fair value of any award grants, we make judgments, among others, as to the grant-date fair value and estimated forfeiture rates. Each of these elements, particularly the forfeiture 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 and Goodwill. Our intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, customer relationships, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

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

Recent Accounting Pronouncements

We discuss the recent accounting pronouncements in Note 2 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 7A. 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 operating executives and senior investment professionals associated with that particular fund. Once an investment in a portfolio company has been made, our fund teams closely monitor the performance of the portfolio company, generally through frequent contact with management and the receipt of financial and management reports.

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. In addition, the terms of the governing agreements with respect to certain of our carry funds provide that the management fee base will be reduced when the aggregate fair market value of a fund's investments is below its cost. Our hedge funds generally pay management fees quarterly that range from 1.5% to 2.0% of NAV per year. Our fund of hedge funds generally pay management fees quarterly that range from 0.2% to 1.5% of NAV. 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, 2014, approximately 16% of our fund management fees (20% of our fund management fees inclusive of management fees earned from Consolidated Funds) 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 table summarizes the incremental impact, including our Consolidated Funds, of a 10% change in total remaining fair value by segment as of December 31, 2014 on our performance fee revenue:

	10% Increase in Total Remaining Fair Value	10% Decrease in Total Remaining Fair Value
	(Dollars in Millions)	
Corporate Private Equity	$634.5	$(467.9)
Global Market Strategies	43.6	(60.4)
Real Assets	182.1	(123.5)
Investment Solutions	182.2	(117.4)
Total	$1,042.4	$(769.2)

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The following table summarizes the incremental impact of a 10% change in Level III remaining fair value by segment as of December 31, 2014 on our performance fee revenue:

	10% Increase in Level III Remaining Fair Value	10% Decrease in Level III Remaining Fair Value
	(Dollars in Millions)	
Corporate Private Equity	$371.7	$(233.2)
Global Market Strategies	37.2	(53.4)
Real Assets	126.4	(85.6)
Investment Solutions	178.2	(115.0)
Total	$713.5	$(487.2)

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 and our fund of 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 Commitments	Percentage Amount Classified as Level III Investments
	(Dollars in Millions)	
Corporate Private Equity	$40,229	61%
Global Market Strategies (1)	$35,229	61%
Real Assets	$26,581	66%
Investment Solutions	$34,563	96%

(1) Comprised of approximately $18.5 billion (100% Level III Investments) in our structured credit/other structured products funds, $13.4 billion (0% Level III Investments) in our hedge funds, $2.5 billion (89% Level III Investments) in our carry funds, $0.9 billion (97% Level III Investments) in our business development companies, and $0.1 billion (0% Level III Investments) in our mutual fund.

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 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 December 31, 2014, if the U.S. dollar strengthened 10% against all foreign currencies, the impact on our consolidated results of operations for the year then ended would be as follows: (a) fund management fees would decrease by $28.6 million, (b) performance fees would decrease by $84.8 million and (c) investment loss would increase by $4.6 million.

Interest Rate Risk

We have obligations under our term loan facility and an additional term loan that was entered into in October 2013 that accrue interest at variable rates. Interest rate changes may therefore affect the amount of interest payments, future

earnings and cash flows.

We are subject to interest rate risk associated with our variable rate debt financing. To manage this risk, we have an outstanding interest rate swap to fix the base LIBOR interest rate on our term loan facility borrowings with a notional amount of $425.0 million at December 31, 2014 that amortizes through September 30, 2016. In March 2013, we entered into a second interest rate swap with a notional amount of $400.0 million at December 31, 2014 that amortizes through September 30, 2016. The net effect of these interest rate swaps fixes the variable interest rate that we pay on the outstanding term loan facility borrowing ($25.0 million as of December 31, 2014) through September 30, 2016. The additional term loan entered into during 2013 incurs interest at EURIBOR plus an applicable rate. We do not have any interest rate swaps in place for this borrowing.
Based on our debt obligations payable and our interest rate swaps as of December 31, 2014, we estimate that interest expense relating to variable rates would increase by an immaterial amount 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.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Unitholders of The Carlyle Group L.P.

We have audited the accompanying consolidated balance sheets of The Carlyle Group L.P. (successor to Carlyle Group), as described in Note 1, (the "Partnership") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in partners' capital and redeemable non-controlling interests in consolidated entities, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Partnership'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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Carlyle Group L.P. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Carlyle Group L.P.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
McLean, Virginia
February 26, 2015

Report of Independent Registered Public Accounting Firm
The Board of Directors and Unitholders of The Carlyle Group L.P.
We have audited The Carlyle Group L.P.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). The Carlyle Group L.P.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
In our opinion, The Carlyle Group L.P. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Carlyle Group L.P. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in partners' capital and redeemable non-controlling interests in consolidated entities, and cash flows for each of the three years in the period ended December 31, 2014 of The Carlyle Group L.P. and our report dated February 26, 2015 expressed an unqualified opinion thereon.
/s/ Ernst & Young LLP
McLean, Virginia
February 26, 2015

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

Consolidated Balance Sheets
(Dollars in millions)

	December 31, 2014	2013
Assets		
Cash and cash equivalents	$1,242.0	$966.6
Cash and cash equivalents held at Consolidated Funds	1,551.1	1,402.7
Restricted cash	59.7	129.9
Restricted cash and securities of Consolidated Funds	14.9	25.7
Accrued performance fees	3,795.6	3,653.6
Investments	931.6	765.3
Investments of Consolidated Funds	26,028.8	26,886.4
Due from affiliates and other receivables, net	199.4	175.9
Due from affiliates and other receivables of Consolidated Funds, net	1,213.2	626.2
Receivables and inventory of a consolidated real estate VIE	163.9	180.4
Fixed assets, net	75.4	68.8
Deposits and other	59.2	38.5
Other assets of a consolidated real estate VIE	86.4	60.1
Intangible assets, net	442.1	582.8
Deferred tax assets	131.0	59.4
Total assets	$35,994.3	$35,622.3
Liabilities and partners' capital		
Loans payable	$40.2	$42.4
3.875% senior notes due 2023	499.9	499.8
5.625% senior notes due 2043	606.8	398.4
Loans payable of Consolidated Funds	16,052.2	15,220.7
Loans payable of a consolidated real estate VIE at fair value (principal amount of $243.6 million and $305.3 million as of December 31, 2014 and 2013, respectively)	146.2	122.1
Accounts payable, accrued expenses and other liabilities	396.2	265.1
Accrued compensation and benefits	2,312.5	2,253.0
Due to affiliates	184.2	403.7
Deferred revenue	93.7	64.1
Deferred tax liabilities	112.2	103.6
Other liabilities of Consolidated Funds	2,504.9	1,382.7
Other liabilities of a consolidated real estate VIE	84.9	97.7
Accrued giveback obligations	104.4	39.6
Total liabilities	23,138.3	20,892.9
Commitments and contingencies		
Redeemable non-controlling interests in consolidated entities	3,761.5	4,352.0
Partners' capital (common units, 67,761,012 and 49,353,406 issued and outstanding as of December 31, 2014 and 2013, respectively)	566.0	357.1
Accumulated other comprehensive loss	(39.0)	(11.2)
Partners' capital appropriated for Consolidated Funds	184.5	463.6
Non-controlling interests in consolidated entities	6,446.4	7,696.6
Non-controlling interests in Carlyle Holdings	1,936.6	1,871.3
Total partners' capital	9,094.5	10,377.4

Total liabilities and partners' capital	$35,994.3	$35,622.3

See accompanying notes.

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The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

Consolidated Statements of Operations
(Dollars in millions, except unit and per unit data)

	Year Ended December 31,		
	2014	2013	2012
Revenues			
Fund management fees	$1,166.3	$984.6	$977.6
Performance fees			
Realized	1,328.7	1,176.7	907.5
Unrealized	345.7	1,198.6	133.6
Total performance fees	1,674.4	2,375.3	1,041.1
Investment income (loss)			
Realized	23.7	14.4	16.3
Unrealized	(30.9)	4.4	20.1
Total investment income (loss)	(7.2)	18.8	36.4
Interest and other income	20.6	11.9	14.5
Interest and other income of Consolidated Funds	956.0	1,043.1	903.5
Revenue of a consolidated real estate VIE	70.2	7.5	—
Total revenues	3,880.3	4,441.2	2,973.1
Expenses			
Compensation and benefits			
Base compensation	789.0	738.0	624.5
Equity-based compensation	344.0	322.4	201.7
Performance fee related			
Realized	590.7	539.2	285.5
Unrealized	282.2	644.5	32.2
Total compensation and benefits	2,005.9	2,244.1	1,143.9
General, administrative and other expenses	526.8	496.4	357.5
Interest	55.7	45.5	24.6
Interest and other expenses of Consolidated Funds	1,042.0	890.6	758.1
Interest and other expenses of a consolidated real estate VIE	175.3	33.8	—
Other non-operating (income) expense	(30.3)	(16.5)	7.1
Total expenses	3,775.4	3,693.9	2,291.2
Other income			
Net investment gains of Consolidated Funds	887.0	696.7	1,758.0
Income before provision for income taxes	991.9	1,444.0	2,439.9
Provision for income taxes	76.8	96.2	40.4
Net income	915.1	1,347.8	2,399.5
Net income attributable to non-controlling interests in consolidated entities	485.5	676.0	1,756.7
Net income attributable to Carlyle Holdings	429.6	671.8	642.8
Net income attributable to non-controlling interests in Carlyle Holdings	343.8	567.7	622.5
Net income attributable to The Carlyle Group L.P.	$85.8	$104.1	$20.3
Net income attributable to The Carlyle Group L.P. per common unit (see Note 15)			
Basic	$1.35	$2.24	$0.48
Diluted	$1.23	$2.05	$0.41

Weighted-average common units			
Basic	62,788,634	46,135,229	42,562,928
Diluted	68,461,157	278,250,489	259,698,987
Distributions declared per common unit	$1.88	$1.33	$0.27

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

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Notes to the Consolidated Financial Statements

Consolidated Statements of Comprehensive Income
(Dollars in millions)

	Year Ended December 31,		
	2014	2013	2012
Net income	$915.1	$1,347.8	$2,399.5
Other comprehensive income (loss)			
Foreign currency translation adjustments	(730.1)	372.7	(308.2)
Cash flow hedges			
Unrealized gains (loss) for the period	—	0.2	(10.2)
Less: reclassification adjustment for loss included in interest expense	2.4	3.8	7.1
Defined benefit plans			
Unrealized gains (loss) for the period	(0.6)	0.9	(12.3)
Less: reclassification adjustment for unrecognized loss during the period, net, included in base compensation expense	0.4	0.8	—
Other comprehensive income (loss)	(727.9)	378.4	(323.6)
Comprehensive income	187.2	1,726.2	2,075.9
Less: Comprehensive loss attributable to partners' capital appropriated for Consolidated Funds	279.1	375.0	384.8
Less: Comprehensive income attributable to non-controlling interests in consolidated entities	(632.9)	(1,152.3)	(1,844.3)
Less: Comprehensive (income) loss attributable to redeemable non-controlling interests in consolidated entities	465.2	(272.3)	9.0
Comprehensive income attributable to Carlyle Holdings	298.6	676.6	625.4
Less: Comprehensive income attributable to non-controlling interests in Carlyle Holdings	(228.2)	(571.9)	(607.6)
Comprehensive income attributable to The Carlyle Group L.P.	$70.4	$104.7	$17.8

See accompanying notes.

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

Consolidated Statements of Changes in Partners' Capital and Redeemable Non-controlling Interests in Consolidated Entities
(Dollars and units in millions)

	Common Units	Members' Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Partners' Capital Appropriated for Consolidated Funds	Non-controlling Interests in Consolidated Entities	Non-controlling Interests in Carlyle Holdings	Total Partners' Capital	Redeemable Non-controlling Interests in Consolidated Entities
Balance at December 31, 2011	—	$ 873.1	$—	$ (55.8)	$ 853.7	$ 7,496.2	$—	$ 9,167.2	$ 1,923.4
Acquisition of CLOs	—	—	—	—	357.3	—	—	357.3	—
Contributions	—	9.3	—	—	12.4	340.7	—	362.4	719.1
Distributions	—	(658.5)	—	—	—	(813.9)	—	(1,472.4)	(114.8)
Net income (loss)	—	532.7	—	—	47.5	955.5	—	1,535.7	(20.8)
Currency translation adjustments	—	—	—	2.3	(4.1)	(168.0)	—	(169.8)	—
Change in fair value of cash flow hedge instruments	—	—	—	(2.2)	—	—	—	(2.2)	—
Contribution of equity interests in general partners of carry funds	—	261.1	—	—	—	—	—	261.1	—
Reorganization of beneficial interests in investments	—	(64.1)	—	—	—	64.1	—	—	—
Reorganization of carried interest rights of retired senior Carlyle professionals	—	(56.2)	—	—	—	56.2	—	—	—
Exchange of interests for Carlyle Holdings units	—	(897.4)	—	55.7	—	—	841.7	—	—
Balance post-reorganization	—	—	—	—	1,266.8	7,930.8	841.7	10,039.3	2,506.9
Issuance of common units in initial public offering, net of issuance costs	30.5	—	615.8	—	—	—	—	615.8	—
Deferred tax effects resulting from acquisition and exchange of interests in Carlyle Holdings	—	—	(9.4)	—	—	—	—	(9.4)	—
Dilution assumed with IPO	—	—	(469.8)	—	—	—	469.8	—	—
	12.7	—	70.1	(2.3)	—	—	(61.0)	6.8	—

CalPERS equity exchange									
Initial consolidation of a Consolidated Fund	—	—	—	—	—	5.0	—	5.0	—
Contributions	—	—	—	—	—	377.0	—	377.0	723.2
Distributions	—	—	(11.7)	—	—	(1,104.8)	(96.6)	(1,213.1)	(354.5)
Net income (loss)	—	—	20.3	—	(424.1)	1,186.8	89.8	872.8	11.8
Equity-based compensation	—	—	19.8	—	—	—	119.9	139.7	—
Issuance of Carlyle Holdings partnership units	—	—	—	—	—	—	13.1	13.1	—
Currency translation adjustments	—	—	—	(1.0)	(4.1)	(127.6)	(5.7)	(138.4)	—
Defined benefit plans, net	—	—	—	(1.4)	—	(2.4)	(8.5)	(12.3)	—
Change in fair value of cash flow hedge instruments	—	—	—	(0.1)	—	—	(0.8)	(0.9)	—
Balance at December 31, 2012	43.2	—	235.1	(4.8)	838.6	8,264.8	1,361.7	10,695.4	2,887.4
Reallocation of ownership interests in Carlyle Holdings	0.2	—	20.6	(6.7)	—	—	(13.9)	—	—
Acquisition of non-controlling interests in consolidated entities	2.9	—	4.2	(0.3)	—	(33.1)	22.1	(7.1)	—
Issuance of common units related to acquisitions	0.1	—	0.3	—	—	—	1.8	2.1	—
Initial consolidation of Consolidated Funds	—	—	—	—	—	69.6	—	69.6	—
Issuance of Carlyle Holdings partnership units	—	—	—	—	—	—	16.6	16.6	—
Equity-based compensation	—	—	51.3	—	—	—	276.3	327.6	—
Net delivery of vested common units	3.0	—	1.4	—	—	—	3.4	4.8	—
Contributions	—	—	—	—	—	673.4	—	673.4	1,803.1
Distributions	—	—	(59.9)	—	—	(2,430.4)	(368.6)	(2,858.9)	(610.8)
Net income (loss)	—	—	104.1	—	(383.1)	786.8	567.7	1,075.5	272.3
Currency translation adjustments	—	—	—	(0.2)	8.1	365.1	(0.3)	372.7	—
Defined benefit plans, net	—	—	—	0.2	—	0.4	1.1	1.7	—
Change in fair value of cash flow hedge instruments	—	—	—	0.6	—	—	3.4	4.0	—
	49.4	—	357.1	(11.2)	463.6	7,696.6	1,871.3	10,377.4	4,352.0

Balance at December 31, 2013									
Reallocation of ownership interests in Carlyle Holdings	0.1	—	41.2	(10.3)	—	—	(30.9)	—	—
Issuance of units in public offering, net of issuance costs	13.8	—	97.8	(2.1)	—	—	50.4	146.1	—
Issuance of common units related to acquisitions	0.7	—	3.7	—	—	—	19.4	23.1	—
Issuance of Carlyle Holdings partnership units	—	—	—	—	—	—	12.8	12.8	—
Deferred tax effects resulting from acquisition of interests in Carlyle Holdings	—	—	9.7	—	—	—	—	9.7	—
Equity-based compensation	—	—	71.9	—	—	—	271.1	343.0	—
Net delivery of vested common units	3.8	—	1.5	—	—	—	1.2	2.7	—
Contributions	—	—	—	—	—	1,002.5	—	1,002.5	1,205.0
Distributions	—	—	(102.7)	—	—	(2,885.6)	(486.9)	(3,475.2)	(1,304.8)
Net income (loss)	—	—	85.8	—	(259.0)	1,209.7	343.8	1,380.3	(465.2)
Deconsolidation of a Consolidated Fund	—	—	—	—	—	—	—	—	(25.5)
Currency translation adjustments	—	—	—	(15.8)	(20.1)	(576.8)	(117.4)	(730.1)	—
Defined benefit plans, net	—	—	—	(0.1)	—	—	(0.1)	(0.2)	—
Change in fair value of cash flow hedge instruments	—	—	—	0.5	—	—	1.9	2.4	—
Balance at December 31, 2014	67.8	$—	$566.0	$ (39.0)	$ 184.5	$ 6,446.4	$1,936.6	$9,094.5	$ 3,761.5

See accompanying notes.

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

	Year Ended December 31,		
	2014	2013	2012
Cash flows from operating activities			
Net income	$915.1	$1,347.8	$2,399.5
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	192.1	163.6	107.8
Equity-based compensation	344.0	322.4	201.7
Excess tax benefits related to equity-based compensation	(2.7)	(1.9)	—
Non-cash performance fees	(572.9)	(1,525.5)	(192.6)
Other non-cash amounts	(1.4)	(9.1)	8.4
Consolidated Funds related:			
Realized/unrealized gain on investments of Consolidated Funds	(785.6)	(1,369.6)	(2,571.2)
Realized/unrealized (loss) gain from loans payable of Consolidated Funds	(11.9)	695.8	926.2
Purchases of investments by Consolidated Funds	(10,566.3)	(11,555.0)	(7,176.3)
Proceeds from sale and settlements of investments by Consolidated Funds	10,685.6	11,631.6	8,530.5
Non-cash interest income, net	(26.2)	(81.1)	(80.6)
Change in cash and cash equivalents held at Consolidated Funds	2,516.8	2,419.9	1,274.7
Change in other receivables held at Consolidated Funds	(414.7)	(228.8)	41.5
Change in other liabilities held at Consolidated Funds	63.3	(120.5)	(1,038.9)
Investment (income) loss	14.9	(4.8)	(32.1)
Purchases of investments and trading securities	(221.9)	(93.0)	(540.4)
Proceeds from the sale of investments and trading securities	544.4	294.3	215.6
Payments of contingent consideration	(59.6)	—	—
Changes in deferred taxes, net	10.5	44.5	(9.3)
Change in due from affiliates and other receivables	(4.2)	(7.8)	10.1
Change in receivables and inventory of a consolidated real estate VIE	—	10.1	—
Change in deposits and other	(10.9)	9.7	9.4
Change in other assets of a consolidated real estate VIE	(25.0)	4.3	—
Change in accounts payable, accrued expenses and other liabilities	(23.4)	46.6	3.4
Change in accrued compensation and benefits	155.4	935.5	(5.3)
Change in due to affiliates	(81.6)	96.7	(23.6)
Change in other liabilities of a consolidated real estate VIE	(24.9)	(32.1)	—
Change in deferred revenue	36.8	0.7	(30.1)
Net cash provided by operating activities	2,645.7	2,994.3	2,028.4
Cash flows from investing activities			
Change in restricted cash	69.8	(95.4)	(9.6)
Purchases of fixed assets, net	(29.7)	(29.5)	(32.7)
Purchases of intangible assets	—	—	(41.0)
Acquisitions, net of cash acquired	(3.1)	(10.2)	(42.8)
Net cash provided by (used in) investing activities	37.0	(135.1)	(126.1)
Cash flows from financing activities			
Borrowings under credit facility	—	—	820.0
Repayments under credit facility	—	(386.3)	(744.6)
Issuance of 3.875% senior notes due 2023, net of financing costs	—	495.3	—
Issuance of 5.625% senior notes due 2043, net of financing costs	210.8	394.1	—
Proceeds from loans payable	—	17.1	—

Payments on loans payable	—	(475.0)	(310.0)
Net payments on loans payable of a consolidated real estate VIE	(34.4)	(1.5)	—
Net payment on loans payable of Consolidated Funds	(1,033.4)	(1,595.2)	(1,415.2)
Payments of contingent consideration	(39.5)	(23.9)	(10.0)
Distributions to common unitholders	(102.7)	(59.9)	(11.7)
Distributions to non-controlling interest holders in Carlyle Holdings	(486.9)	(372.9)	(96.6)
Net proceeds from issuance of common units, net of offering costs	449.5	—	615.8
Excess tax benefits related to equity-based compensation	2.7	1.9	—
Contributions from predecessor owners	—	—	9.3
Distributions to predecessor owners	—	—	(452.3)
Contributions from non-controlling interest holders	2,203.1	2,474.9	2,044.7
Distributions to non-controlling interest holders	(4,190.4)	(3,038.0)	(2,310.2)
Acquisition of non-controlling interests in Carlyle Holdings	(303.4)	(7.1)	—
Change in due to/from affiliates financing activities	(38.4)	17.3	0.7
Change in due to/from affiliates and other receivables of Consolidated Funds	1,069.6	55.5	18.8
Net cash used in financing activities	(2,293.4)	(2,503.7)	(1,841.3)
Effect of foreign exchange rate changes	(113.9)	44.0	(3.5)
Increase in cash and cash equivalents	275.4	399.5	57.5
Cash and cash equivalents, beginning of period	966.6	567.1	509.6
Cash and cash equivalents, end of period	$1,242.0	$966.6	$567.1
Supplemental cash disclosures			
Cash paid for interest	$51.9	$28.6	$24.7
Cash paid for income taxes	$58.7	$50.4	$56.1
Supplemental non-cash disclosures			
Increase in partners' capital related to reallocation of ownership interest in Carlyle Holdings	$30.9	$13.9	$—
Increase to partners' capital from acquisition of non-controlling interests in consolidated entities	$—	$3.9	$—
Initial consolidation of Consolidated Funds	$—	$69.6	$5.0
Net assets related to consolidation of the CLOs	$—	$—	$357.3
Non-cash distributions to predecessor owners	$—	$—	$402.5
Non-cash contributions from non-controlling interest holders	$4.4	$1.6	$127.7
Non-cash distributions to non-controlling interest holders	$—	$3.2	$77.8
Tax effect from acquisition of Carlyle Holdings partnership units:			
Deferred tax asset	$67.8	$—	$—
Tax receivable agreement liability	$58.1	$—	$—
Total partners' capital	$9.7	$—	$—
Reorganization:			
Transfer of partners' capital to non-controlling interests in consolidated entities	$—	$—	$120.3
Deferred taxes from transfer of ownership interests	$—	$—	$9.4
Exchange of CalPERS equity interests:			
Deferred tax asset	$—	$—	$41.7
Tax receivable agreement liability	$—	$—	$34.9
Total partners' capital	$—	$—	$6.8

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

1. Organization and Basis of Presentation

The Carlyle Group L.P., together with its consolidated subsidiaries (the "Partnership" or "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 Partnership is a Delaware limited partnership formed on July 18, 2011. The Partnership is managed and operated by its general partner, Carlyle Group Management L.L.C., which is in turn wholly-owned and controlled by Carlyle's founders and other senior Carlyle professionals.

Carlyle provides investment management services to, and has transactions with, various private equity funds, real estate funds, collateralized loan obligations ("CLOs"), hedge funds and other investment products sponsored by the Partnership for the investment of client assets in the normal course of business. Carlyle typically serves as the general partner, investment manager or collateral manager, making day-to-day investment decisions concerning the assets of these products. Carlyle operates its business through four reportable segments: Corporate Private Equity, Global Market Strategies, Real Assets and Investment Solutions (formerly called Solutions) (see Note 18).

Basis of Presentation

The accompanying financial statements include (1) subsequent to the reorganization as described below, the accounts of the Partnership and (2) prior to the reorganization, the combined accounts 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., as well as their majority-owned subsidiaries (collectively, "Carlyle Group"), which were engaged in the above businesses under common ownership and control by Carlyle's individual partners ("senior Carlyle professionals"), the California Employees Public Retirement System ("CalPERS") and Mubadala Development Company ("Mubadala"). In addition, certain Carlyle-affiliated funds, related co-investment entities, certain CLOs managed by the Partnership (collectively the "Consolidated Funds") and a real estate development company (see Note 17) have been consolidated in the accompanying financial statements pursuant to accounting principles generally accepted in the United States ("U.S. GAAP"), as described in Note 2. The consolidation of the Consolidated Funds generally has a gross-up effect on assets, liabilities and cash flows, and has no effect on the net income attributable to the Partnership. The majority economic ownership interests of the investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities, partners' capital appropriated for Consolidated Funds and redeemable non-controlling interests in consolidated entities in the accompanying consolidated financial statements.

Prior to the reorganization and initial public offering in May 2012, all compensation for services rendered by senior Carlyle professionals was reflected as distributions from partners' capital rather than as compensation expense. Subsequent to the reorganization and initial public offering, all compensation attributable to senior Carlyle professionals is recognized as compensation expense, consistent with all other Carlyle employees.

Reorganization and Initial Public Offering

In May 2012, a series of reorganization transactions were executed to facilitate the acquisition by the Partnership of an indirect equity interest in Carlyle Group. As part of these reorganization transactions, the senior Carlyle professionals (excluding retired senior Carlyle professionals), CalPERS and Mubadala contributed all of their interests in TC Group, L.L.C., TC Group Cayman, L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. (the "Former Parent Entities") and senior Carlyle professionals and other individuals engaged in Carlyle's business contributed a portion of the equity interests they owned in the general partners of Carlyle's existing carry funds, to Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P. (collectively, "Carlyle Holdings") in exchange for Carlyle Holdings partnership units.

After the completion of the reorganization transactions, Carlyle Group is a consolidated subsidiary of Carlyle Holdings. Carlyle Group is considered the predecessor of the Partnership for accounting purposes, and accordingly, Carlyle Group's combined and consolidated financial statements are the Partnership's historical financial statements. The historical combined and consolidated financial statements of Carlyle Group are reflected herein based on the

historical ownership interests of the senior Carlyle professionals, CalPERS and Mubadala in Carlyle Group.

In May 2012, the Partnership completed an initial public offering of 30,500,000 common units on the NASDAQ Global Select Market under the symbol "CG". The net proceeds to the Partnership from the initial public offering were approximately $615.8 million, after deducting underwriting discounts and offering expenses. The Partnership used all of the proceeds to purchase an equivalent number of newly issued Carlyle Holdings partnership units from Carlyle Holdings. As the sole general partner of Carlyle Holdings, the Partnership consolidates the financial position and results of operations of Carlyle Holdings into its financial statements, and the other ownership interests in Carlyle Holdings are reflected as non-controlling interests in the Partnership's financial statements.

March 2014 Public Offering of Partnership Common Units

On March 10, 2014, the Partnership completed a public offering of 13,800,000 common units priced at $33.50 per common unit. The Partnership received net proceeds of approximately $449.5 million, after deduction of the underwriting discount and offering expenses. The Partnership's wholly-owned subsidiaries used $146.1 million of the net proceeds to acquire 4,500,000 newly issued Carlyle Holdings partnership units from Carlyle Holdings. These proceeds are being used by Carlyle Holdings for general corporate purposes, including investments in Carlyle's funds as well as investment capital for acquisitions of new fund platforms and strategies or other growth initiatives, to drive innovation across the broader Carlyle platform. The Partnership's wholly-owned subsidiaries used the remaining net proceeds of $303.4 million to acquire 9,300,000 Carlyle Holding partnership units from the other limited partners of Carlyle Holdings, including certain of the Partnership's directors and executive officers.

As it relates to the 4,500,000 newly issued Carlyle Holdings partnership units that the Partnership acquired, because the Partnership acquired these partnership units at a valuation in excess of the proportion of the book value of the net assets acquired, the Partnership incurred an immediate dilution of approximately $116.8 million. This dilution was reflected within partners' capital as a reallocation from partners' capital to non-controlling interests in Carlyle Holdings. As it relates to the 9,300,000 Carlyle Holdings partnership units that the Partnership acquired from the other limited partners of Carlyle Holdings, the Partnership accounted for this transaction as an acquisition of ownership interests in a subsidiary while retaining a controlling interest in the subsidiary. Accordingly, the carrying value of the non-controlling interest was adjusted to reflect the change in the ownership interests in Carlyle Holdings. The excess of the fair value of the consideration issued by the Partnership over the carrying amount of the non-controlling interest acquired was recognized directly as a reduction to partners' capital. The adjustment to partners' capital was derived as follows (Dollars in millions):

Acquisition-date fair value of consideration transferred:	
Cash	$303.4
Carrying value of non-controlling interest acquired	(66.4)
Excess of fair value of consideration transferred over carrying value of non-controlling interest acquired	$237.0

The following summarizes the adjustments within partners' capital related to the March 2014 public offering (Dollars in millions):

	Partners' Capital	Non-controlling interests in Carlyle Holdings	Total Partners' Capital
Proceeds from The Carlyle Group L.P. common units issued	$449.5	$ —	$449.5
Dilution associated with the acquisition of 4,500,000 Carlyle Holdings partnership units	(116.8)	116.8	—
Acquisition of non-controlling interest in Carlyle Holdings	(237.0)	(66.4)	(303.4)
Total increase	$95.7	$ 50.4	$146.1

Additionally, the acquisition by the Partnership of the 9,300,000 Carlyle Holdings partnership units from the other limited partners of Carlyle Holdings is subject to the terms of the tax receivable agreement. Accordingly, the Partnership recorded a deferred tax asset of $70.0 million, an increase to the liability owed under the tax receivable agreement of $60.1 million, and an increase in partners' capital of $9.9 million based on estimated tax information available at the time. The Partnership recorded subsequent adjustments for this exchange due to updated relevant tax

calculations, which decreased the deferred tax asset by $2.2 million, decreased the liability to the limited partners by $2.0 million and decreased partners' capital by $0.2 million. The liability is expected to be paid as the deferred tax asset is realized as a reduction in taxes payable.
Following the issuance of common units from the March 2014 public offering, the issuance of common units for the acquisition of Diversified Global Asset Management Corporation ("DGAM", see Note 3) and the vesting of deferred restricted common units, the total number of Partnership common units outstanding as of December 31, 2014 was 67,761,012 common units.

2. Summary of Significant Accounting Policies

Principles of Consolidation
The Partnership consolidates all entities that it controls through a majority voting interest or otherwise. In addition, the accompanying consolidated financial statements consolidate: (1) Carlyle-affiliated funds and co-investment entities, for which the Partnership 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 and a real estate development company, for which the Partnership 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 Partnership consolidates those entities where it is deemed to be the primary beneficiary. 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 Partnership holds a variable interest is a VIE and (b) whether the Partnership'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 Partnership is the primary beneficiary, the Partnership evaluates its economic interests in the entity held either directly or indirectly by the Partnership. 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 if 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.
As of December 31, 2014, assets and liabilities of consolidated VIEs reflected in the consolidated balance sheets were $24.1 billion and $17.6 billion, respectively. Except to the extent of the assets of the VIEs which are consolidated, the holders of the consolidated VIEs' liabilities generally do not have recourse to the Partnership. The assets and liabilities of the consolidated VIEs that are Consolidated Funds 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 Partnership earns investment management fees, including in some cases subordinated management fees and contingent incentive fees. In cases where the Partnership consolidates the CLOs, those management fees have been eliminated as intercompany transactions. As of December 31, 2014, the Partnership held $106.9 million of investments in these CLOs which represent its maximum risk of loss. The Partnership's investments in these CLOs are generally subordinated to other interests in the entities and entitle the Partnership to receive a pro rata portion of the residual cash flows, if any, from the entities. Investors in the CLOs have no recourse against the Partnership for any losses sustained in the CLO structure.
For all Carlyle-affiliated funds and co-investment entities (collectively "the funds") that are not determined to be VIEs, the Partnership 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 Partnership's consolidated financial statements.

Investments in Unconsolidated Variable Interest Entities

The Partnership holds variable interests in certain VIEs that are not consolidated because the Partnership is not the primary beneficiary, including its strategic investment in NGP Management Company, L.L.C. ("NGP Management" and, together with its affiliates, "NGP"). Refer to Note 6 for information on this investment. The Partnership's involvement with such entities is in the form of direct equity interests and fee arrangements. The maximum exposure to loss represents the loss of assets recognized by the Partnership relating to these unconsolidated entities. The assets recognized in the Partnership's consolidated balance sheets related to the Partnership's interests in these non-consolidated VIEs and the Partnership's maximum exposure to loss relating to non-consolidated VIEs were as follows:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Investments	$511.8	$364.8
Receivables	3.7	132.4
Maximum Exposure to Loss	$515.5	$497.2

Basis of Accounting

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

All of the investments held and notes issued by the Consolidated Funds are presented at their estimated fair values in the Partnership's consolidated balance sheets. Interest and other income of the Consolidated Funds as well as interest expense and other expenses of the Consolidated Funds are included in the Partnership's consolidated statements of operations. The excess of the CLO assets over the CLO liabilities upon consolidation is reflected in the Partnership's consolidated balance sheets as partners' capital 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 consolidated statements of operations and partners' capital appropriated for Consolidated Funds in the 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 Partnership'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 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 Partnership accounts for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values

determined by management as of the acquisition date. Contingent consideration obligations that are elements of consideration transferred are recognized as of the acquisition date as part of the fair value transferred in exchange for the acquired business. Acquisition-related costs incurred in connection with a business combination are expensed.

The Carlyle Group L.P.

Notes to the Consolidated Financial Statements

Revenue Recognition

Fund Management Fees

The Partnership provides management services to funds in which it holds a general partner interest or has a management agreement. For corporate private equity, certain global market strategies funds and real assets 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 at the lower of cost or aggregate remaining fair value, (c) gross assets, excluding cash and cash equivalents or (d) 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, closed-end carry funds in the global market strategies segment and real assets funds 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% generally on the lower of cost or fair value of capital invested; however, certain of our managed accounts base management fees on contributions for unrealized investments or the current value of the investment at all times. The Partnership 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 generally 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 typically pay management fees quarterly that generally range from 1.5% to 2.0% of NAV per year. The mutual fund will generally pay management fees of 0.75% per year of daily net asset value. Management fees for the business development companies are due quarterly in arrears at annual rates that range from 0.25% to 1.0% of gross assets, excluding cash and cash equivalents. Management fees for the CLOs and other structured products typically range from 0.15% to 1.0% on the total par amount of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semi-annually based on the terms and recognized over the respective period. Management fees for the CLOs/structured products and credit opportunities are governed by indentures and collateral management agreements. The Partnership will receive management fees for the CLOs until redemption of the securities issued by the CLOs, which is generally five to ten years after issuance. Open-ended funds typically do not have stated termination dates.

Management fees for our private equity and real estate fund of funds vehicles generally range from 0.3% to 1.0% on the vehicle's capital commitments during the commitment fee period of the relevant fund or the weighted-average investment period of the underlying funds. Following the expiration of the commitment fee period or weighted-average investment period of such funds, the management fees generally range from 0.3% to 1.0% on the lower of cost or fair value of the capital invested, the net asset value for unrealized investments, or the contributions for unrealized investments. The management fees for our fund of hedge fund vehicles generally range from 0.2% to 1.5% of net asset value. Management fees for our Investment Solutions segment are generally due quarterly and recognized over the related quarter.

The Partnership also provides transaction advisory and portfolio advisory services to the Portfolio Companies, and where covered by separate contractual agreements, recognizes fees for these services when the service has been provided and collection is reasonably assured. Fund management fees includes transaction and portfolio advisory fees of $73.3 million, $50.6 million and $49.5 million million for the years ended December 31, 2014, 2013 and 2012, 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 the funds to which the Partnership is entitled (commonly known as carried interest). The Partnership is generally entitled to a 20% allocation (or 10% to 20% on external coinvestment vehicles, with some earning no carried interest, or approximately 2% to 10% in the case of most of the Partnership's 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 return of certain fund costs (generally subject to catch-up provisions as set forth in the fund limited partnership agreement) from its corporate private equity and real assets funds and closed-end carry funds in the global market strategies segment. Carried interest is recognized upon appreciation of the funds' investment values above certain return hurdles set forth in each respective partnership agreement. The Partnership recognizes revenues attributable to performance fees based upon the amount that would be due pursuant to the fund partnership agreement

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at each period end as if the funds were terminated at that date. Accordingly, the amount recognized as performance fees reflects the Partnership's share of the gains and losses of the associated funds' underlying investments measured at their then-current fair values. Because of the inherent uncertainty, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the difference could be material.

Carried interest is ultimately realized when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the fund's cumulative returns are in excess of the preferred return and (iv) the Partnership has decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by the Partnership in future periods if the funds' investment values decline below certain levels. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance 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, 2014 and 2013, the Partnership has recognized $104.4 million and $39.6 million, respectively, for giveback obligations.

In addition to its performance fees from its corporate private equity and real assets funds and closed-end carry funds in the global market strategies segment, the Partnership is also entitled to receive performance fees from certain of its global market strategies funds and fund of funds vehicles 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 consolidated statements of operations.

Investment Income (Loss)

Investment income (loss) represents the unrealized and realized gains and losses resulting from the Partnership's equity method investments and other principal investments. Equity method investment income (loss) includes the related amortization of the basis difference between the Partnership's carrying value of its investment and the Partnership's share of underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by the Partnership to employees of its equity method investee. Investment income (loss) is realized when the Partnership redeems all or a portion of its investment or when the Partnership receives or is due cash income, such as dividends or distributions. 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 Partnership is included in interest and other income in the accompanying consolidated statements of operations. Interest income of the Consolidated Funds was $864.9 million, $876.8 million and $772.8 million for the years ended December 31, 2014, 2013 and 2012, respectively, and is included in interest and other income of Consolidated Funds in the accompanying consolidated statements of operations.

Compensation and Benefits

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

Equity-Based Compensation – Compensation expense relating to the issuance of equity-based awards to Carlyle employees is measured at fair value on the grant date. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis, adjusted for estimated forfeitures

of awards not expected to vest. The compensation expense for awards that do not require future service is recognized immediately. Upon the end of the service period, compensation expense is adjusted to account for the actual forfeiture rate. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved; in certain instances, such compensation expense may be recognized prior to the grant date of the award.

Equity-based awards issued to non-employees are recognized as general, administrative and other expenses. The grant-date fair value of equity-based awards granted to Carlyle’s non-employee directors is expensed on a straight-line basis over the

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vesting period. The cost of services received in exchange for an equity-based award issued to consultants is measured at each vesting date, and is not measured based on the grant-date fair value of the award unless the award is vested at the grant date. Equity-based awards that require the satisfaction of future service criteria are recognized over the relevant service period, adjusted for estimated forfeitures of awards not expected to vest, based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. Accordingly, the measured value of the award will not be finalized until the vesting date.

Performance Fee Related Compensation – A portion of the performance fees earned is due to employees and advisors of the Partnership. These amounts are accounted for as compensation expense in conjunction with the recognition of the related performance 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. As of December 31, 2014 and 2013, the Partnership had recorded a liability of $1.8 billion and $1.7 billion, respectively, related to the portion of accrued performance fees due to employees and advisors, which was included in accrued compensation and benefits in the accompanying consolidated financial statements.

Income Taxes

For periods prior to the reorganization and initial public offering in May 2012, no provision was made for U.S. federal income taxes in the consolidated financial statements since the profits and losses were allocated to the senior Carlyle professionals who were individually responsible for reporting such amounts. During those periods, based on applicable foreign, state and local tax laws, a provision for income taxes was recorded for certain entities.

For periods subsequent to the reorganization and initial public offering in May 2012, certain of the wholly-owned subsidiaries of the Partnership and the Carlyle Holdings partnerships are subject to federal, state, local and foreign corporate income taxes at the entity level and the related tax provision attributable to the Partnership's share of this income is reflected in the consolidated financial statements. Based on applicable foreign, state and local tax laws, the Partnership records a provision for income taxes for certain entities. Tax positions taken by the Partnership are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

The Partnership accounts for income taxes under the provisions of Accounting Standards Codification ("ASC") 740, Income Taxes ("ASC 740"), using the liability method. ASC 740 requires the recognition of deferred tax liabilities and assets for the expected future consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement reporting and the tax basis of assets and liabilities using enacted tax rates in effect for the period in which the difference is expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change in the provision for income taxes. Further, deferred tax assets are recognized for the expected realization of available net operating loss and tax credit carry forwards. A valuation allowance is recorded on the Partnership's gross deferred tax assets when it is "more likely than not" that such asset will not be realized. When evaluating the realizability of the Partnership's deferred tax assets, all evidence, both positive and negative is evaluated. Items considered in this analysis include the ability to carry back losses, the reversal of temporary differences, tax planning strategies, and expectations of future earnings.

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

Tax Receivable Agreement

Exchanges of Carlyle Holdings partnership units for the Partnership's common units that are executed by the limited partners of the Carlyle Holdings partnerships result in transfers of and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, primarily attributable to a portion of the goodwill inherent in the business. These transfers and increases in tax basis will increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that

certain of the Partnership's subsidiaries, including Carlyle Holdings I GP Inc., which are referred to as the "corporate taxpayers," would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The Partnership has entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships whereby the corporate taxpayers have agreed to pay to the limited partners of the Carlyle Holdings partnerships involved in any exchange transaction 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax or foreign or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and, in limited cases, transfers or prior increases in tax basis. The corporate taxpayers expect to benefit from the remaining 15% of cash tax savings, if any, in income tax they realize. Payments under the tax receivable agreement will be based on the tax reporting positions that the Partnership will determine. The corporate taxpayers will not be reimbursed for any payments previously made under the tax receivable agreement if a tax basis increase is successfully challenged by the Internal Revenue Service.

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

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

Non-controlling Interests

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

Non-controlling interests 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, or may be withdrawn subject to a redemption fee 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 consolidated balance sheets. When redeemable amounts become contractually payable to investors, they are classified as a liability and included in other liabilities of Consolidated Funds in the consolidated balance sheets.

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

Earnings Per Common Unit

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

Investments

Investments include (i) the Partnership's ownership interests (typically general partner interests) in the Funds, (ii) the investments held by the Consolidated Funds (all of which are presented at fair value in the Partnership's consolidated financial statements), (iii) strategic investments made by the Partnership and (iv) 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.

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 Partnership, may not have been reflected in pricing obtained from external sources.

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

Upon the sale of a security, 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. Securities transactions are recorded on a trade date basis.

Equity-Method Investments

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

Cash and Cash Equivalents

Cash and cash equivalents include cash held at banks and cash held for distributions, including temporary investments with original maturities of less than three months when purchased. Included in cash and cash equivalents is cash withheld from carried interest distributions for potential giveback obligations of $29.9 million and $55.2 million at December 31, 2014 and 2013, 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 Partnership.

Restricted Cash

In addition to the unrestricted cash held for potential giveback obligations discussed above, the Partnership 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 $13.2 million is included in restricted cash at December 31, 2014 and 2013. Restricted cash at December 31, 2014 and 2013 also includes $8.7 million and $89.2 million, respectively, of cash received on behalf of certain non-consolidated Carlyle funds that was paid out in January 2015 and 2014, respectively. Also included in restricted cash at December 31, 2014 and 2013 is €4.4 million ($5.4 million and $6.1 million as of December 31, 2014 and 2013, respectively) in escrow related to a tax contingency at one of the Partnership's

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real estate funds (see Note 11). The remaining balance in restricted cash at December 31, 2014 and 2013 primarily represents cash held by the Partnership'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 $2.3 million and $13.4 million is included in restricted cash and securities of Consolidated Funds at December 31, 2014 and 2013, respectively.

Certain CLOs hold U.S. Treasury notes, Obligation Assimilable du Tresor Securities ("OATS") Strips and corporate bonds as collateral for specific classes of loans payable in the CLOs. As of December 31, 2014 and 2013, securities of $12.6 million and $12.3 million, respectively, are included in restricted cash and securities of Consolidated Funds.

Derivative Instruments

Derivative instruments are recognized at fair value in the consolidated balance sheets with changes in fair value recognized in the 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 Partnership 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 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 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 and Goodwill

The Partnership's intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, customer relationships, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives, which range from 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. Goodwill represents the excess of cost over the identifiable net assets of businesses acquired and is recorded in the functional currency of the acquired entity. Goodwill is recognized as an asset and is reviewed for impairment annually as of October 1st and between annual tests when events and circumstances indicate that impairment may have occurred.

Deferred Revenue

Deferred revenue represents management fees and other revenue received prior to the balance sheet date, which has not yet been earned.

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Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). The Partnership’s other comprehensive income (loss) is comprised of unrealized gains and losses on cash flow hedges, foreign currency translation adjustments and gains and losses on defined benefit plans sponsored by AlpInvest. The components of accumulated other comprehensive income (loss) as of December 31, 2014 and 2013 were as follows:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Unrealized losses on cash flow hedge instruments	$(0.9)	$(1.0)
Currency translation adjustments	(35.8)	(8.5)
Unrealized losses on defined benefit plans	(2.3)	(1.7)
Total	$(39.0)	$(11.2)

Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the consolidated statements of operations are translated at rates of exchange in effect throughout the period. Foreign currency losses resulting from transactions outside of the functional currency of an entity of $8.8 million, $6.3 million and $4.2 million for the years ended December 31, 2014, 2013 and 2012, respectively, are included in general, administrative and other expenses in the consolidated statements of operations.

Recent Accounting Pronouncements

On February 18, 2015, the FASB issued ASU 2015-2, Consolidation (Topic 820): Amendments to the Consolidation Analysis. ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. This guidance in ASU 2015-2 is effective for the Partnership beginning on January 1, 2016, however, early adoption is permitted. The Partnership is currently assessing the potential impact that this guidance will have on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. ASU 2014-13 relates to reporting entities that elect to measure all eligible financial assets and financial liabilities of a consolidated collateralized financing entity at fair value. Under the Partnership's current practice, the difference between the fair value of the financial assets and the fair value of the financial liabilities is classified within partners’ capital appropriated for Consolidated Funds. ASU 2014-13 requires the reporting entity to initially measure both the financial assets and financial liabilities using the fair value of the financial assets or financial liabilities, whichever is more observable. As a result, the reporting entity will no longer have a difference to report within appropriated partners’ capital. This guidance is effective for the Partnership on January 1, 2016. The Partnership’s consolidated CLOs are consolidated collateralized financing entities for which the Partnership has measured financial assets and financial liabilities at fair value. The guidance is expected to change the measurement of the financial assets or financial liabilities of the Partnership's consolidated CLOs, which will impact net income but not impact net income attributable to the Partnership. Upon adoption, substantially all the balance within partners' capital appropriated for Consolidated Funds will be reclassified to investments of Consolidated Funds or loans payable of Consolidated Funds. At December 31, 2014, partners' capital appropriated for Consolidated Funds was $184.5 million.

In May 2014, the FASB issued ASU 2014-9, Revenue from Contracts with Customers (Topic 606). ASU 2014-9 provides comprehensive guidance for recognizing revenue from contracts with customers. Entities will be able to recognize revenue when the entity transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The guidance includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation. The guidance in ASU 2014-9 is effective for the

Partnership beginning on January 1, 2017. The Partnership is still assessing the potential impact of this guidance, however, this may have a material impact on the Partnership's consolidated financial statements by significantly delaying the recognition of performance fee revenue.
In June 2013, the FASB issued ASU 2013-8, Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. ASU 2013-8 provides additional guidance on the characteristics necessary to qualify as an investment company. The Partnership currently consolidates entities that are investment companies and the Partnership retains the specialized accounting for those investment companies in its consolidated financial statements. The guidance in ASU 2013-8 was effective for the Partnership beginning on January 1, 2014. The Partnership adopted this guidance as of January 1, 2014. The adoption did not have a material impact on the Partnership's consolidated financial statements.

3. Acquisitions

Acquisition of Diversified Global Asset Management Corporation

On February 3, 2014, the Partnership acquired 100% of the equity interests in DGAM, a Toronto, Canada-based alternative investment manager with $2.9 billion in fee-earning assets under management. As of February 3, 2014, DGAM also advised on $3.6 billion in assets, for which it earns a nominal advisory fee. The purchase price consisted of approximately $8.0 million in cash and 662,134 newly issued common units (approximately $23.1 million). The transaction also included contingent compensation of up to $23.7 million in cash and $47.3 million in common units, which are issuable through 2021 upon the achievement of certain performance and service-based requirements. The Partnership consolidated the financial position and results of operations of DGAM effective February 3, 2014 and accounted for this transaction as a business combination. DGAM is the Partnership's fund of hedge funds platform and is included in the Partnership's Investment Solutions business segment. In connection with this transaction, the Partnership incurred approximately $1.3 million of acquisition costs that were recorded as expenses.
The acquisition-date fair value of the consideration transferred for the DGAM acquisition, and the estimated fair values of the assets acquired and liabilities assumed at the acquisition date are as follows (Dollars in millions):

Acquisition-date fair value of consideration transferred		
Cash	$8.0	
The Carlyle Group L.P. common units	23.1	
Total	$31.1	
Estimated fair value of assets acquired and liabilities assumed		
Cash	$4.9	
Other assets	3.9	
Finite-lived intangible assets - contractual rights	29.0	
Goodwill	8.6	
Deferred tax liabilities	(7.7	)
Other liabilities	(7.6	)
Total	$31.1	

The finite-lived intangible assets are amortized over a seven-year period.
The Partnership recognized a dilution in partners' capital associated with the issuance of Carlyle common units and the portion of this transaction allocable to the non-controlling interests in Carlyle Holdings. The effect of the dilution was an increase to non-controlling interests in Carlyle Holdings of approximately $19.4 million and a corresponding decrease to partners' capital.
The amount of revenue and earnings of DGAM recognized since the acquisition date and the pro forma impact to the Partnership's consolidated financial results for the the years ended December 31, 2014 and 2013, as if the acquisition had been consummated as of January 1, 2013, were not significant.

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The fair value of The Carlyle Group L.P. common units issued as consideration in the transaction was based on the quoted price of the Partnership's common units on the NASDAQ exchange at closing. This fair value measurement was based on inputs that are directly observable and thus represented a Level I measurement as defined in the accounting guidance for fair value measurement.

Acquisition of Metropolitan Real Estate Equity Management

On November 1, 2013, the Partnership acquired 100% of the equity interests in Metropolitan Real Estate Equity Management, LLC ("Metropolitan"), a global manager of real estate fund of funds with more than $2.6 billion in capital commitments at the acquisition date. The purchase price consisted of approximately $12.8 million in cash and 67,338 newly issued common units (approximately $2.1 million). The transaction also included contingent consideration that is payable through 2018 upon the achievement of performance conditions of up to $5.0 million in cash and common units equivalent to $10.0 million at the time of vesting. Additionally, the transaction included compensation of 52,889 newly issued Carlyle Holdings partnership units (approximately $1.6 million) that vest ratably over a period of 5 years, up to $10.4 million of cash payable through 2018 based on the achievement of performance conditions, and $10.6 million and $10.0 million of Carlyle Holdings partnership units and common units, respectively, that are issuable through 2023 based on the achievement of performance conditions and time vesting. The Partnership consolidated the financial position and results of operations of Metropolitan effective November 1, 2013 and accounted for this transaction as a business combination. Metropolitan is included in the Partnership's Investment Solutions business segment.

See Note 3 to the consolidated financial statements included in the Partnership's 2013 Annual Report on Form 10-K for additional information on the Metropolitan acquisition.

Acquisition of Remaining 40% Equity Interest in AlpInvest

On August 1, 2013, Carlyle Holdings, a controlled subsidiary of the Partnership, acquired the remaining 40% equity interest in AlpInvest for an aggregate of 2,887,970 newly issued common units of the Partnership (approximately $80.8 million) and approximately €4.5 million in cash (approximately $6.0 million). Of the 2,887,970 common units issued in this transaction, 914,087 common units (approximately $25.5 million) were issued to AlpInvest sellers who are employees of the Partnership and are subject to vesting over a period up to 5 years (see Note 16). The remaining 1,973,883 common units issued in the transaction (approximately $55.3 million) were not subject to any vesting conditions. The Partnership accounted for this transaction as an acquisition of ownership interests in a subsidiary while retaining a controlling interest in the subsidiary. Accordingly, the carrying value of the non-controlling interest was adjusted to reflect the change in the ownership interests in AlpInvest. The excess of the fair value of the consideration paid by the Partnership (excluding any elements of the transaction deemed to be compensatory) over the carrying amount of the non-controlling interest acquired was recognized directly as a reduction to partners' capital.

See Note 3 to the consolidated financial statements included in the Partnership's 2013 Annual Report on Form 10-K for additional information on the acquisition of the remaining 40% equity interest in AlpInvest.

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 Partnership does not adjust the quoted price for these instruments, even in situations where the Partnership holds a large position and a sale could reasonably impact the quoted price.

Level II – inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. The 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. Investments in hedge funds are classified in this category when their net asset value is redeemable without significant restriction.

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. Investments in fund of funds are generally included in this category.

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

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

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The following table summarizes the Partnership's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2014:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$346.8	$156.8	$1,968.5	$2,472.1
Bonds	—	—	1,235.8	1,235.8
Loans	—	—	15,084.9	15,084.9
Partnership and LLC interests[(1)]	—	—	3,481.0	3,481.0
Hedge funds	—	3,753.5	—	3,753.5
Other	—	—	1.5	1.5
	346.8	3,910.3	21,771.7	26,028.8
Trading securities	—	—	3.3	3.3
Restricted securities of Consolidated Funds	4.0	—	8.6	12.6
Total	$350.8	$3,910.3	$21,783.6	$26,044.7
Liabilities				
Loans payable of Consolidated Funds	$—	$—	$16,052.2	$16,052.2
Loans payable of a consolidated real estate VIE	—	—	146.2	146.2
Interest rate swaps	—	3.2	—	3.2
Derivative instruments of the CLOs	—	—	17.2	17.2
Contingent consideration[(2)]	—	—	51.1	51.1
Total	$—	$3.2	$16,266.7	$16,269.9

(1) Balance represents Fund Investments that the Partnership consolidates one fiscal quarter in arrears.

(2) Related to contingent cash and equity consideration associated with the acquisitions of Claren Road, AlpInvest, ESG, Vermillion and Metropolitan, excluding employment-based contingent consideration (see Note 9).

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Notes to the Consolidated Financial Statements

The following table summarizes the Partnership's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2013:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$610.5	$24.0	$2,714.1	$3,348.6
Bonds	—	—	1,249.5	1,249.5
Loans	—	—	14,067.8	14,067.8
Partnership and LLC interests(1)	—	—	3,815.2	3,815.2
Hedge funds	—	4,403.3	—	4,403.3
Other	—	—	2.0	2.0
	610.5	4,427.3	21,848.6	26,886.4
Trading securities	—	—	6.9	6.9
Restricted securities of Consolidated Funds	3.7	—	8.6	12.3
Total	$614.2	$4,427.3	$21,864.1	$26,905.6
Liabilities				
Loans payable of Consolidated Funds	$—	$—	$15,220.7	$15,220.7
Loans payable of a consolidated real estate VIE	—	—	122.1	122.1
Interest rate swaps	—	6.3	—	6.3
Derivative instruments of the CLOs	—	—	13.1	13.1
Contingent consideration(2)	—	15.7	178.8	194.5
Total	$—	$22.0	$15,534.7	$15,556.7

(1) Balance represents Fund Investments that the Partnership consolidates one fiscal quarter in arrears.

(2) Related to contingent cash and equity consideration associated with the acquisitions of Claren Road, AlpInvest, ESG, Vermillion and Metropolitan, excluding employment-based contingent consideration (see Note 9).

Transfers from Level II to Level I during the year ended December 31, 2013 were due to the expiration of transferability restrictions on certain equity securities of Consolidated Funds that were classified as Level II at December 31, 2012. There were no transfers from Level II to Level I during the year ended December 31, 2014.

Investment professionals with responsibility for the underlying investments are responsible for preparing the investment valuations pursuant to the policies, methodologies and templates prepared by the Partnership's valuation group, which is a team made up of dedicated valuation professionals reporting to the Partnership's chief financial officer. The valuation group is responsible for maintaining the Partnership's valuation policy and related guidance, templates and systems that are designed to be consistent with the guidance found in ASC 820, Fair Value Measurement. These valuations, inputs and preliminary conclusions are reviewed by the fund accounting teams. The valuations are then reviewed and approved by the respective fund valuation subcommittees, which are comprised of the respective fund head(s), segment head, chief financial officer and chief accounting officer, as well as members of the valuation group. The valuation group compiles the aggregate results and significant matters and presents them for review and approval by the global valuation committee, which is comprised of the Partnership's co-chief executive officers, co-presidents and co-chief operating officers, chief risk officer, chief financial officer, chief accounting officer, deputy chief investment officer, the business segment heads, and observed by the chief compliance officer, the director of internal audit and the Partnership's audit committee. Additionally, each quarter a sample of valuations are reviewed by external valuation firms.

In the absence of observable market prices, the Partnership values its investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist. Management's determination of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions and 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

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investments in the equity of operating companies and real estate properties, and certain debt positions. The valuation technique for each of these investments is described below:

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

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

CLO Investments and CLO Loans Payable – The Partnership has elected the fair value option to measure the loans payable of the CLOs at fair value, as the Partnership has determined that measurement of the loans payable 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 values of the CLO loan and bond assets are primarily based on quotations from reputable dealers or relevant pricing services. In situations where valuation quotations are unavailable, the assets are valued based on similar securities, market index changes, and other factors. The Partnership corroborates quotations from pricing services either with other available pricing data or with its own models. Generally, the loan and bond assets of the CLOs are not actively traded and are classified as Level III.

The fair values of the CLO loans payable and the CLO structured asset positions are determined based on both discounted cash flow analyses and third-party quotes. Those analyses consider the position size, liquidity, current financial condition of the CLOs, the third-party financing environment, reinvestment rates, recovery lags, discount rates and default forecasts and are compared to broker quotations from market makers and third party dealers.

Loans Payable of a Consolidated Real Estate VIE – The Partnership has elected the fair value option to measure the loans payable of a consolidated real estate VIE at fair value. The fair values of the loans are primarily based on discounted cash flows analyses, which consider the liquidity and current financial condition of the consolidated real estate VIE. These loans are classified as Level III.

Fund Investments – The Partnership's investments in external funds are valued based on its proportionate share of the net assets provided by the third party general partners of the underlying fund partnerships based on the most recent

available information which typically has a lag of up to 90 days. The terms of the investments generally preclude the ability to redeem the investment. Distributions from these investments will be received as the underlying assets in the funds are liquidated, the timing of which cannot be readily determined.

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

	Financial Assets Year Ended December 31, 2014 Investments of Consolidated Funds							
	Equity securities	Bonds	Loans	Partnership and LLC interests	Other	Trading securities and other	Restricted securities of Consolidated Funds	Total
Balance, beginning of period	$2,714.1	$1,249.5	$14,067.8	$3,815.2	$2.0	$6.9	$8.6	$21,864.1
Transfers in [1]	4.5	—	—	—	—	—	—	4.5
Transfers out [1]	(273.6)	—	—	—	—	—	—	(273.6)
Purchases	46.4	748.9	8,212.4	297.5	—	—	—	9,305.2
Sales	(618.0)	(623.1)	(2,431.9)	(1,239.7)	(0.5)	(3.7)	—	(4,916.9)
Settlements	—	—	(3,979.6)	—	—	—		(3,979.6)
Realized and unrealized gains (losses), net	95.1	(139.5)	(783.8)	608.0	—	0.1	—	(220.1)
Balance, end of period	$1,968.5	$1,235.8	$15,084.9	$3,481.0	$1.5	$3.3	$8.6	$21,783.6
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$71.9	$(11.7)	$(99.6)	$142.7	$0.8	$0.1	$—	$104.2

	Financial Assets Year Ended December 31, 2013 Investments of Consolidated Funds							
	Equity securities	Bonds	Loans	Partnership and LLC interests	Other	Trading securities and other	Restricted securities of Consolidated Funds	Total
Balance, beginning of period	$2,475.1	$934.2	$13,290.1	$4,315.5	$7.3	$20.0	$—	$21,042.2
Initial consolidation of funds	—	—	—	60.9	10.4	—	—	71.3
Transfers in [1]	2.9	—	—	—	—	—	8.5	11.4
Transfers out [1]	(12.0)	—	—	—	—	—	—	(12.0)
Purchases	201.8	859.7	8,390.6	261.5	21.6	—	—	9,735.2
Sales	(312.3)	(648.8)	(2,814.6)	(1,438.9)	(9.6)	(14.5)	—	(5,238.7)
Settlements	—	—	(5,248.8)	—	—	—	—	(5,248.8)
	358.6	104.4	450.5	616.2	(27.7)	1.4	0.1	1,503.5

Realized and unrealized gains (losses), net								
Balance, end of period	$2,714.1	$1,249.5	$14,067.8	$3,815.2	$2.0	$6.9	$8.6	$21,864.1
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$349.0	$34.2	$130.6	$(387.8)	$(36.1)	$(1.0)	$0.1	$89.0

(1) Transfers into and 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 period in which the transfer occurs.

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	Financial Liabilities Year Ended December 31, 2014				
	Loans Payable of Consolidated Funds	Derivative Instruments of Consolidated Funds	Contingent Consideration	Loans Payable of a consolidated real estate VIE	Total
Balance, beginning of period	$15,220.7	$13.1	$178.8	$ 122.1	$15,534.7
Initial consolidation of funds	2,656.9	—	—	—	2,656.9
Borrowings	2,251.2	—	—	53.4	2,304.6
Paydowns	(3,286.5)	—	(97.9)	(87.8)	(3,472.2)
Issuances of equity	—	—	(1.8)	—	(1.8)
Sales	—	(4.4)	—	—	(4.4)
Realized and unrealized (gains) losses, net	(790.1)	8.5	(28.0)	58.5	(751.1)
Balance, end of period	$16,052.2	$17.2	$51.1	$ 146.2	$16,266.7
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$(101.8)	$(7.4)	$(8.4)	$ 58.5	$(59.1)

	Financial Liabilities Year Ended December 31, 2013				
	Loans Payable of Consolidated Funds	Derivative Instruments of Consolidated Funds	Contingent Consideration	Loans Payable of a consolidated real estate VIE	Total
Balance, beginning of period	$13,656.7	$15.8	$186.7	$ —	$13,859.2
Initial consolidation of a real estate VIE	—	—	—	123.8	123.8
Initial consolidation of funds	2,152.3	—	—	—	2,152.3
Contingent consideration from acquisitions	—	—	7.0	—	7.0
Transfers out [1]	—	—	—	(3.7)	(3.7)
Borrowings	977.5	—	—	11.8	989.3
Paydowns	(2,534.2)	—	(21.6)	(17.6)	(2,573.4)
Sales	—	(8.4)	—	—	(8.4)
Realized and unrealized losses, net	968.4	5.7	6.7	7.8	988.6
Balance, end of period	$15,220.7	$13.1	$178.8	$ 122.1	$15,534.7
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$608.7	$(5.0)	$6.7	$ 7.8	$618.2

(1) Transfers out of the loans payable of a consolidated real estate VIE relates to the deconsolidation of certain subsidiaries of the VIE upon the sale or transfer of the VIE’s ownership interests in the subsidiary.

Total realized and unrealized gains and losses included in earnings for Level III investments for trading securities are included in investment income (loss), and such gains and losses for investments of Consolidated Funds and loans payable and derivative instruments of the CLOs are included in net investment gains (losses) of Consolidated Funds in the consolidated statements of operations.

Total realized and unrealized gains and losses included in earnings for Level III contingent consideration liabilities are included in other non-operating (income) expenses, and such gains and losses for loans payable of a consolidated real estate VIE are included in interest and other expenses of a consolidated real estate VIE in the consolidated statement of operations.

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The following table summarizes quantitative information about the Partnership's Level III inputs as of December 31, 2014:

(Dollars in millions)	Fair Value at December 31, 2014	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	$1,783.7	Comparable Multiple	LTM EBITDA Multiple	4.8x- 16.2x (12.1x)
	168.7	Comparable Multiple	Forward EBITDA Multiple	8.4x-8.4x (8.4x)
	16.1	Consensus Pricing	Indicative Quotes ($ per share)	$0 - $246 ($0)
Bonds	1,235.8	Consensus Pricing	Indicative Quotes (% of Par)	1 - 133 (99)
Loans	14,873.4	Consensus Pricing	Indicative Quotes (% of Par)	0 - 126 (98)
	211.5	Market Yield Analysis	Market Yield	5% - 17% (11%)
Partnership and LLC interests	3,481.0	NAV of Underlying Fund[(1)]	N/A	N/A
Other	1.5	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	0 - 6 (3)
	21,771.7			
Trading securities and other	3.0	Comparable Multiple	LTM EBITDA Multiple	5.8x - 5.8x (5.8x)
	0.3	Discounted Cash Flow	Discount Rate	10% - 10% (10%)
Restricted securities of Consolidated Funds	8.6	Consensus Pricing	Indicative Quotes (% of Par)	87 - 87 (87)
Total	$21,783.6			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	$14,757.5	Discounted Cash Flow with Consensus Pricing	Discount Rates	1% - 11% (3%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	63% - 75% (68%)
			Indicative Quotes (% of Par)	35 - 100 (98)
Subordinated notes and preferred shares	1,278.8	Discounted Cash Flow with Consensus	Discount Rates	8% - 15% (10%)

		Pricing		
			Default Rates	1% - 3% (2%)
			Recovery Rates	63% - 75% (68%)
			Indicative Quotes (% of Par)	1 - 132 (63)
Combination notes	15.9	Consensus Pricing	Indicative Quotes (% of Par)	97 - 98 (98)
Loans payable of a consolidated real estate VIE	146.2	Discounted Cash Flow	Discount to Expected Payment	0% - 100% (36%)
			Discount Rate	23% - 33% (26%)
Derivative instruments of Consolidated Funds	17.2	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	2 - 22 (11)
Contingent cash consideration[2]	51.1	Discounted Cash Flow	Assumed % of Total Potential Contingent Payments	0% - 100% (20%)
			Discount Rate	5% - 18% (13%)
Total	$16,266.7			

(1) Represents the Partnership's investments in funds that are valued using the NAV of the underlying fund.
(2) Related to contingent cash consideration associated with the acquisitions of Claren Road, AlpInvest, ESG, Vermillion and Metropolitan (see Note 9).

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The following table summarizes quantitative information about the Partnership's Level III inputs as of December 31, 2013:

(Dollars in millions)	Fair Value at December 31, 2013	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	$2,479.6	Comparable Multiple	LTM EBITDA Multiple	5.6x - 15.5x (10.8x)
	169.7	Comparable Multiple	Price Earnings Multiple	17.0x - 17.0x (17.0x)
	10.2	Comparable Multiple	Book Value Multiple	1.0x -1.0x (1.0x)
	24.1	Consensus Pricing	Indicative Quotes ($ per share)	$0 - $250 ($0)
	30.5	Discounted Cash Flow	Discount Rate	5% - 12% (11%)
			Exit Cap Rate	11% - 11% (11%)
Bonds	1,249.5	Consensus Pricing	Indicative Quotes (% of Par)	0 - 130 (100)
Loans	13,858.6	Consensus Pricing	Indicative Quotes (% of Par)	0 - 158 (98)
	209.2	Market Yield Analysis	Market Yield	5% - 17% (10%)
Partnership and LLC interests	3,815.2	NAV of Underlying Fund(1)	N/A	N/A
Other	2.0	Various	N/A	N/A
	21,848.6			
Trading securities and other	5.0	Comparable Multiple	LTM EBITDA Multiple	5.9x - 5.9x (5.9x)
	1.9	Discounted Cash Flow	Discount Rate	7% - 7% (7%)
Restricted securities of Consolidated Funds	8.6	Consensus Pricing	Indicative Quotes (% of Par)	86 - 86 (86)
Total	$21,864.1			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	$13,910.4	Discounted Cash Flow with Consensus Pricing	Discount Rates	2% - 10%(3%)
			Default Rates	1% - 6% (3%)
			Recovery Rates	50% - 75%(63%)
			Indicative Quotes (% of Par)	40 - 101 (98)
Subordinated notes and preferred shares	1,294.0	Discounted Cash Flow with Consensus Pricing	Discount Rates	9% - 25%(16%)

			Default Rates	1% - 6% (2%)
			Recovery Rates	50% - 75% (62%)
			Indicative Quotes (% of Par)	0 - 102 (60)
Combination notes	16.3	Consensus Pricing	Indicative Quotes (% of Par)	93 - 100(98)
Loans payable of a consolidated real estate VIE	122.1	Discounted Cash Flow	Discount to Expected Payment	0% - 100% (45%)
			Discount Rate	20% - 30% (23%)
Derivative instruments of Consolidated Funds	13.1	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	1 - 108 (6)
Contingent cash consideration[2]	178.8	Discounted Cash Flow	Assumed % of Total Potential Contingent Payments	0% - 100% (46%)
			Discount Rate	1% - 25% (13%)
Total	$15,534.7			

(1) Represents the Partnership's investments in funds that are valued using the NAV of the underlying fund.
(2) Related to contingent cash consideration associated with the acquisitions of Claren Road, AlpInvest, ESG, Vermillion and Metropolitan (see Note 9).

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The significant unobservable inputs used in the fair value measurement of the Partnership's investments in equity securities include EBITDA, price-earnings and book value multiples, indicative quotes, discount rates and exit cap rates. Significant decreases in EBITDA multiples, price-earnings multiples, book value multiples or indicative quotes in isolation would result in a significantly lower fair value measurement. Significant increases in discount rates or exit cap rates in isolation would result in a significantly lower fair value measurement.

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

The significant unobservable inputs used in the fair value measurement of the Partnership's trading securities and other investments include EBITDA multiples and discount rates. Significant decreases in EBITDA multiples in isolation would result in a significantly lower fair value measurement. Significant increases in discount rates in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership's restricted securities of Consolidated Funds include indicative quotes. Significant decreases in indicative quotes in isolation would result in a significantly lower fair value measurement.

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

The significant unobservable inputs used in the fair value measurement of the Partnership's loans payable of a consolidated real estate VIE are discounts to expected payment and discount rate. A significant increase in either of these inputs in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership's derivative instruments of Consolidated Funds include indicative quotes. Significant decreases in indicative quotes in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership's contingent consideration are an assumed percentage of total potential contingent payments and discount rates. A significant decrease in the assumed percentage of total potential contingent payments or increase in discount rates in isolation would result in a significantly lower fair value measurement.

5. Accrued Performance Fees

The components of accrued performance fees are as follows:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Corporate Private Equity	$2,932.6	$2,830.4
Global Market Strategies	129.9	167.2
Real Assets	272.9	277.2
Investment Solutions	460.2	378.8
Total	$3,795.6	$3,653.6

Approximately 55% of accrued performance fees at December 31, 2014 are related to Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., two of the Partnership's Corporate Private Equity funds.

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Approximately 62% of accrued performance fees at December 31, 2013 are related to Carlyle Partners IV, L.P., and Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., three of the Partnership's Corporate Private Equity funds.

Accrued performance fees are shown gross of the Partnership's accrued giveback obligations, which are separately presented in the consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Corporate Private Equity	$(52.4)	$(10.4)
Global Market Strategies	—	(2.1)
Real Assets	(52.0)	(27.1)
Total	$(104.4)	$(39.6)

Performance Fees

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

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Corporate Private Equity	$1,340.2	$1,907.4	$786.1
Global Market Strategies	81.7	208.2	99.6
Real Assets	66.5	79.7	90.7
Investment Solutions	186.0	180.0	64.7
Total	$1,674.4	$2,375.3	$1,041.1

Approximately 71%, or $1.2 billion, of performance fees for the year ended December 31, 2014 are related to Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., two of the Partnership's Corporate Private Equity funds. Total revenues recognized from Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., were $680.5 million and $658.5 million, respectively, for the year ended December 31, 2014.

Approximately 63%, or $1.5 billion, of performance fees for the year ended December 31, 2013 are related to Carlyle Partners IV, L.P., Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., three of the Partnership's Corporate Private Equity funds. Total revenues recognized from Carlyle Partners IV, L.P., Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., were $419.1 million, $725.2 million and $580.8 million, respectively, for the year ended December 31, 2013.

Approximately 62%, or $647.8 million, of performance fees for the year ended December 31, 2012 are related to Carlyle Asia Partners II, L.P., Carlyle Partners IV, L.P. and Carlyle Partners V, L.P., three of the Partnership's Corporate Private Equity funds. Total revenues recognized from Carlyle Asia Partners II, L.P., Carlyle Partners IV, L.P. and Carlyle Partners V, L.P. were $140.0 million, $274.1 million and $482.4 million, respectively, for the year ended December 31, 2012.

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6. Investments

Investments consist of the following:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Equity method investments, excluding accrued performance fees	$918.7	$751.1
Trading securities and other investments	12.9	14.2
Total investments	$931.6	$765.3

Strategic Investment in NGP

On December 20, 2012, the Partnership entered into separate purchase agreements with ECM Capital, L.P. and Barclays Natural Resource Investments, a division of Barclays Bank PLC (“BNRI”), pursuant to which the Partnership agreed to invest in NGP, an Irving, Texas-based energy investor.

The Partnership’s equity interests in NGP Management entitle the Partnership to an allocation of income equal to 47.5% of the management fee-related revenues of the NGP entities that serve as the advisors to certain private equity funds, and future interests in the general partners of certain future carry funds advised by NGP that entitle the Partnership to an allocation of income equal to 7.5% of the carried interest received by such fund general partners. In addition, in January 2015 following the termination of the investment period of the NGP Natural Resources X, L.P. fund (“NGP X”), the Partnership paid $7.5 million to acquire an additional 7.5% equity interest in NGP Management that, together with the initial interests described above, entitles the Partnership beginning in January 2015 to an allocation of income equal to 55% of the management fee-related revenues of the NGP entities that serve as the advisors to certain private equity funds. This increase in the allocation of income did not result in a change in accounting for the investment as an equity method investment.

The sellers also granted the Partnership options to purchase additional interests in NGP. Specifically, the Partnership acquired (1) an option, exercisable by the Partnership between July 1, 2014 and July 1, 2015, to purchase from BNRI the net capital amount that has been contributed by BNRI in the general partner of NGP X entitling the Partnership to an allocation of income equal to 40% of the carried interest received by such fund general partner; (2) an option, exercisable by the Partnership from December 20, 2012 until January 1, 2015, to purchase from BNRI additional interests in the general partners of all future carry funds advised by NGP entitling the Partnership to an additional equity allocation equal to 40% of the carried interest received by such fund general partners; and (3) an option, exercisable by the Partnership in approximately 13 years, to purchase from ECM Capital, L.P. and its affiliates, for a formulaic purchase price in cash based upon a measure of the earnings of NGP, the remaining equity interests in NGP Management.

In consideration for these interests and options, the Partnership paid an aggregate of $384.0 million in cash to ECM Capital, L.P. and BNRI, and issued 996,572 Carlyle Holdings partnership units to ECM Capital, L.P. that vest ratably over a period of 5 years. The transaction also includes contingent consideration payable to ECM Capital, L.P. of up to $45.0 million in cash, 597,944 Carlyle Holdings partnership units that were issued at closing but vest upon the achievement of performance conditions, and contingently issuable Carlyle Holdings partnership units up to $15.0 million that will be issued if the performance conditions are met. The contingent consideration is payable from 2015 through 2018, depending on NGP’s achievement of certain business performance goals. Additionally, the transaction includes contingent consideration payable to BNRI of up to $183.0 million, which will be payable partly in cash and partly by a promissory note issued by the Partnership, if the performance conditions are met.

As of December 31, 2014, the NGP Natural Resources XI, L.P. fund (“NGP XI”) had closed on aggregate commitments of approximately $4.2 billion. Substantially all of these commitments are entitled to a fee holiday through January 1, 2016 pursuant to which investors will only be required to pay management fees on invested capital. Based on the

amount of NGP XI commitments raised through December 31, 2014, it is probable that BNRI will be entitled to receive a portion of the contingent consideration when such payment becomes due. Accordingly, as of December 31, 2014, the Partnership has accrued $159.8 million related to this future payment obligation. On January 15, 2015, NGP XI had a final closing, following which it is probable that BNRI will receive the maximum contingent consideration of $183.0 million when

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such payment becomes due; and therefore, the remaining accrual of $23.2 million will be recognized in the first quarter of 2015. The timing of the cash payment and issuance of the promissory note to BNRI is based on the contractual agreement between the Partnership and BNRI, which is currently estimated to be in early 2016. BNRI has asserted that the payment should be made earlier, and the dispute about the exact timing of the payment has not been resolved.

The Partnership also entered into a senior advisor consulting agreement with the chief executive officer of NGP and granted deferred restricted common units to a group of NGP personnel who are providing the Partnership with consulting services.

In May 2014, the Partnership exercised the option to acquire additional interests in the general partners of all future carry funds advised by NGP, which entitles the Partnership to an additional equity allocation equal to 40% of the carried interest received by such fund general partners, which when added to the allocation of income of 7.5% of carried interest received by such fund general partners which the Partnership acquired in 2012, entitles the Partnership to a total equity allocation of 47.5% of the carried interest received by such fund general partners. The exercise price for this option was approximately $35.2 million and is included in the carrying value of the Partnership's equity-method investments in NGP. In July 2014, the Partnership exercised its option to acquire interests in the general partner of NGP X, which entitles the Partnership to an allocation of income equal to 40% of the carried interest received by the fund's general partner. The exercise price for this option was approximately $61.3 million. The Partnership additionally acquired certain general partner investments in the NGP X fund, for which it paid $16.6 million. As of December 31, 2014, the carrying value of the Partnership's investment in the NGP X general partner attributable to the carried interest allocation was approximately $18.5 million, and the carrying value of the Partnership's general partner investments in the NGP X fund were $20.4 million.

The Partnership accounts for its investment in NGP Management under the equity method of accounting. The Partnership recorded its investment in NGP Management initially at cost, excluding any elements in the transaction that were deemed to be compensatory arrangements to NGP personnel. The Carlyle Holdings partnership units issued in the transaction, the contingently issuable Carlyle Holdings partnership units, and the deferred restricted common units were deemed to be compensatory arrangements; these elements are recognized as an expense under applicable U.S. GAAP.

The Partnership records investment income (loss) for its equity income allocation from NGP management fees and performance fees, and also records its share of any allocated expenses from NGP Management, expenses associated with the compensatory elements of the transaction, and the amortization of the basis differences related to the definitive-lived identifiable intangible assets of NGP Management. The net investment earnings (loss) recognized in the Partnership's consolidated statements of operations for the years ended December 31, 2014, 2013 and 2012 were as follows:

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Management fees	$56.8	$63.2	$2.1
Performance fees	(39.2)	—	—
Investment income (loss)	(2.2)	—	—
Expenses and amortization of basis differences	(74.7)	(77.2)	(1.0)
Net investment income (loss)	$(59.3)	$(14.0)	$1.1

The difference between the Partnership's carrying value of its investment and its share of the underlying net assets of the investee was $141.6 million, $199.6 million and $259.8 million as of December 31, 2014, 2013 and 2012, respectively; these differences are amortized over a period of ten years from the initial investment date.

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Equity-Method Investments

The Partnership's equity method investments include its fund investments in Corporate Private Equity, Global Market Strategies and Real Assets, typically as general partner interests, and its investment in NGP Management (included within Real Assets), which are not consolidated. Investments are related to the following segments:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Corporate Private Equity	$246.3	$206.5
Global Market Strategies	25.3	25.1
Real Assets	647.1	519.5
Total	$918.7	$751.1

The summarized financial information of the Partnership's equity method investees from the date of initial investment is as follows (Dollars in millions):

	Corporate Private Equity			Global Market Strategies			Real Assets			Aggregate Totals		
	For the Year Ended December 31,			For the Year Ended December 31,			For the Year Ended December 31,			For the Year Ended December 31,		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Statement of income information												
Investment income	$528.3	$699.7	$733.3	$193.5	$199.3	$150.9	$1,114.7	$1,034.6	$517.1	$1,836.5	$1,933.6	$1,40
Expenses	665.6	495.9	526.0	48.7	65.0	65.3	678.2	508.6	381.5	1,392.5	1,069.5	972.8
Net investment income (loss)	(137.3)	203.8	207.3	144.8	134.3	85.6	436.5	526.0	135.6	444.0	864.1	428.5
Net realized and unrealized gain (loss)	8,387.9	9,795.5	5,401.9	247.0	305.2	297.1	2,611.0	209.7	1,358.0	11,245.9	10,310.4	7,057
Net income (loss)	$8,250.6	$9,999.3	$5,609.2	$391.8	$439.5	$382.7	$3,047.5	$735.7	$1,493.6	$11,689.9	$11,174.5	$7,48

	Corporate Private Equity		Global Market Strategies		Real Assets		Aggregate Totals	
	As of December 31,		As of December 31,		As of December 31,		As of December 31,	
	2014	2013	2014	2013	2014	2013	2014	2013
Balance sheet information								
Investments	$38,498.0	$38,269.2	$2,398.4	$2,091.1	$29,815.1	$26,511.5	$70,711.5	$66,871.8
Total assets	$41,636.9	$40,368.2	$2,542.2	$2,719.6	$31,009.3	$27,278.9	$75,188.4	$70,366.7

Debt	$276.3	$232.1	$67.3	$173.7	$1,042.9	$1,151.2	$1,386.5	$1,557.0
Other liabilities	$1,445.3	$328.5	$15.0	$175.5	$875.2	$444.3	$2,335.5	$948.3
Total liabilities	$1,721.6	$560.6	$82.3	$349.2	$1,918.1	$1,595.5	$3,722.0	$2,505.3
Partners' capital	$39,915.3	$39,807.6	$2,459.9	$2,370.4	$29,091.2	$25,683.4	$71,466.4	$67,861.4

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Investment Income (Loss)

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

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
(Loss) income from equity investments	$(8.3)	$14.2	$32.7
Income from trading securities	0.1	4.2	5.7
Other investment income (loss)	1.0	0.4	(2.0)
Total	$(7.2)	$18.8	$36.4

Carlyle's income (loss) from its equity-method investments is included in investment income (loss) in the consolidated statements of operations and consists of:

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Corporate Private Equity	$53.8	$59.2	$35.7
Global Market Strategies	1.3	4.6	1.2
Real Assets	(63.4)	(49.6)	(4.2)
Total	$(8.3)	$14.2	$32.7

Trading Securities and Other Investments

Trading securities and other investments as of December 31, 2014 and 2013 primarily consisted of $12.9 million and $14.2 million, respectively, of investments in corporate mezzanine securities and bonds, as well as other cost method investments.

Investments of Consolidated Funds

During the year ended December 31, 2014, the Partnership formed eight new CLOs. The Partnership has concluded that these CLOs are VIEs and the Partnership is the primary beneficiary. As a result, the Partnership consolidated the financial positions and results of operations of the CLOs into its consolidated financial statements beginning on their respective closing dates. As of December 31, 2014, the total assets of these CLOs included in the Partnership's consolidated financial statements were approximately $5.3 billion.

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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:

Geographic Region/Instrument Type/ Industry Description or Investment Strategy	Fair Value December 31, 2014	2013	Percentage of Investments of Consolidated Funds December 31, 2014		2013	
	(Dollars in millions)					
United States						
Equity securities:						
Commercial & Professional Services	$201.3	$381.1	0.77	%	1.42	%
Diversified Financials	264.4	371.0	1.02	%	1.38	%
Food, Beverage & Tobacco	414.0	276.0	1.59	%	1.03	%
Media	97.3	108.9	0.37	%	0.41	%
Health Care Equipment & Services	100.9	101.6	0.39	%	0.38	%
Consumer Services	67.7	78.5	0.26	%	0.29	%
Retailing	—	71.4	—	%	0.27	%
Capital Goods	60.3	69.5	0.23	%	0.26	%
Software & Services	38.9	55.2	0.15	%	0.21	%
Transportation	49.6	34.0	0.19	%	0.13	%
Food & Staples Retailing	30.9	23.9	0.12	%	0.09	%
Consumer Durables & Apparel	7.6	13.6	0.03	%	0.05	%
Other	0.9	15.8	—	%	0.06	%
Total equity securities (cost of $1,337.9 and $1,731.9 at December 31, 2014 and 2013, respectively)	1,333.8	1,600.5	5.12	%	5.95	%
Partnership and LLC interests:						
Fund Investments (cost of $2,154.3 and $2,445.0 at December 31, 2014 and 2013, respectively)	2,188.5	2,450.9	8.41	%	9.11	%
Loans:						
Retailing	109.1	58.3	0.42	%	0.22	%
Diversified Financials	6.7	41.5	0.03	%	0.15	%
Commercial & Professional Services	31.1	31.3	0.12	%	0.12	%
Materials	32.5	28.3	0.12	%	0.11	%
Food, Beverage & Tobacco	—	25.4	—	%	0.09	%
Transportation	27.8	19.9	0.11	%	0.07	%
Other	4.3	4.5	0.02	%	0.02	%
Total loans (cost of $260.7 and $285.4 at December 31, 2014 and 2013, respectively)	211.5	209.2	0.82	%	0.78	%
Total investment in Hedge Funds	3,753.5	4,403.3	14.42	%	16.38	%
Assets of the CLOs						
Bonds	141.8	284.6	0.54	%	1.06	%
Equity	6.5	24.5	0.02	%	0.09	%
Loans	10,203.3	8,926.3	39.20	%	33.20	%

Total assets of the CLOs (cost of $10,413.0 and $9,192.9 at December 31, 2014 and 2013, respectively)	10,351.6	9,235.4	39.76 %	34.35 %
Total United States	$17,838.9	$17,899.3	68.53 %	66.57 %

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Geographic Region/Instrument Type/ Industry Description or Investment Strategy	Fair Value December 31, 2014	2013	Percentage of Investments of Consolidated Funds December 31, 2014		2013	
	(Dollars in millions)					
Europe						
Equity securities:						
Food & Staples Retailing	$350.4	$317.9	1.35	%	1.18	%
Energy	168.8	255.1	0.65	%	0.95	%
Retailing	119.4	201.2	0.46	%	0.75	%
Health Care Equipment & Services	97.8	91.6	0.38	%	0.34	%
Capital Goods	—	88.7	—	%	0.33	%
Commercial & Professional Services	75.4	85.9	0.29	%	0.32	%
Transportation	88.8	85.8	0.34	%	0.32	%
Media	40.0	78.6	0.15	%	0.29	%
Other	70.7	176.4	0.27	%	0.66	%
Total equity securities (cost of $939.1 and $1,239.4 at December 31, 2014 and 2013, respectively)	1,011.3	1,381.2	3.89	%	5.14	%
Partnership and LLC interests:						
Fund Investments (cost of $840.9 and $961.8 at December 31, 2014 and 2013, respectively)	800.0	880.1	3.07	%	3.27	%
Assets of the CLOs						
Bonds	1,081.3	932.8	4.15	%	3.48	%
Equity	9.7	3.6	0.04	%	0.01	%
Loans	4,208.5	4,698.7	16.17	%	17.47	%
Other	1.5	2.0	0.01	%	0.01	%
Total assets of the CLOs (cost of $5,429.1 and $5,898.6 at December 31, 2014 and 2013, respectively)	5,301.0	5,637.1	20.37	%	20.97	%
Total Europe	$7,112.3	$7,898.4	27.33	%	29.38	%
Global						
Equity securities:						
Food, Beverage & Tobacco (cost of $85.6 and $126.9 at December 31, 2014 and 2013, respectively)	$110.8	$338.8	0.43	%	1.26	%
Assets of the CLOs						
Bonds	12.7	32.1	0.05	%	0.12	%
Loans	461.6	233.6	1.77	%	0.87	%
Total assets of the CLOs (cost of $480.6 and $261.8 at December 31, 2014 and 2013, respectively)	474.3	265.7	1.82	%	0.99	%
Partnership and LLC interests:						
Fund Investments (cost of $452.7 and $522.0 at December 31, 2014 and 2013, respectively)	492.5	484.2	1.89	%	1.80	%
Total Global	$1,077.6	$1,088.7	4.14	%	4.05	%
Total investments of Consolidated Funds (cost of $22,393.9 and $22,665.7 at December 31, 2014 and	$26,028.8	$26,886.4	100.00	%	100.00	%

2013, respectively)
There were no individual investments with a fair value greater than five percent of the Partnership's total assets for any period presented.

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Interest and Other Income of Consolidated Funds

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

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Interest income from investments	$864.9	$876.8	$772.8
Other income	91.1	166.3	130.7
Total	$956.0	$1,043.1	$903.5

Net Investment Gains (Losses) of Consolidated Funds

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

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Gains from investments of Consolidated Funds	$857.7	$1,390.5	$2,680.6
Gains (losses) from liabilities of CLOs	27.2	(695.1)	(927.8)
Gains on other assets of CLOs	2.1	1.3	5.2
Total	$887.0	$696.7	$1,758.0

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

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Realized gains	$1,107.4	$662.0	$829.5
Net change in unrealized gains (losses)	(249.7)	728.5	1,851.1
Total	$857.7	$1,390.5	$2,680.6

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7. Intangible Assets and Goodwill

The following table summarizes the carrying amount of intangible assets as of December 31, 2014 and 2013:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Acquired contractual rights	$843.0	$826.1
Acquired trademarks	6.7	6.9
Accumulated amortization	(455.1)	(290.5)
Finite-lived intangible assets, net	394.6	542.5
Goodwill	47.5	40.3
Intangible assets, net	$442.1	$582.8

The following table summarizes the changes in the carrying amount of goodwill by segment as of December 31, 2014. There was no goodwill associated with the Partnership's Corporate Private Equity and Real Assets segments.

	Global Market Strategies	Investment Solutions	Total
	(Dollars in millions)		
Balance as of December 31, 2013	$28.0	$12.3	$40.3
Goodwill acquired during the period	—	8.6	8.6
Foreign currency translation	—	(1.4)	(1.4)
Balance as of December 31, 2014	$28.0	$19.5	$47.5

On February 3, 2014, the Partnership acquired 100% of the equity interests in DGAM. As part of the accounting for the purchase, the Partnership recorded $8.6 million of goodwill. See Note 3 for more information on this acquisition.

During the years ended December 31, 2014 and 2013, the Partnership evaluated for impairment certain intangible assets associated with acquired contractual rights for fee income based on revisions to the related expected future cash flow. The intangible assets are included in the Global Market Strategies segment. The Partnership recorded an impairment loss of $66.2 million and $20.8 million for the years ended December 31, 2014 and 2013, respectively, to reduce the carrying value of the intangible assets to their estimated fair value. Fair value was based on a probability-weighted discounted cash flow model. This fair value measurement was based on significant inputs not observable in the market and thus represented a Level III measurement as defined in the accounting guidance for fair value measurements. The impairment loss was included in general, administrative and other expenses in the accompanying consolidated financial statements for the years ended December 31, 2014 and 2013.

Intangible asset amortization expense, excluding impairment losses, was $103.0 million, $117.9 million and $85.6 million for the years ended December 31, 2014, 2013 and 2012, respectively, and is included in general, administrative, and other expenses in the consolidated statements of operations.

The following table summarizes the estimated amortization expense for 2015 through 2019 and thereafter (Dollars in millions):

2015	$87.1
2016	72.8
2017	69.0
2018	61.9
2019	51.1
Thereafter	52.7
	$394.6

8. Borrowings

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

	As of December 31,			
	2014		2013	
	Borrowing Outstanding	Carrying Value	Borrowing Outstanding	Carrying Value
Term Loan Due 8/09/2018	$25.0	$25.0	$25.0	$25.0
Term Loan (1)	15.2	15.2	17.4	17.4
3.875% Senior Notes Due 2/01/2023	500.0	499.9	500.0	499.8
5.625% Senior Notes Due 3/30/2043	600.0	606.8	400.0	398.4
	$1,140.2	$1,146.9	$942.4	$940.6

(1) Due the earlier of September 28, 2018 or the date that the CLO is dissolved.

Senior Credit Facility

The senior credit facility includes $500.0 million in a term loan and $750.0 million in a revolving credit facility. The term loan and revolving credit facility mature on August 9, 2018. Principal amounts outstanding under the term loan and revolving credit facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.75%, or (b) at LIBOR plus an applicable margin not to exceed 1.75% (1.41% at December 31, 2014). During the first quarter of 2013, the Partnership prepaid $475.0 million of term loan principal that would have been due beginning in September 2014 and expensed $1.9 million of deferred financing costs in interest expense. The remaining outstanding principal amount under the term loan is payable on August 9, 2018. Interest expense under the senior credit facility was $3.5 million, $7.2 million and $20.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. The fair value of the outstanding balances of the term loan at December 31, 2014 and 2013 approximated par value based on current market rates for similar debt instruments and are classified as Level III within the fair value hierarchy.

Other Borrowings

On October 3, 2013, the Partnership borrowed €12.6 million ($15.2 million at December 31, 2014) under a term loan and security agreement with a financial institution. Proceeds from the borrowing were used to fund the Partnership's investment in a CLO. Interest on the term loan accrues at EURIBOR plus 1.75% (1.83% at December 31, 2014). The Partnership may prepay the facility in whole or in part at any time without penalty. The facility is scheduled to mature on the earlier of 5 years after closing or the date that the CLO is dissolved. The facility is secured by the Partnership's

investment in the CLO. Interest expense was not significant for the year ended December 31, 2014 and 2013. The fair value of the outstanding balance of the

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term loan at December 31, 2014 and 2013 approximated par value based on current market rates for similar debt instruments and is classified as Level III within the fair value hierarchy.

3.875% Senior Notes

In January 2013, an indirect finance subsidiary of the Partnership issued $500.0 million in aggregate principal amount of 3.875% senior notes due February 1, 2023 at 99.966% of par. Interest is payable semi-annually on February 1 and August 1, beginning August 1, 2013. This subsidiary may redeem the senior notes in whole at any time or in part from time to time at a price equal to the greater of 100% of the principal amount of the notes being redeemed and the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semi-annual basis at the Treasury rate plus 30 basis points plus accrued and unpaid interest on the principal amounts being redeemed to the redemption date.

Interest expense on the notes was $19.8 million and $18.9 million for the year ended December 31, 2014 and 2013, respectively. At December 31, 2014 and 2013, the fair value of the notes was approximately $513.1 million and $479.6 million, respectively, based on indicative quotes and are classified as Level II within the fair value hierarchy.

5.625% Senior Notes

In March 2013, an indirect finance subsidiary of the Partnership issued $400.0 million in aggregate principal amount of 5.625% senior notes due March 30, 2043 at 99.583% of par. Interest is payable semi-annually on March 30 and September 30, beginning September 30, 2013. This subsidiary may redeem the senior notes in whole at any time or in part from time to time at a price equal to the greater of 100% of the principal amount of the notes being redeemed and the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semi-annual basis at the Treasury rate plus 40 basis points plus accrued and unpaid interest on the principal amounts being redeemed to the redemption date.

In March 2014, an indirect finance subsidiary of the Partnership issued $200.0 million of 5.625% Senior Notes due March 3, 2043 at 104.315% of par. The net proceeds from the issuance of these notes are being used for general corporate purposes, including investments in Carlyle's funds as well as investment capital for acquisitions of new fund platforms and strategies or other growth initiatives, to drive innovation across the broader Carlyle platform. These notes were issued as additional 5.625% Senior Notes and will be treated as a single class with the already outstanding $400.0 million aggregate principal amount of these senior notes.

Interest expense on the notes was $31.6 million and $17.1 million for the year ended December 31, 2014 and 2013. At December 31, 2014 and 2013, the fair value of the notes was approximately $699.2 million and $398.1 million, respectively, based on indicative quotes and is classified as Level II within the fair value hierarchy.

Interest Rate Swaps

The Partnership is subject to interest rate risk associated with its variable rate debt financing. To manage this risk, the Partnership has an outstanding interest rate swap to fix the base LIBOR interest rate on its term loan borrowings with a notional amount of $425.0 million at December 31, 2014 that amortizes through September 30, 2016.

In the first quarter of 2013, $475.0 million of term loan principal was prepaid. As a result of these term loan prepayments, the interest rate swap is no longer accounted for as a cash flow hedge; the interest rate swap is accounted for as a freestanding derivative instrument recorded at fair value each period with changes in fair value recorded through earnings. The pre-existing hedge loss included in accumulated other comprehensive loss for this interest rate swap of $8.8 million is being reclassified into earnings as the original forecasted transactions affect earnings.

In March 2013, the Partnership entered into a second interest rate swap with a notional amount of $400.0 million at December 31, 2014 that amortizes through September 30, 2016. This interest rate swap is accounted for as a freestanding derivative instrument recorded at fair value each period with changes in fair value recorded through earnings.

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Debt Covenants

The Partnership is subject to various financial covenants under its loan agreements including, among other items, maintenance of a minimum amount of management fee-earning assets. The Partnership is also subject to various non-financial covenants under its loan agreements and and the indentures governing its senior notes. The Partnership was in compliance with all financial and non-financial covenants under its various loan agreements as of December 31, 2014.

The consolidated real estate VIE was not in compliance with the debt covenants related to substantially all of its loans payable as of December 31, 2014 (see Note 17); such violations do not cause a default or event of default under the Partnership's senior credit facility, 2013 term loan, senior notes, or the loans payable of Consolidated Funds.

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 consolidated balance sheets.

As of December 31, 2014 and 2013, the following borrowings were outstanding, which includes preferred shares classified as liabilities (Dollars in millions):

	As of December 31, 2014				
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior secured notes	$15,104.2	$14,757.5	1.68	%	9.21
Subordinated notes and preferred shares	1,242.3	1,278.8	N/A	(a)	8.28
Combination notes	15.0	15.9	N/A	(b)	7.14
Total	$16,361.5	$16,052.2			

	As of December 31, 2013				
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior secured notes	$14,319.8	$13,910.4	1.41	%	8.97
Subordinated notes and preferred shares	1,399.3	1,294.0	N/A	(a)	8.18
Combination notes	15.2	16.3	N/A	(b)	8.13
Total	$15,734.3	$15,220.7			

(a) The subordinated 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 the securities 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, 2014 and 2013, the fair value of the CLO assets was $17.6 billion and $16.9 billion, respectively.

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9. Contingent Consideration

The Partnership has contingent consideration obligations related to its business acquisitions and strategic investments. The changes in the contingent consideration liabilities are as follows:

	Rollforward For The Years Ended December 31, 2014 and 2013				
	Amounts payable to the sellers who are Carlyle professionals				
	Performance-based contingent cash consideration	Performance-based contingent equity consideration	Employment-based contingent cash consideration	Contingent cash and other consideration payable to non-Carlyle personnel	Total
Balance at December 31, 2012	$158.6	$ 57.6	$ 96.2	$28.1	$340.5
Contingent consideration from new acquisition / investments	—	—	—	7.0	7.0
Change in carrying value	5.4	(23.0)	52.5	8.4	43.3
Payments	(18.9)	(2.3)	—	(2.7)	(23.9)
Issuances of equity	—	(16.6)	—	—	(16.6)
Balance at December 31, 2013	145.1	15.7	148.7	40.8	350.3
Contingent consideration from new acquisition / investments	—	—	—	—	—
Change in carrying value	(27.6)	(2.9)	10.1	169.2 (a)	148.8
Payments	(90.7)	—	(1.2)	(7.2)	(99.1)
Issuances of equity	—	(12.8)	(0.8)	(1.8)	(15.4)
Balance at December 31, 2014	$26.8	$ —	$ 156.8	$201.0	$384.6

(a) Refer to Note 6 for information on the contingent consideration payable to BNRI from the strategic investment in NGP.

The fair value of the performance-based contingent cash and equity consideration payable to the sellers who are Carlyle professionals has been recorded in due to affiliates in the accompanying consolidated balance sheets. These payments are not contingent upon the Carlyle professional being employed by Carlyle at the time that the performance conditions are met. For periods prior to the reorganization and initial public offering in May 2012, the change in the fair value of this contingent consideration was recorded directly in partners' capital in the consolidated balance sheets. For periods subsequent to the reorganization and initial public offering, changes in the fair value of these amounts are recorded in other non-operating (income) expenses in the consolidated statements of operations. The portion of the contingent consideration payment attributable to the initial amount recorded as part of the consideration transferred is classified as cash flows from financing activities. The portion of the contingent consideration payment that is attributable to the subsequent changes in the fair value of the contingent consideration is classified as cash flows from operating activities in the consolidated statements of cash flows.

The amount of employment-based contingent cash consideration payable to the sellers who are Carlyle professionals has been recorded as accrued compensation and benefits in the accompanying consolidated balance sheets. For periods prior to the reorganization and initial public offering in May 2012, the change in the value of this contingent consideration was recorded in partners’ capital in the consolidated balance sheets. For periods subsequent to the reorganization and initial public offering, changes in the value of these amounts are recorded as compensation expense in the consolidated statements of operations.

The fair value of contingent consideration payable to non-Carlyle personnel is included in accounts payable, accrued expenses and other liabilities, or due to affiliates for amounts payable to NGP, in the accompanying consolidated balance sheets. Changes in the fair value of this contingent consideration are recorded in other non-operating (income) expenses, or investment income in the case of amounts payable to NGP, in the consolidated statements of operations. Included in the change in carrying value for the year ended December 31, 2014 is $159.8 million related to the accrual of contingent consideration payable to BNRI (See Note 6). This amount was capitalized into the carrying value of the Partnership's equity method investment in NGP.

The fair values of the performance-based contingent cash consideration for business acquisitions were 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

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measurement. As of December 31, 2013, the fair value of the contingently issuable Carlyle Holdings partnership units was based principally by reference to the quoted price of the Partnership's common units. This fair value measurement was based on inputs that are not directly observable but are corroborated by observable market data and thus represents a Level II measurement as defined in the accounting guidance for fair value measurement. Refer to Note 4 for additional disclosures related to the fair value of these instruments as of December 31, 2014 and 2013.

The following table represents the maximum amounts that could be paid from contingent cash obligations associated with the business acquisitions and the strategic investment in NGP Management:

	As of December 31, 2014			
	Business Acquisitions	NGP Investment	Total	Liability Recognized on Financial Statements [1]
	(Dollars in millions)			
Performance-based contingent cash consideration	$231.9	$183.0	$414.9	$227.8
Employment-based contingent cash consideration	260.5	45.0	305.5	156.8
Total maximum cash obligations	$492.4	$228.0	$720.4	$384.6

(1) On the consolidated balance sheet, the liability for performance-based contingent cash consideration is included in due to affiliates (for amounts owed to Carlyle professionals and NGP) and accounts payable, accrued expenses, and other liabilities (for amounts owed to other sellers), and the liability for employment-based contingent cash consideration is included in accrued compensation and benefits.

Some of the employment-based contingent cash consideration agreements do not contain provisions limiting the amount that could be paid by the Partnership. For purposes of the table above, the Partnership has used its current estimate of the amount to be paid upon the determination dates for such payments. In the consolidated financial statements, the Partnership records the performance-based contingent cash consideration from business acquisitions at fair value at each reporting period. For the employment-based contingent cash consideration, the Partnership accrues the compensation liability over the implied service period.

10. Accrued Compensation and Benefits

Accrued compensation and benefits consist of the following:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Accrued performance fee-related compensation	$1,815.4	$1,661.8
Accrued bonuses	229.6	238.0
Employment-based contingent cash consideration	156.8	148.7
Other	110.7	204.5
Total	$2,312.5	$2,253.0

Certain employees of AlpInvest are covered by defined benefit pension plans sponsored by AlpInvest. As of December 31, 2014 and 2013, the benefit obligation of those pension plans totaled approximately $59.1 million and $58.0 million, respectively. As of December 31, 2014 and 2013, the fair value of the plans' assets was approximately $50.0 million and $51.2 million, respectively. At December 31, 2014 and 2013, the Partnership recognized a liability of $9.1 million and $6.8 million, respectively, representing the funded status of the plans, which was included accrued compensation and benefits in the accompanying consolidated financial statements. For the years ended December 31, 2014, 2013 and 2012, the net periodic benefit cost recognized was $2.4 million, $2.9 million and $3.1 million, respectively, which is included in base compensation expense in the accompanying consolidated financial statements. No other employees of the Partnership are covered by defined benefit pension plans.

11. Commitments and Contingencies

Capital Commitments

The Partnership and its unconsolidated affiliates have unfunded commitments to entities within the following segments as of December 31, 2014 (Dollars in millions):

	Unfunded Commitments
Corporate Private Equity	$1,915.1
Global Market Strategies	250.6
Real Assets	728.4
Investment Solutions	38.8
	$2,932.9

Of the $2.9 billion of unfunded commitments, approximately $2.6 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership. In addition to these unfunded commitments, the Partnership may from time to time exercise its right to purchase additional interests in its investment funds that become available in the ordinary course of their operations.

Guaranteed Loans

On August 4, 2001, the Partnership entered into an agreement with a financial institution pursuant to which the Partnership is the guarantor on a credit facility for eligible employees investing in Carlyle sponsored funds. This credit facility renews on an annual basis, allowing for annual incremental borrowings up to an aggregate of $11.3 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 2%, reset quarterly (3.22% weighted-average rate at December 31, 2014). As of December 31, 2014 and 2013, approximately $7.9 million and $9.0 million, respectively, were outstanding under the credit facility and payable by the employees. The amount funded by the Partnership under this guarantee as of December 31, 2014 was not material. The Partnership believes the likelihood of any material funding under this guarantee to be remote. The fair value of this guarantee is not significant to the consolidated financial statements.

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Contingent Obligations (Giveback)

A liability for potential repayment of previously received performance fees of $104.4 million at December 31, 2014, is shown as accrued giveback obligations in the 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, 2014. However, the ultimate giveback obligation, if any, does not become realized until the end of a fund's life (see Note 2). The Partnership has recorded $27.7 million and $17.6 million of unbilled receivables from former and current employees and senior Carlyle professionals as of December 31, 2014 and 2013, respectively, related to giveback obligations, which are included in due from affiliates and other receivables, net in the accompanying consolidated balance sheets. Current and former senior Carlyle professionals and employees are personally responsible for their giveback obligations. The receivables are collateralized by investments made by individual senior Carlyle professionals and employees in Carlyle-sponsored funds. In addition, $336.5 million and $345.1 million have been withheld from distributions of carried interest to senior Carlyle professionals and employees for potential giveback obligations as of December 31, 2014 and 2013, respectively. Such amounts are held by entities not included in the accompanying consolidated balance sheets.

During 2013, the Partnership repaid $23.8 million of giveback obligations to certain funds. These amounts were funded primarily through collection of employee receivables related to giveback obligations and from contributions from non-controlling interests for their portion of the obligation. The Partnership had previously recognized these liabilities as unrealized performance fee losses. As a result of the giveback repayments, the Partnership reclassified these amounts to realized performance fee losses for the year ended December 31, 2013.

If, at December 31, 2014, all of the investments held by the Partnership's Funds were deemed worthless, a possibility that management views as remote, the amount of realized and distributed carried interest subject to potential giveback would be $1.4 billion, on an after-tax basis where applicable.

Leases

The Partnership 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. Office leases in other locations expire in various years from 2015 through 2031. These leases are accounted for as operating leases. Rent expense was approximately $54.5 million, $49.6 million and $47.4 million for the years ended December 31, 2014, 2013 and 2012, respectively, and is included in general, administrative and other expenses in the consolidated statements of operations.

The future minimum commitments for the leases are as follows (Dollars in millions):

2015	$53.3
2016	52.2
2017	48.3
2018	44.2
2019	38.7
Thereafter	230.0
	$466.7

Total minimum rentals to be received in the future under non-cancelable subleases as of December 31, 2014 were $7.9 million.

The Partnership records contractual escalating minimum lease payments on a straight-line basis over the term of the lease. Deferred rent payable under the leases was $40.4 million and $34.8 million as of December 31, 2014 and 2013, respectively, and is included in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets.

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Legal Matters

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

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, later renamed Kirk Dahl v. Bain Capital Partners LLC). The complaint alleges, among other things, that certain global alternative asset firms, including the Partnership, violated Section 1 of the Sherman Act by forming multi-sponsor consortiums for the purpose of bidding collectively in company buyout transactions in certain going private transactions and agreeing not to submit topping bids once such a consortium had announced a signed deal, which the plaintiffs allege constitutes a “conspiracy in restraint of trade.” To avoid the risk and cost associated with continuing the litigation through trial, Carlyle entered into an agreement with plaintiffs on August 29, 2014 to settle all claims against Carlyle without any admission of liability. All of Carlyle’s codefendants also reached settlement agreements with plaintiffs. The Court granted preliminary approval of all the defendants' settlements, including Carlyle’s, on September 29, 2014. A hearing on final approval of the settlements was held on February 11, 2015 and we are awaiting the Court's ruling. Carlyle Partners IV, L.P. (“CP IV”) and its affiliates will bear the costs of the settlement not covered by insurance. As a result, Carlyle's performance fees from CP IV were reduced by $19.3 million.

Along with many other companies and individuals in the financial sector, Carlyle and Carlyle Mezzanine Partners, L.P. (“CMP”) 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 Santa 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 on the grounds 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.

Carlyle Capital Corporation Limited (“CCC”) was a fund sponsored by Carlyle that invested in AAA-rated residential mortgage backed securities on a highly leveraged basis. In March of 2008, amidst turmoil throughout the mortgage markets and money markets, CCC filed for insolvency protection in Guernsey. Several different lawsuits developed from the CCC insolvency. Some of these lawsuits were dismissed, but two remain, which are described below.

First, in November 2009, another CCC investor, National Industries Group (Holding) (“National Industries”) instituted legal proceedings on similar grounds in Kuwait’s Court of First Instance (National Industries Group v. Carlyle Group) seeking to recover losses incurred in connection with an investment in CCC. In July 2011, the Delaware Court of Chancery issued a decision restraining National Industries from proceeding in Kuwait on any CCC-related claims based on the forum selection clause in National Industries’ subscription agreement, which provided for exclusive jurisdiction in the Delaware courts. In September 2011, National Industries reissued its complaint in Kuwait naming CCC only, and reissued its complaint in January 2012 joining Carlyle Investment Management, L.L.C. as a defendant. In April 2013, the court in Kuwait dismissed National Industries’ claim without prejudice for failure to serve process. Hearings in the case and related to the case have nevertheless taken place on several occasions since that time, most

recently in September 2013. Meanwhile, in August 2012, National Industries had filed a motion to vacate the Delaware Court of Chancery's decision. The Partnership successfully opposed that motion and the Court's injunction remained in effect. In November 2012, National Industries appealed that decision to the Delaware Supreme Court. On May 29, 2013, the Delaware Supreme Court affirmed the Chancery Court's decision and upheld the 2011 injunction barring National Industries from filing or prosecuting any CCC-related action in any forum other than the courts of Delaware.

Second, the Guernsey liquidators who took control of CCC in March 2008 filed four suits on July 7, 2010 against Carlyle, certain of its affiliates and the former directors of CCC in the Delaware Chancery Court, the Royal Court of Guernsey, the

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Superior Court of the District of Columbia and the Supreme Court of New York, New York County (Carlyle Capital Corporation Limited v. Conway et al.) 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. The liquidators 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. In July 2011, the Royal Court of Guernsey held that the case should be litigated in Delaware pursuant to the exclusive jurisdiction clause in the investment management agreement. That ruling was appealed by the liquidators, and in February 2012 was reversed by the Guernsey Court of Appeal, which held that the case should proceed in Guernsey. Defendants' attempts to appeal to the Privy Council were unsuccessful and the plaintiffs' case is proceeding in Guernsey. Two claims in that case, which sought the return of certain documents and other property purportedly belonging to CCC, were resolved by agreement of the parties and order of the Royal Court of Guernsey in December 2012. Carlyle has now completed its document production pursuant to that order. On July 24, 2013, plaintiffs filed an amended complaint, which contained further detail in support of the existing claims but no new defendants or claims. On December 20, 2013, defendants filed a defense to the amended complaint and on June 30, 2014 plaintiffs filed their reply. The Court has set the case schedule and trial is scheduled for the first available date after February 1, 2016. In addition, the liquidators' lawsuit in Delaware was dismissed without prejudice in 2010 and their lawsuits in New York and the District of Columbia were dismissed in December 2011 without prejudice.

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

Other Contingencies

From 2007 to 2009, a Luxembourg subsidiary of CEREP I, a real estate fund, received proceeds from the sale of real estate located in Paris, France. The relevant French tax authorities have asserted that CEREP I was ineligible to claim certain exemptions from French tax under the Luxembourg-French tax treaty, and have issued a tax assessment seeking to collect approximately €97.0 million, consisting of taxes, interest and penalties. Additionally, the French Ministry of Justice has commenced an investigation regarding the legality under French law of claiming the exemptions under the tax treaty.

CEREP I and its subsidiaries are contesting the French tax assessment. An income tax hearing on these matters will be held on March 11, 2015 in front of the Administrative Court of Paris. In July 2012, the Partnership provided a guarantee to the French tax authorities as credit support for the €45.7 million tax assessment and in October 2012, placed an additional €4.4 million in escrow, in each case, related to CEREP I. The Partnership expects to incur costs on behalf of CEREP I and its related entities. The Partnership will attempt to recover any amounts advanced or paid from proceeds of subsequent portfolio dispositions by CEREP I. The amount of any unrecoverable costs that may be incurred by the Partnership is not estimable at this time. Commencing with the issuance of the credit support on behalf of CEREP I in July 2012, the Partnership consolidated the fund into its consolidated financial statements. As of December 31, 2014, CEREP I had accrued €75.0 million ($90.8 million as of December 31, 2014) related to this contingency, which is included in other liabilities of Consolidated Funds in the consolidated financial statements. As of December 31, 2014, CEREP I had total assets of $31.8 million, consisting principally of cash, total liabilities of $91.4 million, and a deficit in partners' capital of $59.6 million.

Indemnifications

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

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Risks and Uncertainties

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

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

The funds make investments outside of the United States. Investments outside the U.S. may be subject to less developed bankruptcy, corporate, partnership and other laws (which may have the effect of disregarding or otherwise circumventing the limited liability structures potentially causing the actions or liabilities of one fund or a portfolio company to adversely impact the Partnership or an unrelated fund or portfolio company). Non-U.S. investments are subject to the same risks associated with the Partnership's U.S. investments as well as additional risks, such as fluctuations in foreign currency exchange rates, unexpected changes in regulatory requirements, heightened risk of political and economic instability, difficulties in managing non-U.S. investments, potentially adverse tax consequences and the burden of complying with a wide variety of foreign laws.

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

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

The Partnership considers cash, cash equivalents, securities, receivables, equity-method investments, accounts payable, accrued expenses, other liabilities, loans payable, senior notes, assets and liabilities of Consolidated Funds and contingent and other consideration for acquisitions to be its financial instruments. Except for the senior notes, the carrying amounts reported in the consolidated balance sheets for these financial instruments equal or closely approximate their fair values. The fair value of the senior notes is disclosed in Note 8.

Termination Costs

Employee and office lease termination costs are included in accrued compensation and benefits and accounts payable, accrued expenses and other liabilities in the consolidated balance sheets as well as base compensation and general, administrative and other expenses in the consolidated statements of operations. As of December 31, 2014 and 2013, the accrual for termination costs primarily represents (1) lease obligations associated with closed offices, and (2) severance costs related to terminated employees, 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, 2014, 2013 and 2012 are as follows:

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Balance, beginning of period	$10.6	$13.6	$15.2
Compensation expense	10.1	6.4	5.4
Contract termination costs	0.2	0.1	0.5
Costs paid or settled	(8.2)	(9.5)	(7.5)

Balance, end of period	$12.7	$10.6	$13.6

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12. Related Party Transactions

Due from Affiliates and Other Receivables, Net

The Partnership had the following due from affiliates and other receivables at December 31, 2014 and 2013:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Unbilled receivable for giveback obligations from current and former employees	$27.7	$17.6
Notes receivable and accrued interest from affiliates	11.1	15.4
Other receivables from unconsolidated funds and affiliates, net	160.6	142.9
Total	$199.4	$175.9

Notes receivable represent loans that the Partnership has provided to certain unconsolidated funds to meet short-term obligations to purchase investments. Other receivables from certain of the unconsolidated funds and portfolio companies relate to management fees receivable from limited partners, advisory fees receivable and expenses paid on behalf of these entities. These costs represent costs related to the pursuit of actual or proposed investments, professional fees and expenses associated with the acquisition, holding and disposition of the investments. The affiliates are obligated at the discretion of the Partnership to reimburse the expenses. Based on management's determination, the Partnership accrues and charges interest on amounts due from affiliate accounts at interest rates ranging up to 7.19% as of December 31, 2014. The accrued and charged interest to the affiliates was not significant for any period presented.

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

Due to Affiliates

The Partnership had the following due to affiliates balances at December 31, 2014 and 2013:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Due to affiliates of Consolidated Funds	$0.6	$51.8
Due to non-consolidated affiliates	37.1	130.2
Performance-based contingent cash and equity consideration related to acquisitions	43.6	167.9
Amounts owed under the tax receivable agreement	89.0	33.1
Other	13.9	20.7
Total	$184.2	$403.7

The Partnership has recorded obligations for amounts due to certain of its affiliates. The Partnership periodically offsets expenses it has paid on behalf of its affiliates against these obligations. The amount owed under the tax receivable agreement is related primarily to the acquisition by the Partnership of 9,300,000 Carlyle Holdings partnership units in March 2014 (see Note 1), as well as the exchange in May 2012 by CalPERS of its Carlyle Holdings partnership units for Partnership common units.

Distribution of Investments

In conjunction with the reorganization that occurred on May 2, 2012 (see Note 1), on March 31, 2012, the Partnership distributed certain investments in or alongside Carlyle funds that were funded by certain existing and former owners of the Partnership indirectly through the Partnership. These investments, totaling $127.7 million, were distributed by the Partnership

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so that they are now held directly by such persons and are no longer consolidated in the accompanying consolidated financial statements.

Other Related Party Transactions

In the normal course of business, the Partnership has made use of aircraft owned by entities controlled by senior Carlyle professionals. The senior Carlyle professionals paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by the Partnership for the business use of these aircraft by senior Carlyle professionals and other employees is made at market rates, which totaled $5.2 million, $7.4 million and $8.2 million for the years ended December 31, 2014, 2013 and 2012, respectively. These fees are included in general, administrative, and other expenses in the consolidated statements of operations.

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

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

The Partnership does business with some of its portfolio companies; all such arrangements are on a negotiated basis. Substantially all revenue is earned from affiliates of Carlyle.

13. Income Taxes

The provision for income taxes consists of the following:

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Current			
Federal income tax	$3.2	$2.2	$5.1
State and local income tax	8.2	5.2	7.8
Foreign income tax	54.1	44.0	34.1
Subtotal	65.5	51.4	47.0
Deferred			
Federal income tax	(5.2)	(1.5)	(8.3)
State and local income tax	2.9	8.7	(3.6)
Foreign income tax	13.6	37.6	5.3
Subtotal	11.3	44.8	(6.6)
Total provision for income taxes	$76.8	$96.2	$40.4

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.

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A summary of the tax effects of the temporary differences is as follows:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Deferred tax assets		
Federal foreign tax credit	$3.8	$2.0
State net operating loss carry forwards	3.6	3.4
Tax basis goodwill and intangibles	99.4	36.7
Depreciation and amortization	38.6	21.1
Deferred restricted common unit compensation	12.6	6.4
Accrued compensation	37.6	20.2
Other	0.6	8.5
Deferred tax assets before valuation allowance	196.2	98.3
Valuation allowance	(29.7)	(21.7)
Total deferred tax assets	$166.5	$76.6
Deferred tax liabilities [1]		
Intangible assets	$19.4	$16.7
Unrealized appreciation on investments	126.3	102.0
Other	2.0	2.1
Total deferred tax liabilities	$147.7	$120.8
Net deferred tax assets (liabilities)	$18.8	$(44.2)

(1) As of December 31, 2014 and 2013, $35.5 million and $17.2 million, respectively, of deferred tax liabilities were offset and presented as a single deferred tax asset amount on the Partnership's balance sheet.

As of December 31, 2014, the Company has cumulative net operating loss carry forwards of approximately $105.7 million for separate state tax jurisdictions, which will be available to offset future taxable income. If not used, a portion of these carry forwards will expire in 2034 and years forward. As of December 31, 2014, the Company had a federal foreign tax credit ("FTC") carryforward of $3.8 million. The FTCs are related to taxes paid in various foreign jurisdictions and if not utilized a portion will expire in 2024 and years forward.

The Partnership had $131.0 million and $59.4 million in deferred tax assets as of December 31, 2014 and 2013, respectively. These deferred tax assets resulted primarily from future amortization of tax basis intangible assets generated from exchanges covered by the Tax Receivable Agreement (see Note 2) and acquisitions by the Partnership and temporary differences between the financial statement and tax bases of depreciation on fixed assets and accrued compensation on lower-tier partnerships. The realization of the deferred tax assets is dependent on the Partnership's future taxable income before deductions related to the establishment of its deferred tax assets. The deferred tax asset balance is comprised of a portion that would be realized in connection with future ordinary income and a portion that would be realized in connection with future capital gains.

The Partnership evaluated various evidence in determining the ultimate realizability of its deferred tax assets including the character and timing of projected future taxable income. During 2014 and 2013, a Partnership entity subject to entity level income tax in certain states incurred a significant tax loss. Management evaluated specific factors associated with the realizability of its net operating losses and the entity's deferred tax assets and determined that it is more likely than not that the Partnership will not realize these tax assets. Additionally, the Partnership determined that a portion of the US federal FTC carryforward earned in 2013 and 2014 will not ultimately be realized due to federal limitations on FTC utilization. As of December 31, 2014 and 2013, the Partnership has established a valuation

allowance of $29.7 million and $21.7 million, respectively, for these items. For all other deferred tax assets, the Partnership has concluded it is more likely than not that they will be realized and that a valuation allowance is not needed at December 31, 2014.

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The Partnership had deferred tax liabilities of $112.2 million and $103.6 million at December 31, 2014 and 2013, respectively, which primarily relate to unrealized appreciation on the Partnership's investments in the U.S. and in the Netherlands. Deferred tax liabilities related to unrealized appreciation were also recorded for outside tax basis differences as a result of the Partnership's investment in Carlyle Holdings (see Note 1). The deferred tax liabilities related to intangible assets were recorded as part of the Partnership's business acquisitions.
The Partnership's income tax expense was $76.8 million, $96.2 million and $40.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. The following table reconciles the provision for income taxes to the U.S. Federal statutory tax rate:

	Year Ended December 31,		
	2014	2013	2012
Statutory U.S. federal income tax rate	35.00 %	35.00 %	35.00 %
Income passed through to common unitholders and non-controlling interest holders[1]	(28.56)%	(29.23)%	(34.58)%
Unvested Carlyle Holdings partnership units	2.92 %	2.03 %	1.72 %
Foreign income taxes	(1.90)%	(1.88)%	(0.41)%
State and local income taxes	0.25 %	0.17 %	0.20 %
Valuation allowance establishment impacting provision for income taxes	0.43 %	1.50 %	—
Interest expense	(0.41)%	(0.26)%	(0.10)%
Other adjustments	0.01 %	(0.67)%	(0.17)%
Effective income tax rate[2]	7.74 %	6.66 %	1.66 %

(1) The Partnership is organized as a series of pass through entities pursuant to the United States Internal Revenue Code. As such, the Partnership is not responsible for the tax liability due on certain income earned during the year. Such income is taxed at the unitholder and non-controlling interest holder level, and any income tax is the responsibility of the unitholders and is paid at that level.
(2) The effective income tax rate is calculated on income before provision for income taxes.

Under U.S. GAAP for income taxes, the amount of tax benefit to be recognized is the amount of benefit that is "more likely than not" to be sustained upon examination. The Partnership has recorded a liability for uncertain tax positions of $18.7 million and $13.8 million as of December 31, 2014 and 2013, respectively, which is reflected in accounts payable, accrued expenses and other liabilities in the accompanying consolidated balance sheets. These balances include $4.9 million and $4.5 million as of December 31, 2014 and 2013, related to interest and penalties associated with uncertain tax positions. If recognized, $15.3 million of uncertain tax positions would be recorded as a reduction in the provision for income taxes. A reconciliation of the beginning and ending amount of unrecognized tax benefits, exclusive of penalties and interest, is as follows:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Balance at January 1	$9.3	$12.4
Additions based on tax positions related to current year	3.7	—
Additions for tax positions of prior years	3.3	—
Reductions for tax position of prior years	—	(0.6)
Reductions due to lapse of statute of limitations	(2.5)	(2.5)
Balance at December 31	$13.8	$9.3

In the normal course of business, the Partnership is subject to examination by federal and certain state, local and foreign tax regulators. As of December 31, 2014, the Partnership's U.S. federal income tax returns for the years 2011 through 2013 are open under the normal three years statute of limitations and therefore subject to examination. State and local tax

returns are generally subject to audit from 2010 to 2013. Foreign tax returns are generally subject to audit from 2007 to 2013. Certain of the Partnership's foreign subsidiaries are currently under audit by foreign tax authorities. The Partnership 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 consolidated financial statements. The Partnership does not believe that it has any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

14. Non-controlling Interests in Consolidated Entities

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

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	$6,160.1	$7,354.0
Non-Carlyle interests in majority-owned subsidiaries	301.4	279.6
Non-controlling interest in carried interest and cash held for carried interest distributions	(15.1)	63.0
Non-controlling interests in consolidated entities	$6,446.4	$7,696.6

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

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Non-Carlyle interests in Consolidated Funds	$1,298.8	$769.7	$2,122.2
Non-Carlyle interests in majority-owned subsidiaries	(54.3)	(12.4)	10.7
Non-controlling interest in carried interest and cash held for carried interest distributions	(34.8)	29.5	9.4
Net income attributable to other non-controlling interests in consolidated entities	1,209.7	786.8	2,142.3
Net loss attributable to partners' capital appropriated for CLOs	(259.0)	(383.1)	(376.6)
Net income (loss) attributable to redeemable non-controlling interests in consolidated entities	(465.2)	272.3	(9.0)
Non-controlling interests in income of consolidated entities	$485.5	$676.0	$1,756.7

During 2013, the Partnership acquired the remaining 40% equity interest in AlpInvest. Refer to Note 3 for more information. There have been no other significant changes in the Partnership's ownership interests in its consolidated entities for the periods presented other than the Partnership's acquisition of 13,800,000 Carlyle Holdings partnership units in March 2014 (see Note 1).

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15. Earnings Per Common Unit

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

	Year Ended December 31, 2014		Year Ended December 31, 2013		For the Period from May 8, 2012 Through December 31, 2012	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income attributable to The Carlyle Group L.P.	$85,800,000	$85,800,000	$104,100,000	$104,100,000	$20,300,000	$20,300,000
Dilution of earnings due to participating securities with distribution rights	(1,284,100)	(1,303,600)	(645,500)	(880,000)	—	—
Incremental net income from assumed exchange of Carlyle Holdings partnership units	—	—	—	465,880,000	—	87,100,000
Net income per common unit	$84,515,900	$84,496,400	$103,454,500	$569,100,000	$20,300,000	$107,400,000
Weighted-average common units outstanding	62,788,634	68,461,157	46,135,229	278,250,489	42,562,928	259,698,987
Net income per common unit	$1.35	$1.23	$2.24	$2.05	$0.48	$0.41

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

	Year Ended December 31, 2014		Year Ended December 31, 2013		For the Period from May 8, 2012 Through December 31, 2012	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. weighted-average common units outstanding	62,788,634	62,788,634	46,135,229	46,135,229	42,562,928	42,562,928
Unvested deferred restricted common units	—	5,258,516	—	4,057,793	—	2,207,816
Contingently issuable Carlyle Holdings partnership units and common units	—	414,007	—	465,909	—	1,488,563
Weighted-average vested Carlyle Holdings partnership units	—	—	—	211,225,760	—	205,215,204
Unvested Carlyle Holdings partnership units	—	—	—	16,365,798	—	8,224,476
Weighted-average common units outstanding	62,788,634	68,461,157	46,135,229	278,250,489	42,562,928	259,698,987

The weighted-average common units outstanding of The Carlyle Group L.P. includes vested deferred restricted common units and other common units associated with acquisitions that have been earned for which issuance of the related common units is deferred until future periods.

The Partnership applies the treasury stock method to determine the dilutive weighted-average common units represented by the unvested deferred restricted common units. Also included in the determination of dilutive weighted-average common units are contingently issuable Carlyle Holdings partnership units and common units associated with the Claren Road, Vermillion, Metropolitan and DGAM acquisitions. For purposes of determining the dilutive weighted-average common units, it is assumed that December 31, 2014 and 2013 represent the end of the contingency period, the "if-converted" method is applied to any Carlyle Holdings partnership units issuable therefrom, and the treasury stock method is applied.

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

In computing the dilutive effect that the exchange of Carlyle Holdings partnership units would have on earnings per common unit, the Partnership considered that net income available to holders of common units would increase due to the elimination of non-controlling interests in Carlyle Holdings (including any tax impact). Based on these calculations, the 229,187,953 of vested and unvested Carlyle Holdings partnership units for the year ended December 31, 2014 were antidilutive, and therefore have been excluded.

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For the year ended December 31, 2013, the 211,225,760 and 16,365,798 of vested and unvested Carlyle Holdings partnership units were dilutive. As a result, the net income of non-controlling interests in Carlyle Holdings associated with this assumed exchange of $465.9 million for the year ended December 31, 2013 has been included in net income attributable to The Carlyle Group L.P. for purposes of the dilutive earnings per common unit calculation.
For the period from May 8, 2012 through December 31, 2012, the 205,215,204 and 8,224,476 of vested and unvested Carlyle Holdings partnership units were dilutive. As a result, the net income of non-controlling interests in Carlyle Holdings associated with this assumed exchange of $87.1 million for the period from May 8, 2012 through December 31, 2012 has been included in net income attributable to The Carlyle Group L.P. for purposes of the dilutive earnings per common unit calculation.
On August 1, 2013, as part of acquiring the remaining 40% equity interests in AlpInvest, the Partnership issued 914,087 common units that are subject to vesting conditions. As of December 31, 2014, 809,797 common units remain unvested. The common units participate immediately in any Partnership distributions. Under ASC 260, these common units are considered participating securities and are required to be included in the computation of earnings per common unit pursuant to the two-class method.
Prior to the reorganization and the initial public offering in May 2012, Carlyle's business was conducted through a large number of entities as to which there was no single holding entity, but which were separately owned by the senior Carlyle professionals, CalPERS and Mubadala. There was no single capital structure upon which to calculate historical earnings per common unit information. Accordingly, earnings per common unit information has not been presented for historical periods prior to the reorganization and initial public offering.

16. Equity-Based Compensation

In May 2012, Carlyle Group Management L.L.C., the general partner of the Partnership, adopted The Carlyle Group L.P. 2012 Equity Incentive Plan (the "Equity Incentive Plan"). The Equity Incentive Plan is a source of equity-based awards permitting the Partnership to grant to Carlyle employees, directors of the Partnership's general partner and consultants non-qualified options, unit appreciation rights, common units, restricted common units, deferred restricted common units, phantom restricted common units and other awards based on the Partnership's common units and Carlyle Holdings partnership units. The total number of the Partnership's common units and Carlyle Holdings partnership units which were initially available for grant under the Equity Incentive Plan was 30,450,000. The Equity Incentive Plan contains a provision which automatically increases the number of the Partnership's common units and Carlyle Holdings partnership units available for grant based on a pre-determined formula; this increase occurs annually on January 1. As of January 1, 2015, pursuant to the formula, the total number of the Partnership's common units and Carlyle Holdings partnership units available for grant under the Equity Incentive Plan was 31,895,630.

Unvested Partnership Common Units

On August 1, 2013, the Partnership acquired the remaining 40% equity interest in AlpInvest (see Note 3). As part of the transaction, the Partnership issued 914,087 common units to AlpInvest sellers who are employees of the Partnership that are subject to vesting conditions.
These newly issued common units were unvested at grant and vest over a period of up to five years. The unvested common units are accounted for as equity-based compensation in accordance with ASC Topic 718, Compensation – Stock Compensation ("ASC 718"). The grant-date fair value of the unvested common units is charged to equity-based compensation on a straight-line basis over the required service period. Additionally, the calculation of the expense assumes a forfeiture rate of up to 5%. For the years ended December 31, 2014 and 2013, the Partnership recorded $8.4 million and $5.0 million in equity-based compensation expense associated with these awards, respectively. As of December 31, 2014, the total unrecognized equity-based compensation expense related to unvested common units, considering estimated forfeitures, is $10.6 million, which is expected to be recognized over a weighted-average term of 1.2 years.

Unvested Carlyle Holdings Partnership Units

Unvested Carlyle Holdings partnership units are held by senior Carlyle professionals and other individuals engaged in Carlyle's business and generally vest ratably over a six-year period. The unvested Carlyle Holdings partnership units are accounted for as equity-based compensation in accordance with ASC 718. The grant-date fair value of the unvested Carlyle Holdings partnership units are charged to equity-based compensation expense on a straight-line basis over the required service

period. Additionally, the calculation of the expense assumes a forfeiture rate of up to 2.5%. During the second quarter of June 30, 2013, the Partnership revised its estimated forfeiture rate to 2.5% from 7.5%. As a result, the Partnership recognized $5.0 million of equity-based compensation expense during the year ended December 31, 2013 for the cumulative effect of the change in this estimate. Additionally, the Partnership recognized $17.1 million and $47.9 million of equity-based compensation expense during the year ended December 31, 2014 and 2013, respectively, related to the difference between the estimated forfeitures and actual forfeitures on Carlyle Holdings partnership units that vested in May 2014 and 2013, respectively. The Partnership recorded equity-based compensation expense associated with these awards of $192.6 million, $234.8 million and $105.8 million for the the years ended December 31, 2014 and 2013 and for the period from May 2, 2012 through December 31, 2012, respectively. The Partnership also recorded equity-based compensation expense of $59.0 million during the period from May 2, 2012 through December 31, 2012 associated with the exchange of Carlyle Holdings partnership units for equity interests in the general partners of Carlyle's carry funds by Carlyle professionals other than senior Carlyle professionals as part of the reorganization and initial public offering in May 2012. No tax benefits have been recorded related to the unvested Carlyle Holdings partnership units, as the vesting of these units does not result in a tax deduction to the corporate taxpayers.

In connection with the Partnership's investment in NGP Management in December 2012, the Partnership issued 996,572 Carlyle Holdings partnership units to ECM Capital, L.P. which vest ratably over a period of five years. The Partnership also issued 597,944 Carlyle Holdings partnership units to ECM Capital, L.P. that were issued at closing but vest upon the achievement of performance conditions. The fair value of these units will be recognized as a reduction to the Partnership's investment income in NGP Management over the relevant service or performance period, based on the fair value of the units on each reporting date and adjusted for the actual fair value of the units at each vesting date. For the Carlyle Holdings partnership units that vest based on the achievement of performance conditions, the Partnership uses the minimum number of partnership units within the range of potential values for measurement and recognition purposes.

As of December 31, 2014, the total unrecognized equity-based compensation expense related to unvested Carlyle Holdings partnership units, considering estimated forfeitures, is $626.9 million, which is expected to be recognized over a weighted-average term of 3.3 years.

Deferred Restricted Common Units

The deferred restricted common units are unvested when granted and vest ratably over a service period, which ranges up to six years. The grant-date fair value of the deferred restricted common units granted to Carlyle's employees is charged to equity-based compensation expense on a straight-line basis over the required service period. Additionally, the calculation of the expense assumes a forfeiture rate that generally ranges from 5.0% to 15.0% and a per unit discount that generally ranges from 7.5% to 25.0%, as these unvested awards do not participate in any Partnership distributions. The Partnership recorded compensation expense of $140.3 million, $78.7 million and $35.6 million for the years ended December 31, 2014 and 2013 and for the period May 2, 2012 through December 31, 2012, with $16.7 million, $8.5 million and $1.9 million of corresponding deferred tax benefits, respectively. A portion of the accumulated deferred tax asset associated with equity-based compensation expense was reclassified as a current tax benefit due to units vesting during the years ended December 31, 2014 and 2013. Equity-based compensation expense generates deferred tax assets, which are realized when the units vest. The net impact of additional deferred tax assets due to equity-based compensation expense less the reduction to the deferred tax assets for units that vested was a net deferred tax benefit of $3.0 million and $0.9 million for the years ended December 31, 2014 and December 31, 2013, respectively. As of December 31, 2014, the total unrecognized equity-based compensation expense related to unvested deferred restricted common units, considering estimated forfeitures, is $362.9 million, which is expected to be recognized over a weighted-average term of 3.2 years.

Equity-based awards issued to non-employees are recognized as general, administrative and other expenses. The expense associated with the deferred restricted common units granted to NGP personnel by the Partnership are

recognized as a reduction of the Partnership's investment income in NGP Management. The grant-date fair value of deferred restricted common units granted to Carlyle's non-employee directors are charged to expense on a straight-line basis over the vesting period. The cost of services received in exchange for an equity-based award issued to consultants is measured at each vesting date. Equity-based awards that require the satisfaction of future service criteria are recognized over the relevant service period, adjusted for estimated forfeitures of awards not expected to vest, based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. The expense for equity-based awards issued to non-employees was not significant for the year ended December 31, 2014 and 2013 and for the period from May 2, 2012 through December 31, 2012.

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The vesting of deferred restricted common units creates taxable income for the Partnership's employees in certain jurisdictions. Accordingly, the employees may elect to engage the Partnership's equity plan service provider to sell sufficient common units and generate proceeds to cover their minimum tax obligations.
In February 2015, the Partnership granted approximately 5.0 million deferred restricted common units across a significant number of the Partnership's employees. The total estimated grant-date fair value of these awards was approximately $119 million. The awards vest generally over a period of 18 to 42 months.
Phantom Deferred Restricted Common Units
The phantom deferred restricted common units are unvested when granted and vest ratably over a service period of three years. Upon vesting, the units will be settled in cash. As the phantom deferred restricted common units will be settled in cash, they are accounted for as liability awards. The fair value of the units is re-measured at each reporting period until settlement and charged to equity-based compensation expense over the vesting period. Additionally, the calculation of the expense assumes a forfeiture rate of up to 15.0%. For the years ended December 31, 2014 and 2013 and for the period May 2, 2012 through December 31, 2012, the Partnership recorded $2.7 million, $3.9 million and $1.3 million in equity-based compensation expense associated with these awards, respectively, which is included in base compensation expense in the accompanying consolidated financial statements. The tax benefits recognized from these awards were not material during these periods. As of December 31, 2014, the total unrecognized equity-based compensation expense related to unvested phantom deferred restricted common units, considering estimated forfeitures, is $1.5 million, which is expected to be recognized over a weighted-average term of 0.6 years.
A summary of the status of the Partnership's non-vested equity-based awards as of December 31, 2014 and a summary of changes for the period May 2, 2012 through December 31, 2014, are presented below:

	Carlyle Holdings		The Carlyle Group, L.P. Equity Settled Awards				Cash Settled Awards	
Unvested Units	Partnership Units	Weighted-Average Grant Date Fair Value	Deferred Restricted Common Units	Weighted-Average Grant Date Fair Value	Unvested Common Units	Weighted-Average Grant Date Fair Value	Phantom Units	Weighted-Average Grant Date Fair Value
Balance, May 2, 2012	—	$—	—	$—	—	$—	—	$—
Granted - IPO	56,760,336	$22.00	17,113,755	$22.00	—	$—	361,238	$22.00
Granted - Post-IPO	1,594,516	$26.20	542,039	$25.81	—	$—	—	$—
Vested	—	$—	120,207	$22.00	—	$—	—	$—
Forfeited	504,553	$22.00	828,559	$22.02	—	$—	26,624	$22.00
Balance, December 31, 2012	57,850,299	$22.12	16,707,028	$22.28	—	$—	334,614	$22.00
Granted	52,889	$30.80	3,067,158	$31.05	914,087	$26.83	2,520	$31.83
Vested	9,650,292	$22.09	2,828,707	$22.34	42,027	$27.99	107,242	$22.00
Forfeited	1,050,093	$22.00	695,305	$22.63	—	$—	21,381	$22.00
Balance, December 31, 2013	47,202,803	$22.13	16,250,174	$23.91	872,060	$26.78	208,511	$22.12
Granted	50,617	$28.26	7,978,127	$29.63	—	$—	12,204	$34.81
Vested	9,159,216	$22.10	3,767,550	$24.69	62,263	$21.42	101,839	$22.08
Forfeited	2,096,789	$22.00	1,531,481	$24.63	—	$—	14,806	$23.85
Balance, December 31, 2014	35,997,415	$22.16	18,929,270	$26.12	809,797	$27.19	104,070	$23.40

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17. Consolidation of a Real Estate Development Company

The Partnership, indirectly through certain Carlyle real estate investment funds, has an investment in Urbplan Desenvolvimento Urbano S.A. ("Urbplan", formerly Scopel Desenvolvimento Urbano S.A.), a Brazilian residential subdivision and land development company. Historically, funding for Urbplan's business plan was provided primarily by borrowings incurred directly by Urbplan and from capital provided by certain Carlyle real estate investment funds, which in turn were funded primarily by external limited partners and by the Partnership through its ownership of the general partner of such funds.

In late 2012, it was determined that Urbplan was facing serious liquidity problems and would require additional capital infusions to continue operations. The Partnership and certain of its senior Carlyle professionals provided capital to Urbplan through one of the Carlyle investment funds in the second quarter of 2013. During the third quarter of 2013, it became evident that Urbplan's efforts to raise additional capital from unaffiliated sources would likely not meet its requirements. The Partnership and certain senior Carlyle professionals elected to make additional investments into Urbplan. The external limited partners of the Carlyle real estate investment funds have not participated in the 2013 or 2014 capital funding.

During the second quarter of 2013, the Partnership concluded that the Carlyle investment vehicle through which it funded capital into Urbplan was a VIE and that the Partnership was the primary beneficiary of the VIE; accordingly, the Partnership consolidated the investment vehicle in the second quarter of 2013. During the third quarter of 2013, the Partnership concluded that the decision to provide additional capital to Urbplan constituted a reconsideration event under ASC 810, Consolidation ("ASC 810"). The Partnership concluded that Urbplan was a VIE as of September 30, 2013 because Urbplan's equity investment at risk was not sufficient to permit it to finance its activities without additional financial support. The Partnership also concluded that it was the primary beneficiary of Urbplan since the Partnership has the power to direct the activities of Urbplan that most significantly impact its economic performance and the Partnership's investments in Urbplan will absorb losses incurred by Urbplan. As such, the Partnership began consolidating Urbplan into its consolidated financial statements as of September 30, 2013.

Pursuant to ASC 810, the Partnership applied the accounting guidance applicable to business combinations under ASC 805, Business Combinations, to record the initial consolidation of Urbplan on September 30, 2013. The Partnership recorded the assets, liabilities and non-controlling interests of Urbplan at their estimated fair value. Due to the timing and availability of financial information from Urbplan, the Partnership consolidates the financial position and results of operations of Urbplan on a financial reporting lag of 90 days. The Partnership will disclose the effect of intervening events at Urbplan that materially affect the financial position or results of operations of the Partnership, if any.

The assets and liabilities of Urbplan are held in legal entities separate from the Partnership; the Partnership has not guaranteed or assumed any obligation for repayment of Urbplan's liabilities nor are the assets of Urbplan available to meet the liquidity requirements of the Partnership. However, if Urbplan fails to complete its construction projects, customers, partners, government agencies or municipalities or other creditors in certain circumstances might seek to assert claims against the Partnership and its assets unrelated to Urbplan under certain consumer protection or other laws.

Urbplan is currently a party to various litigation, government investigations and proceedings, disputes and other potential claims. The Partnership does not believe it is probable that the outcome of any existing Urbplan litigation, disputes or other potential claims will materially affect the Partnership or these consolidated financial statements.

From April 2013 (the time of the first additional investment into Urbplan) through December 31, 2014, $213.3 million has been funded to Urbplan by the Partnership and its senior Carlyle professionals (net of gains from related foreign currency forward contracts). The Partnership has funded $50.8 million of the $213.3 million and the remaining $162.5 million has been funded by senior Carlyle professionals indirectly through the Partnership. For the year ended

December 31, 2014, $143.7 million was funded to Urbplan, of which the Partnership funded $35.9 million and the senior Carlyle professionals funded $107.8 million indirectly through the Partnership.
At this time, Urbplan is estimated to require approximately $100 million of additional capital in 2015 to complete its expected business turnaround. While no contractual or other obligations exist to provide additional financial support to Urbplan, the Partnership and its senior Carlyle professionals expect to provide additional capital funding to Urbplan in the future and Urbplan will continue to seek capital funding from unaffiliated parties. The Partnership and its senior Carlyle professionals will evaluate the possibility of further capital infusions based on the circumstances at the time (including levels of third-party funding participation). It is anticipated that the Partnership would fund 25% and its senior Carlyle professionals

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would fund 75% indirectly through the Partnership of any additional investments made by the Partnership and its senior Carlyle professionals.

The assets and liabilities recognized in the Partnership's consolidated balance sheets as of December 31, 2014 and 2013 related to Urbplan were as follows:

	As of December 31,	
	2014	2013
	(Dollars in millions)	
Receivables and inventory of a consolidated real estate VIE:		
Customer and other receivables	$91.5	$110.3
Inventory costs in excess of billings and advances	72.4	70.1
	$163.9	$180.4
Other assets of a consolidated real estate VIE:		
Restricted investments	$36.8	$7.0
Fixed assets, net	1.8	2.2
Deferred tax assets	12.9	12.8
Other assets	34.9	38.1
	$86.4	$60.1
Loans payable of a consolidated real estate VIE, at fair value (principal amount of $243.6 million and $305.3 million as of December 31,2014 and 2013, respectively)	$146.2	$122.1
Other liabilities of a consolidated real estate VIE:		
Accounts payable	$26.1	$25.4
Other liabilities	58.8	72.3
	$84.9	$97.7

The revenues and expenses recognized in the Partnership's consolidated statements of operations for the years ended December 31, 2014 and 2013, since commencement of consolidation on September 30, 2013, related to Urbplan were as follows:

	Year Ended December 31,	
	2014	2013
	(Dollars in millions)	
Revenue of a consolidated real estate VIE:		
Land development services	$56.4	$0.4
Investment income	13.8	7.1
	$70.2	$7.5
Interest and other expenses of a consolidated real estate VIE:		
Costs of services rendered	$41.9	$—
Interest expense	37.2	12.9
Change in fair value of loans payable	47.1	13.0
Compensation and benefits	11.2	2.7
G&A and other expenses	37.9	5.2
	$175.3	$33.8

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The following is a summary of the significant classifications of assets and liabilities of Urbplan:
Customer and other receivables – This balance consists primarily of amounts owed for land development services using the completed contract method. Customer receivables accrue interest at rates ranging from 9% to 12% per year and are secured by the underlying real estate. Substantially all receivables are pledged as collateral for Urbplan's borrowings. The carrying value of the receivables includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the balances. Urbplan calculates this allowance based on its history of write-offs, the level of past-due accounts based on the contractual terms of the receivables, and its relationships with, and the economic status of, Urbplan's customers.
Inventory costs in excess of billings and advances – This balance consists primarily of capitalized land development cost, net of approximately $190.4 million and $176.1 million of customer advances received as of December 31, 2014 and 2013, respectively. Urbplan records valuation adjustments on inventory when events and circumstances indicate that the inventory may be impaired and when the cash flows estimated to be generated by the real estate project are less than its carrying amount. Real estate projects that demonstrate potential impairment indicators are tested for impairment by comparing the expected undiscounted cash flows for the real estate project to its carrying value. For those real estate projects whose carrying values exceed the expected undiscounted cash flows, Urbplan estimates the fair value of the real estate projects. Impairment charges are recorded if the fair value of the inventory is less than its carrying value. The estimates used in the determination of the estimated fair value of the real estate projects were based on factors known to Urbplan at the time such estimates were made and the expectations of future operations and economic conditions. Should the estimates or expectations used in determining estimated fair value deteriorate in the future, Urbplan may be required to recognize additional impairment charges and write-offs related to real estate projects.
Loans payable of a consolidated real estate VIE – This balance consists of Urbplan's borrowings for its real estate development activities. The estimated fair value approximates 60% and 40% of the outstanding principal amounts of the loans as of December 31, 2014 and 2013, respectively. The fair value of the loans was based on discounted cash flow analyses which considered the liquidity and current financial condition of Urbplan and applicable discount rates. The Partnership has elected to re-measure the loans at fair value at each reporting period through the term of the loans. The principal amounts of the loans accrue interest at a variable rate based on an index plus an applicable margin. Interest rates are based on: (i) CDI plus a margin ranging from 4.0% to 7.4% (15.6% to 19.0% as of December 31, 2014); (ii) IGP-M plus a margin ranging from 11.0% to 12.0% (14.7% to 15.7% as of December 31, 2014); or (iii) IPCA plus a margin ranging from 10.0% to 13.5% (16.4% to 19.9% as of December 31, 2014). Outstanding principal amounts on the loans based on current contractual terms are payable as follows (Dollars in millions):

2015	$37.2
2016	27.0
2017	21.9
2018	18.9
2019	21.6
Thereafter	117.0
	$243.6

Substantially all of Urbplan's customer and other receivables and investments have been pledged as collateral for the loans. As of December 31, 2014, substantially all of Urbplan's loans payable are not in compliance with their related debt covenants or are otherwise in technical default. These violations do not cause a default or event of default under the Partnership's senior credit facility or senior notes. Urbplan management is in discussions with the lenders to cure or re-negotiate the loans in default. Currently there are no outstanding notices of acceleration of payment on the loans in default.

All of the loans payable of Urbplan are contractually non-recourse to the Partnership.
Other liabilities – This balance consists of amounts owed to landowners, commissions payable to brokers, real estate taxes, social charges and other liabilities.

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Revenue of a consolidated real estate VIE – This balance consists primarily of amounts earned for land development services using the completed contract method and investment income earned on Urbplan's investments. Under the completed contract method of accounting, revenue is not recorded until the period in which the land development services contract is completed.

Interest and other expenses of a consolidated real estate VIE – This balance consists primarily of interest expense on Urbplan's borrowings, general and administrative expenses, compensation and benefits, and costs associated with land development services. Also included in this caption is the change in the Partnership's estimate of the fair value of Urbplan's loans payable during the period. Interest expense is recorded on Urbplan's borrowings at variable rates as defined. Costs related to Urbplan's land development services activities are capitalized until the services are complete. Costs associated with advertising, marketing and other selling activities are expensed when incurred.

Impairment – Urbplan evaluates its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable, but not less than annually.

As of December 31, 2014, Urbplan had outstanding commitments for land development services with an estimated $117.5 million of future costs to be incurred.

18. Segment Reporting

Carlyle conducts its operations through four reportable segments:

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

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.

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

Investment Solutions – Through August 1, 2013, the Investment Solutions segment represented the Partnership's 60% equity interest in AlpInvest, which advises a global private equity fund of funds program and related co-investment and secondary activities. On August 1, 2013, the Partnership acquired the remaining 40% equity interest in AlpInvest. The Investment Solutions segment also includes Metropolitan, a global manager of real estate fund of funds, and DGAM, the Partnership's fund of hedge funds platform. The Partnership acquired 100% of the equity interests in Metropolitan and DGAM on November 1, 2013 and February 3, 2014, respectively. Investment Solutions was previously referred to as Solutions.

The Partnership's reportable business segments are differentiated by their various investment focuses and strategies. Overhead costs are allocated based on direct base compensation expense for each segment. The Partnership includes adjustments to reflect the Partnership's economic interests in Claren Road, ESG, Vermillion, and for periods prior to August 1, 2013, AlpInvest. The Partnership's earnings from its investment in NGP Management are presented in the respective operating captions within the Real Assets segment. The net income or loss from the consolidation of Urbplan allocable to the Partnership (after consideration of amounts allocable to non-controlling interests) is presented within investment income in the Real Assets 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 Partnership's reportable segments. ENI differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it includes certain tax expenses associated with performance fee compensation, and 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: charges associated with equity-based compensation that was issued in the initial public offering in May 2012 or is issued in acquisitions or

strategic investments, amortization associated with acquired intangible assets, transaction costs associated with acquisitions, charges associated with earnouts and contingent consideration

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including gains and losses associated with the mark to market on contingent consideration issued in conjunction with acquisitions or strategic investments, gains and losses from the retirement of debt, charges associated with lease terminations and employee severance and settlements of legal claims. In the fourth quarter of 2014, the Partnership reclassified certain tax expenses associated with carried interest attributable to certain partners and employees as a component of performance fee related compensation expense. All prior periods have been reclassified to conform with the new presentation.

Also, for periods prior to the reorganization and initial public offering in May 2012, ENI also differed from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that ENI reflected a charge for compensation, bonuses and performance fee compensation attributable to Carlyle partners. Subsequent to the reorganization and initial public offering, these compensation charges are included in both ENI and income (loss) before provision for income taxes computed in accordance with U.S. GAAP.

Distributable earnings (“DE”) 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, the corresponding unrealized performance fee compensation expense and equity-based compensation. As a result of the Partnership reclassifying certain tax expenses associated with carried interest attributable to certain partners and employees as a component of realized performance fee related compensation expense beginning in the fourth quarter of 2014, the amounts for DE are different than previously reported. All prior periods have been reclassified to conform with the new presentation.

Fee-related earnings (“FRE”) is a component of DE and is used to assess the ability of the business to cover base compensation and operating expenses from total fee revenues. FRE differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it adjusts for the items included in the calculation of DE and also adjusts DE to exclude realized performance fees, realized investment income from investments in Carlyle funds, and realized performance fee related compensation.

ENI and its components are used by management primarily in making resource deployment and compensation decisions across the Partnership’s four reportable segments. Management makes operating decisions and assesses the performance of each of the Partnership’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 exclude the assets, liabilities and operating results related to the Consolidated Funds.

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The following tables present the financial data for the Partnership's four reportable segments as of and for the year ended December 31, 2014:

	December 31, 2014 and the Year Then Ended				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$564.8	$259.3	$223.8	$181.4	$1,229.3
Portfolio advisory fees, net	18.4	0.9	0.8	—	20.1
Transaction fees, net	51.4	0.2	1.6	—	53.2
Total fund level fee revenues	634.6	260.4	226.2	181.4	1,302.6
Performance fees					
Realized	1,156.3	36.0	88.5	42.9	1,323.7
Unrealized	197.2	76.5	(39.5)	150.0	384.2
Total performance fees	1,353.5	112.5	49.0	192.9	1,707.9
Investment income (loss)					
Realized	17.7	8.4	(32.2)	—	(6.1)
Unrealized	13.9	(3.6)	(15.7)	0.4	(5.0)
Total investment income (loss)	31.6	4.8	(47.9)	0.4	(11.1)
Interest and other income	10.8	5.8	4.7	1.3	22.6
Total revenues	2,030.5	383.5	232.0	376.0	3,022.0
Segment Expenses					
Compensation and benefits					
Direct base compensation	222.4	110.6	75.2	85.8	494.0
Indirect base compensation	101.8	24.6	48.5	13.6	188.5
Equity-based compensation	42.5	13.9	19.2	4.8	80.4
Performance fee related					
Realized	512.5	17.4	30.1	30.9	590.9
Unrealized	97.1	35.4	32.1	145.0	309.6
Total compensation and benefits	976.3	201.9	205.1	280.1	1,663.4
General, administrative, and other indirect expenses	151.1	52.9	72.2	41.9	318.1
Depreciation and amortization expense	11.0	4.0	3.6	3.8	22.4
Interest expense	30.6	9.7	9.9	5.5	55.7
Total expenses	1,169.0	268.5	290.8	331.3	2,059.6
Economic Net Income (Loss)	$861.5	$115.0	$(58.8)	$44.7	$962.4
(-) Net Performance Fees	743.9	59.7	(13.2)	17.0	807.4
(-) Investment Income (Loss)	31.6	4.8	(47.9)	0.4	(11.1)
(+) Equity-based Compensation	42.5	13.9	19.2	4.8	80.4
(=) Fee Related Earnings	$128.5	$64.4	$21.5	$32.1	$246.5
(+) Realized Net Performance Fees	643.8	18.6	58.4	12.0	732.8
(+) Realized Investment Income (Loss)	17.7	8.4	(32.2)	—	(6.1)
(=) Distributable Earnings	$790.0	$91.4	$47.7	$44.1	$973.2

Segment assets as of December 31, 2014	$4,065.1	$1,006.9	$1,510.6	$814.8	$7,397.4

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The following tables present the financial data for the Partnership's four reportable segments as of and for the year ended December 31, 2013:

	December 31, 2013 and the Year Then Ended				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$471.6	$275.2	$188.9	$119.0	$1,054.7
Portfolio advisory fees, net	23.2	1.4	1.3	—	25.9
Transaction fees, net	20.7	0.1	3.9	—	24.7
Total fund level fee revenues	515.5	276.7	194.1	119.0	1,105.3
Performance fees					
Realized	914.5	151.9	40.5	21.7	1,128.6
Unrealized	959.1	32.4	43.4	129.8	1,164.7
Total performance fees	1,873.6	184.3	83.9	151.5	2,293.3
Investment income (loss)					
Realized	15.8	17.5	(22.7)	—	10.6
Unrealized	10.4	(1.5)	(62.3)	0.2	(53.2)
Total investment income (loss)	26.2	16.0	(85.0)	0.2	(42.6)
Interest and other income	6.5	4.2	2.0	0.2	12.9
Total revenues	2,421.8	481.2	195.0	270.9	3,368.9
Segment Expenses					
Compensation and benefits					
Direct base compensation	212.6	99.6	70.2	53.6	436.0
Indirect base compensation	95.0	21.8	30.4	5.6	152.8
Equity-based compensation	7.4	3.0	4.6	0.7	15.7
Performance fee related					
Realized	401.7	42.1	(4.0)	14.3	454.1
Unrealized	446.2	13.7	56.7	131.2	647.8
Total compensation and benefits	1,162.9	180.2	157.9	205.4	1,706.4
General, administrative, and other indirect expenses	166.9	60.9	58.4	23.2	309.4
Depreciation and amortization expense	13.2	4.5	4.3	2.3	24.3
Interest expense	25.2	7.9	8.2	2.3	43.6
Total expenses	1,368.2	253.5	228.8	233.2	2,083.7
Economic Net Income (Loss)	$1,053.6	$227.7	$(33.8)	$37.7	$1,285.2
(-) Net Performance Fees	1,025.7	128.5	31.2	6.0	1,191.4
(-) Investment Income (Loss)	26.2	16.0	(85.0)	0.2	(42.6)
(+) Equity-based Compensation	7.4	3.0	4.6	0.7	15.7
(=) Fee Related Earnings	$9.1	$86.2	$24.6	$32.2	$152.1
(+) Realized Net Performance Fees	512.8	109.8	44.5	7.4	674.5
(+) Realized Investment Income (Loss)	15.8	17.5	(22.7)	—	10.6
(=) Distributable Earnings	$537.7	$213.5	$46.4	$39.6	$837.2

Segment assets as of December 31, 2013	$3,895.1	$1,159.2	$1,207.4	$602.5	$6,864.2

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The following tables present the financial data for the Partnership's four reportable segments for the year ended December 31, 2012:

	Year Ended December 31, 2012				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$496.2	$237.2	$141.0	$68.8	$943.2
Portfolio advisory fees, net	17.8	2.5	1.7	—	22.0
Transaction fees, net	19.0	3.5	5.0	—	27.5
Total fund level fee revenues	533.0	243.2	147.7	68.8	992.7
Performance fees					
Realized	639.5	112.4	106.6	10.6	869.1
Unrealized	130.8	(21.2)	(13.2)	30.5	126.9
Total performance fees	770.3	91.2	93.4	41.1	996.0
Investment income (loss)					
Realized	3.3	13.1	(0.1)	—	16.3
Unrealized	20.5	9.6	(4.9)	—	25.2
Total investment income (loss)	23.8	22.7	(5.0)	—	41.5
Interest and other income	9.0	2.3	1.7	0.7	13.7
Total revenues	1,336.1	359.4	237.8	110.6	2,043.9
Segment Expenses					
Compensation and benefits					
Direct base compensation	226.2	86.3	71.1	33.8	417.4
Indirect base compensation	92.5	21.3	24.5	6.2	144.5
Equity-based compensation	1.2	0.2	0.4	—	1.8
Performance fee related					
Realized	304.7	46.2	7.3	10.0	368.2
Unrealized	71.7	(8.4)	17.3	32.1	112.7
Total compensation and benefits	696.3	145.6	120.6	82.1	1,044.6
General, administrative, and other indirect expenses	134.0	40.6	41.9	10.7	227.2
Depreciation and amortization expense	12.5	3.5	3.9	1.6	21.5
Interest expense	14.3	4.5	4.4	1.3	24.5
Total expenses	857.1	194.2	170.8	95.7	1,317.8
Economic Net Income	$479.0	$165.2	$67.0	$14.9	$726.1
(-) Net Performance Fees	393.9	53.4	68.8	(1.0)	515.1
(-) Investment Income (Loss)	23.8	22.7	(5.0)	—	41.5
(+) Equity-based Compensation	1.2	0.2	0.4	—	1.8
(=) Fee Related Earnings	$62.5	$89.3	$3.6	$15.9	$171.3
(+) Realized Net Performance Fees	334.8	66.2	99.3	0.6	500.9
(+) Realized Investment Income (loss)	3.3	13.1	(0.1)	—	16.3

(=) Distributable Earnings	$400.6	$168.6	$102.8	$16.5	$688.5

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The following tables reconcile the Total Segments to the Partnership's Income Before Provision for Taxes as of and for the years ended December 31, 2014 and 2013:

	December 31, 2014 and the Year then Ended				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$3,022.0	$956.0	$(97.7)	(a)	$3,880.3
Expenses	$2,059.6	$1,286.5	$429.3	(b)	$3,775.4
Other income	$—	$898.4	$(11.4)	(c)	$887.0
Economic net income (loss)	$962.4	$567.9	$(538.4)	(d)	$991.9
Total assets	$7,397.4	$28,809.8	$(212.9)	(e)	$35,994.3

	December 31, 2013 and the Year then Ended				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$3,368.9	$1,043.1	$29.2	(a)	$4,441.2
Expenses	$2,083.7	$1,169.4	$440.8	(b)	$3,693.9
Other income	$—	$701.3	$(4.6)	(c)	$696.7
Economic net income (loss)	$1,285.2	$575.0	$(416.2)	(d)	$1,444.0
Total assets	$6,864.2	$28,904.3	$(146.2)	(e)	$35,622.3

The following table reconciles the Total Segments to the Partnership's Income Before Provision for Taxes for the year ended December 31, 2012:

	Year Ended December 31, 2012				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$2,043.9	$903.5	$25.7	(a)	$2,973.1
Expenses	$1,317.8	$923.9	$49.5	(b)	$2,291.2
Other loss	$—	$1,755.5	$2.5	(c)	$1,758.0
Economic net income (loss)	$726.1	$1,735.1	$(21.3)	(d)	$2,439.9

(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 Partnership's total revenues, adjustments for amounts attributable to non-controlling interests in consolidated entities, adjustments related to expenses associated with the investments in NGP Management and its affiliates that are included in operating captions or are excluded from the segment results, adjustments to reflect the Partnership's share of Urbplan's net losses as a component of investment income, and adjustments to reflect the Partnership's ownership interests in Claren Road, ESG, Vermillion and, for periods prior to August 1, 2013, AlpInvest that were included in Revenues in the Partnership's segment reporting.

(b) The Expenses adjustment represents the elimination of intercompany expenses of the Consolidated Funds payable to the Partnership, adjustments for partner compensation in 2012, the inclusion of certain tax expenses associated with performance fee compensation, adjustments related to expenses associated with the investment in NGP Management that are included in operating captions, adjustments to reflect the Partnership's share of Urbplan's net losses as a component of investment income, charges and credits associated with Carlyle corporate actions and non-recurring items

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and adjustments to reflect the Partnership's economic interests in Claren Road, ESG, Vermillion and, for periods prior to August 1, 2013, AlpInvest as detailed below (Dollars in millions):

	Year Ended December 31,		
	2014	2013	2012
Partner compensation	$—	$—	$(265.4)
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	269.2	314.4	200.1
Acquisition related charges and amortization of intangibles	242.5	260.4	128.3
Other non-operating (income) expense	(30.3)	(16.5)	7.1
Tax expense associated with performance fee compensation	(25.3)	(34.9)	(9.5)
Non-Carlyle economic interests in acquired business	213.6	186.4	155.4
Other adjustments	1.2	6.3	1.8
Elimination of expenses of Consolidated Funds	(241.6)	(275.3)	(168.3)
	$429.3	$440.8	$49.5

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

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

	Year Ended December 31,		
	2014	2013	2012
Income before provision for income taxes	$991.9	$1,444.0	$2,439.9
Adjustments:			
Partner compensation(1)	—	—	(265.4)
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	269.2	314.4	200.1
Acquisition related charges and amortization of intangibles	242.5	260.4	128.3
Other non-operating (income) expense	(30.3)	(16.5)	7.1
Tax expense associated with performance fee compensation	(25.3)	(34.9)	(9.5)
Net income attributable to non-controlling interests in Consolidated entities	(485.5)	(676.0)	(1,756.7)
Other adjustments(2)	(0.1)	(6.2)	(17.7)
Economic Net Income	$962.4	$1,285.2	$726.1
Net performance fees(3)	807.4	1,191.4	515.1
Investment income (loss)(3)	(11.1)	(42.6)	41.5
Equity-based compensation	80.4	15.7	1.8
Fee Related Earnings	$246.5	$152.1	$171.3
Realized performance fees, net of related compensation(3)	732.8	674.5	500.9
Realized investment income (loss)(3)	(6.1)	10.6	16.3
Distributable Earnings	$973.2	$837.2	$688.5

(1) Adjustments for partner compensation reflect amounts due to senior Carlyle professionals for compensation and performance fees allocated to them, which amounts were classified as distributions from partners' capital in the consolidated financial statements for periods prior to the reorganization and initial public offering in May 2012.

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(2) Other adjustments were comprised of the following (Dollars in millions):

	Year Ended December 31,		
	2014	2013	2012
Losses associated with debt refinancing activities	$—	$1.9	$—
Severance and lease terminations	10.3	6.5	5.9
Provision for income taxes attributable to non-controlling interests in consolidated entities	(1.3)	(12.5)	(19.5)
Other adjustments	(9.1)	(2.1)	(4.1)
	$(0.1)	$(6.2)	$(17.7)

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

	Year Ended December 31, 2014		
	Carlyle Consolidated	Adjustments(4)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$1,328.7	$(5.0)	$1,323.7
Unrealized	345.7	38.5	384.2
Total performance fees	1,674.4	33.5	1,707.9
Performance fee related compensation expense			
Realized	590.7	0.2	590.9
Unrealized	282.2	27.4	309.6
Total performance fee related compensation expense	872.9	27.6	900.5
Net performance fees			
Realized	738.0	(5.2)	732.8
Unrealized	63.5	11.1	74.6
Total net performance fees	$801.5	$5.9	$807.4
Investment income (loss)			
Realized	$23.7	$(29.8)	$(6.1)
Unrealized	(30.9)	25.9	(5.0)
Total investment income (loss)	$(7.2)	$(3.9)	$(11.1)

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	Year Ended December 31, 2013		
	Carlyle Consolidated	Adjustments[4]	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$1,176.7	$(48.1)	$1,128.6
Unrealized	1,198.6	(33.9)	1,164.7
Total performance fees	2,375.3	(82.0)	2,293.3
Performance fee related compensation expense			
Realized	539.2	(85.1)	454.1
Unrealized	644.5	3.3	647.8
Total performance fee related compensation expense	1,183.7	(81.8)	1,101.9
Net performance fees			
Realized	637.5	37.0	674.5
Unrealized	554.1	(37.2)	516.9
Total net performance fees	$1,191.6	$(0.2)	$1,191.4
Investment income (loss)			
Realized	$14.4	$(3.8)	$10.6
Unrealized	4.4	(57.6)	(53.2)
Total investment income (loss)	$18.8	$(61.4)	$(42.6)

	Year Ended December 31, 2012		
	Carlyle Consolidated	Adjustments[4]	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$907.5	$(38.4)	$869.1
Unrealized	133.6	(6.7)	126.9
Total performance fees	1,041.1	(45.1)	996.0
Performance fee related compensation expense			
Realized	285.5	82.7	368.2
Unrealized	32.2	80.5	112.7
Total performance fee related compensation expense	317.7	163.2	480.9
Net performance fees			
Realized	622.0	(121.1)	500.9
Unrealized	101.4	(87.2)	14.2
Total net performance fees	$723.4	$(208.3)	$515.1
Investment income			
Realized	$16.3	$—	$16.3
Unrealized	20.1	5.1	25.2
Total investment income	$36.4	$5.1	$41.5

(4) Adjustments to performance fees and investment income (loss) relate to (i) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the segment results, (ii)

amounts attributable to non-controlling interests in consolidated entities, which were excluded from the segment results and (iii) the reclassification of NGP X performance fees, which are included in investment income in the U.S. GAAP financial statements. Adjustments to investment income (loss) also include the reclassification of earnings for the investment in NGP Management to the appropriate operating captions for the segment results, the exclusion of charges associated with

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the investment in NGP Management and its affiliates that are excluded from the segment results, and adjustments to reflect the Partnership's share of Urbplan's net losses as investment losses for the segment results. Adjustments to performance fee related compensation expense relate to the inclusion of (i) partner compensation in the segment results for periods prior to the reorganization and initial public offering in May 2012 and (ii) certain tax expenses associated with performance fee compensation. Adjustments are also included in these financial statement captions to reflect the Partnership's 55% economic interest in each of Claren Road, ESG and Vermillion and, prior to August 1, 2013, the Partnership's 60% interest in AlpInvest in the segment results.

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

Information by Geographic Location

Carlyle primarily transacts business in the United States and a significant amount of its revenues are generated domestically. The Partnership has established investment vehicles whose primary focus is making investments in specified geographical locations. The tables below present consolidated revenues and assets based on the geographical focus of the associated investment vehicle.

	Total Revenues Share	%		Total Assets Share	%	
	(Dollars in millions)					
Year Ended December 31, 2014						
Americas(1)	$2,283.3	59	%	$20,986.9	58	%
EMEA(2)	1,527.3	39	%	14,446.4	40	%
Asia-Pacific(3)	69.7	2	%	561.0	2	%
Total	$3,880.3	100	%	$35,994.3	100	%

	Total Revenues Share	%		Total Assets Share	%	
	(Dollars in millions)					
Year Ended December 31, 2013						
Americas(1)	$2,613.0	59	%	$19,091.7	53	%
EMEA(2)	1,459.3	33	%	15,974.6	45	%
Asia-Pacific(3)	368.9	8	%	556.0	2	%
Total	$4,441.2	100	%	$35,622.3	100	%

	Total Revenues Share	%		Total Assets Share	%	
	(Dollars in millions)					
Year Ended December 31, 2012						
Americas(1)	$1,842.6	62	%	$16,419.7	52	%
EMEA(2)	756.2	25	%	14,670.8	46	%
Asia-Pacific(3)	374.3	13	%	476.1	2	%
Total	$2,973.1	100	%	$31,566.6	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.

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19. Quarterly Financial Data (Unaudited)

Unaudited quarterly information for each of the three months in the years ended December 31, 2014 and 2013 are presented below.

	Three Months Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	(Dollars in millions)			
Revenues	$1,147.4	$1,138.8	$755.0	$839.1
Expenses	1,099.0	1,042.6	705.1	928.7
Other income (loss)	424.0	445.0	125.5	(107.5)
Income (loss) before provision for income taxes	$472.4	$541.2	$175.4	$(197.1)
Net income (loss)	$456.4	$487.4	$181.3	$(210.0)
Net income attributable to The Carlyle Group L.P.	$24.6	$19.5	$25.4	$16.3
Net income attributable to The Carlyle Group L.P. per common unit[1]				
Basic	$0.46	$0.30	$0.38	$0.24
Diluted	$0.41	$0.27	$0.35	$0.23
Distributions declared per common unit[2]	$1.40	$0.16	$0.16	$0.16

	Three Months Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
	(Dollars in millions)			
Revenues	$1,145.0	$769.3	$888.1	$1,638.8
Expenses	904.1	774.0	814.7	1,201.1
Other income (loss)	211.5	290.6	(82.0)	276.6
Income (loss) before provision for income taxes	$452.4	$285.9	$(8.6)	$714.3
Net income (loss)	$427.5	$269.3	$(26.5)	$677.5
Net income (loss) attributable to The Carlyle Group L.P.	$33.8	$(3.3)	$2.3	$71.3
Net income (loss) attributable to The Carlyle Group L.P. per common unit[1]				
Basic	$0.78	$(0.07)	$0.04	$1.45
Diluted	$0.66	$(0.07)	$0.04	$1.17
Distributions declared per common unit[2]	$0.85	$0.16	$0.16	$0.16

(1) The sum of the quarterly earnings per common unit amounts may not equal the total for the year due to the effects of rounding and dilution.

(2) Distributions declared reflects the calendar date of the declaration of each distribution.

20. Subsequent Events

In February 2015, the Board of Directors of the general partner of the Partnership declared a distribution of $1.61 per common unit in respect of the fourth quarter of 2014 to common unitholders of record at the close of business on February 23, 2015, payable on March 6, 2015.

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21. Supplemental Financial Information

The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Partnership's financial position as of December 31, 2014 and 2013 and results of operations for the years ended December 31, 2014, 2013 and 2012. The supplemental statement of cash flows is presented without effects of the Consolidated Funds.

	As of December 31, 2014			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	$1,242.0	$—	$—	$1,242.0
Cash and cash equivalents held at Consolidated Funds	—	1,551.1	—	1,551.1
Restricted cash	59.7	—	—	59.7
Restricted cash and securities of Consolidated Funds	—	14.9	—	14.9
Accrued performance fees	3,808.9	—	(13.3)	3,795.6
Investments	1,114.9	—	(183.3)	931.6
Investments of Consolidated Funds	—	26,028.7	0.1	26,028.8
Due from affiliates and other receivables, net	215.8	—	(16.4)	199.4
Due from affiliates and other receivables of Consolidated Funds, net	—	1,213.2	—	1,213.2
Receivables and inventory of a consolidated real estate VIE	163.9	—	—	163.9
Fixed assets, net	75.4	—	—	75.4
Deposits and other	57.3	1.9	—	59.2
Other assets of a consolidated real estate VIE	86.4	—	—	86.4
Intangible assets, net	442.1	—	—	442.1
Deferred tax assets	131.0	—	—	131.0
Total assets	$7,397.4	$28,809.8	$(212.9)	$35,994.3
Liabilities and partners' capital				
Loans payable	$40.2	$—	$—	$40.2
3.875% senior notes due 2023	499.9	—	—	499.9
5.625% senior notes due 2043	606.8	—	—	606.8
Loans payable of Consolidated Funds	—	16,219.8	(167.6)	16,052.2
Loans payable of a consolidated real estate VIE at fair value (principal amount of $243.6 million)	146.2	—	—	146.2
Accounts payable, accrued expenses and other liabilities	446.8	—	(50.6)	396.2
Accrued compensation and benefits	2,312.5	—	—	2,312.5
Due to affiliates	183.6	1.0	(0.4)	184.2
Deferred revenue	93.9	—	(0.2)	93.7
Deferred tax liabilities	112.2	—	—	112.2
Other liabilities of Consolidated Funds	—	2,548.0	(43.1)	2,504.9
Other liabilities of a consolidated real estate VIE	84.9	—	—	84.9
Accrued giveback obligations	113.4	—	(9.0)	104.4
Total liabilities	4,640.4	18,768.8	(270.9)	23,138.3
Redeemable non-controlling interests in consolidated entities	8.4	3,753.1	—	3,761.5
Partners' capital	566.0	(71.5)	71.5	566.0

Accumulated other comprehensive income (loss)	(40.3)	6.3	(5.0)	(39.0)
Partners' capital appropriated for Consolidated Funds	—	193.0	(8.5)	184.5
Non-controlling interests in consolidated entities	286.3	6,160.1	—	6,446.4
Non-controlling interests in Carlyle Holdings	1,936.6	—	—	1,936.6
Total partners' capital	2,748.6	6,287.9	58.0	9,094.5
Total liabilities and partners' capital	$7,397.4	$28,809.8	$(212.9)	$35,994.3

	As of December 31, 2013			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	$966.6	$—	$—	$966.6
Cash and cash equivalents held at Consolidated Funds	—	1,402.7	—	1,402.7
Restricted cash	129.9	—	—	129.9
Restricted cash and securities of Consolidated Funds	—	25.7	—	25.7
Accrued performance fees	3,724.7	—	(71.1)	3,653.6
Investments	867.1	—	(101.8)	765.3
Investments of Consolidated Funds	—	26,846.8	39.6	26,886.4
Due from affiliates and other receivables, net	188.8	—	(12.9)	175.9
Due from affiliates and other receivables of Consolidated Funds, net	—	626.2	—	626.2
Receivables and inventory of a consolidated real estate VIE	180.4	—	—	180.4
Fixed assets, net	68.8	—	—	68.8
Deposits and other	35.6	2.9	—	38.5
Other assets of a consolidated real estate VIE	60.1	—	—	60.1
Intangible assets, net	582.8	—	—	582.8
Deferred tax assets	59.4	—	—	59.4
Total assets	$6,864.2	$28,904.3	$(146.2)	$35,622.3
Liabilities and partners' capital				
Loans payable	$42.4	$—	$—	$42.4
3.875% senior notes due 2023	499.8	—	—	499.8
5.625% senior notes due 2043	398.4	—	—	398.4
Loans payable of Consolidated Funds	—	15,321.4	(100.7)	15,220.7
Loans payable of a consolidated real estate VIE at fair value (principal amount of $305.3 million)	122.1	—	—	122.1
Accounts payable, accrued expenses and other liabilities	310.9	—	(45.8)	265.1
Accrued compensation and benefits	2,253.0	—	—	2,253.0
Due to affiliates	352.4	51.8	(0.5)	403.7
Deferred revenue	62.8	1.3	—	64.1
Deferred tax liabilities	103.6	—	—	103.6
Other liabilities of Consolidated Funds	—	1,445.4	(62.7)	1,382.7
Other liabilities of a consolidated real estate VIE	97.7	—	—	97.7
Accrued giveback obligations	49.9	—	(10.3)	39.6
Total liabilities	4,293.0	16,819.9	(220.0)	20,892.9
Redeemable non-controlling interests in consolidated entities	11.4	4,340.6	—	4,352.0
Partners' capital	357.1	(76.6)	76.6	357.1
Accumulated other comprehensive loss	(11.2)	(0.5)	0.5	(11.2)
Partners' capital appropriated for Consolidated Funds	—	466.9	(3.3)	463.6
Non-controlling interests in consolidated entities	342.6	7,354.0	—	7,696.6

Non-controlling interests in Carlyle Holdings	1,871.3	—	—	1,871.3
Total partners' capital	2,559.8	7,743.8	73.8	10,377.4
Total liabilities and partners' capital	$6,864.2	$28,904.3	$(146.2)	$35,622.3

	Year Ended December 31, 2014			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$1,352.9	$—	$(186.6)	$1,166.3
Performance fees				
Realized	1,355.1	—	(26.4)	1,328.7
Unrealized	355.0	—	(9.3)	345.7
Total performance fees	1,710.1	—	(35.7)	1,674.4
Investment income (loss)				
Realized	29.4	—	(5.7)	23.7
Unrealized	(37.7)	—	6.8	(30.9)
Total investment income (loss)	(8.3)	—	1.1	(7.2)
Interest and other income	23.6	—	(3.0)	20.6
Interest and other income of Consolidated Funds	—	956.0	—	956.0
Revenue of a consolidated real estate VIE	70.2	—	—	70.2
Total revenues	3,148.5	956.0	(224.2)	3,880.3
Expenses				
Compensation and benefits				
Base compensation	789.0	—	—	789.0
Equity-based compensation	344.0	—	—	344.0
Performance fee related				
Realized	590.7	—	—	590.7
Unrealized	282.2	—	—	282.2
Total compensation and benefits	2,005.9	—	—	2,005.9
General, administrative and other expenses	523.9	—	2.9	526.8
Interest	55.7	—	—	55.7
Interest and other expenses of Consolidated Funds	—	1,286.5	(244.5)	1,042.0
Interest and other expenses of a consolidated real estate VIE	175.3	—	—	175.3
Other non-operating income	(30.3)	—	—	(30.3)
Total expenses	2,730.5	1,286.5	(241.6)	3,775.4
Other income				
Net investment gains of Consolidated Funds	—	898.4	(11.4)	887.0
Income before provision for income taxes	418.0	567.9	6.0	991.9
Provision for income taxes	76.8	—	—	76.8
Net income	341.2	567.9	6.0	915.1
Net income (loss) attributable to non-controlling interests in consolidated entities	(88.4)	—	573.9	485.5
Net income attributable to Carlyle Holdings	429.6	567.9	(567.9)	429.6
Net income attributable to non-controlling interests in Carlyle Holdings	343.8	—	—	343.8

Net income attributable to The Carlyle Group L.P.	$85.8	$567.9	$(567.9)	$85.8

	Year Ended December 31, 2013			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$1,168.2	$—	$(183.6)	$984.6
Performance fees				
Realized	1,247.0	—	(70.3)	1,176.7
Unrealized	1,201.5	—	(2.9)	1,198.6
Total performance fees	2,448.5	—	(73.2)	2,375.3
Investment income (loss)				
Realized	15.0	—	(0.6)	14.4
Unrealized	(61.4)	—	65.8	4.4
Total investment income (loss)	(46.4)	—	65.2	18.8
Interest and other income	13.1	—	(1.2)	11.9
Interest and other income of Consolidated Funds	—	1,043.1	—	1,043.1
Revenue of a consolidated real estate VIE	7.5	—	—	7.5
Total revenues	3,590.9	1,043.1	(192.8)	4,441.2
Expenses				
Compensation and benefits				
Base compensation	738.0	—	—	738.0
Equity-based compensation	322.4	—	—	322.4
Performance fee related				
Realized	539.2	—	—	539.2
Unrealized	644.5	—	—	644.5
Total compensation and benefits	2,244.1	—	—	2,244.1
General, administrative and other expenses	492.9	—	3.5	496.4
Interest	45.5	—	—	45.5
Interest and other expenses of Consolidated Funds	—	1,169.4	(278.8)	890.6
Interest and other expenses of a consolidated real estate VIE	33.8	—	—	33.8
Other non-operating income	(16.5)	—	—	(16.5)
Total expenses	2,799.8	1,169.4	(275.3)	3,693.9
Other income				
Net investment gains of Consolidated Funds	—	701.3	(4.6)	696.7
Income before provision for income taxes	791.1	575.0	77.9	1,444.0
Provision for income taxes	96.2	—	—	96.2
Net income	694.9	575.0	77.9	1,347.8
Net income attributable to non-controlling interests in consolidated entities	23.1	—	652.9	676.0
Net income attributable to Carlyle Holdings	671.8	575.0	(575.0)	671.8
Net income attributable to non-controlling interests in Carlyle Holdings	567.7	—	—	567.7
Net income attributable to The Carlyle Group L.P.	$104.1	$575.0	$(575.0)	$104.1

Year Ended December 31, 2012

	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$1,115.7	$—	$(138.1)	$977.6
Performance fees				
Realized	933.6	—	(26.1)	907.5
Unrealized	126.6	—	7.0	133.6
Total performance fees	1,060.2	—	(19.1)	1,041.1
Investment income				
Realized	31.0	—	(14.7)	16.3
Unrealized	19.5	—	0.6	20.1
Total investment income	50.5	—	(14.1)	36.4
Interest and other income	14.5	—	—	14.5
Interest and other income of Consolidated Funds	—	903.5	—	903.5
Total revenues	2,240.9	903.5	(171.3)	2,973.1
Expenses				
Compensation and benefits				
Base compensation	624.5	—	—	624.5
Equity-based compensation	201.7	—	—	201.7
Performance fee related				
Realized	285.5	—	—	285.5
Unrealized	32.2	—	—	32.2
Total compensation and benefits	1,143.9	—	—	1,143.9
General, administrative and other expenses	360.0	—	(2.5)	357.5
Interest	24.6	—	—	24.6
Interest and other expenses of Consolidated Funds	—	923.9	(165.8)	758.1
Other non-operating expense	7.1	—	—	7.1
Total expenses	1,535.6	923.9	(168.3)	2,291.2
Other income				
Net investment gains of Consolidated Funds	—	1,755.5	2.5	1,758.0
Income before provision for income taxes	705.3	1,735.1	(0.5)	2,439.9
Provision for income taxes	40.4	—	—	40.4
Net income	664.9	1,735.1	(0.5)	2,399.5
Net income attributable to non-controlling interests in consolidated entities	22.1	—	1,734.6	1,756.7
Net income attributable to Carlyle Holdings	642.8	1,735.1	(1,735.1)	642.8
Net income attributable to non-controlling interests in Carlyle Holdings	622.5	—	—	622.5
Net income attributable to The Carlyle Group L.P.	$20.3	$1,735.1	$(1,735.1)	$20.3

	Year Ended December 31,		
	2014	2013	2012
	(Dollars in millions)		
Cash flows from operating activities			
Net income	$341.2	$694.9	$664.9

Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	192.1	163.6	107.8
Equity-based compensation	344.0	322.4	201.7
Excess tax benefits related to equity-based compensation	(2.7)	(1.9)	—
Non-cash performance fees	(582.2)	(1,595.9)	(185.6)
Other non-cash amounts	(1.4)	(9.1)	8.4
Investment loss (income)	55.7	77.5	(39.9)
Purchases of investments and trading securities	(330.1)	(181.1)	(540.4)
Proceeds from the sale of investments and trading securities	567.5	303.4	233.2
Payments of contingent consideration	(59.6)	—	—
Change in deferred taxes, net	10.5	44.5	(9.3)
Change in due from affiliates and other receivables	(4.2)	(7.8)	10.1
Change in receivables and inventory of a consolidated real estate VIE	—	10.1	—
Change in deposits and other	(10.9)	9.7	9.4
Change in other assets of a consolidated real estate VIE	(25.0)	4.3	—
Change in accounts payable, accrued expenses and other liabilities	(23.4)	46.6	3.4
Change in accrued compensation and benefits	155.4	935.5	(5.3)
Change in due to affiliates	(81.6)	96.7	(23.6)
Change in other liabilities of a consolidated real estate VIE	(24.9)	(32.1)	—
Change in deferred revenue	36.8	0.7	(30.1)
Net cash provided by operating activities	557.2	882.0	404.7
Cash flows from investing activities			
Change in restricted cash	69.8	(95.4)	(9.6)
Purchases of fixed assets, net	(29.7)	(29.5)	(32.7)
Purchases of intangible assets	—	—	(41.0)
Acquisitions, net of cash acquired	(3.1)	(10.2)	(42.8)
Net cash provided by (used in) investing activities	37.0	(135.1)	(126.1)
Cash flows from financing activities			
Borrowings under credit facility	—	—	820.0
Repayments under credit facility	—	(386.3)	(744.6)
Issuance of 3.875% senior notes due 2023, net of financing costs	—	495.3	—
Issuance of 5.625% senior notes due 2043, net of financing costs	210.8	394.1	—
Proceeds from loans payable	—	17.1	—
Payments on loans payable	—	(475.0)	(310.0)
Net payments on loans payable of a consolidated real estate VIE	(34.4)	(1.5)	—
Payments of contingent consideration	(39.5)	(23.9)	(10.0)
Net proceeds from issuance of common units, net of offering costs	449.5	—	615.8
Excess tax benefits related to equity-based compensation	2.7	1.9	—
Distributions to common unitholders	(102.7)	(59.9)	(11.7)
Distributions to non-controlling interest holders in Carlyle Holdings	(486.9)	(372.9)	(96.6)
Contributions from predecessor owners	—	—	9.3

Distributions to predecessor owners	—	—	(452.3)
Contributions from non-controlling interest holders	162.2	137.7	38.3
Distributions to non-controlling interest holders	(118.3)	(87.0)	(79.4)
Acquisition of non-controlling interests in Carlyle Holdings	(303.4)	(7.1)	—
Change in due to/from affiliates financing activities	(38.4)	17.3	0.7
Net cash used in financing activities	(298.4)	(350.2)	(220.5)
Effect of foreign exchange rate changes	(20.4)	2.8	(0.6)
Increase in cash and cash equivalents	275.4	399.5	57.5
Cash and cash equivalents, beginning of period	966.6	567.1	509.6
Cash and cash equivalents, end of period	$1,242.0	$966.6	$567.1

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our co-principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

Our management, with the participation of our co-principal executive officers and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our co-principal executive officers and principal financial officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended December 31, 2014 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of The Carlyle Group L.P. and its consolidated subsidiaries (the "Partnership") is responsible for establishing and maintaining adequate internal control over financial reporting. The Partnership's internal control over financial reporting is a process designed under the supervision of its co-principal executive and principal financial officers and effected by the Partnership's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

The Partnership's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of the Partnership's assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Partnership are being made only in accordance with authorizations of management and the directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Partnership's assets that could have a material effect on its consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2014 based on the framework established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Partnership's internal control over financial reporting as of December 31, 2014 was effective.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Partnership's consolidated financial statements included in this report on Form 10-K and issued its report on the effectiveness of the Partnership's internal control over financial reporting as of December 31, 2014, which is included herein.

ITEM 9B. OTHER INFORMATION
None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE
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.	65	Founder, Co-Chief Executive Officer and Director
Daniel A. D'Aniello	68	Founder, Chairman and Director
David M. Rubenstein	65	Founder, Co-Chief Executive Officer and Director
Jay S. Fishman	62	Director
Lawton W. Fitt	61	Director
James H. Hance, Jr.	70	Operating Executive and Director
Janet Hill	67	Director
Edward J. Mathias	73	Managing Director and Director
Dr. Thomas S. Robertson	72	Director
William J. Shaw	69	Director
Jeffrey W. Ferguson	49	General Counsel
Curtis L. Buser	51	Chief Financial Officer
Glenn A. Youngkin	48	Co-President & Co-Chief Operating Officer
Michael J. Cavanagh	49	Co-President & Co-Chief Operating Officer

William E. Conway, Jr. Mr. Conway is a founder and Co-Chief Executive Officer of Carlyle and is also the firm's Chief Investment Officer. Mr. Conway was elected to the Board of Directors of our general partner effective July 18, 2011. 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 is a member of the Board of Trustees of the Johns Hopkins Medical Center and the Board of Directors of Catholic Charities of the Archdiocese of Washington. He previously served as chairman and/or director of several public and private companies in which Carlyle had significant investment interests. 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.

Daniel A. D'Aniello. Mr. D'Aniello is a founder and Chairman of Carlyle and was elected to the Board of Directors of our general partner effective July 18, 2011. 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 member of The Council for the United States and Italy; the Lumen Institute; the U.S.—China CEO and Former Senior Officials' Dialogue of the U.S. Chamber of Commerce; Vice Chairman of the American Enterprise Institute for Public Research; the Board of Trustees of Syracuse University; the Chancellor's Council; the Corporate Advisory Council to the Martin J. Whitman School of Management; Chairman of the Wolf Trap Foundation of the Performing Arts; and an Advisor to the John Templeton Foundation. Mr. D'Aniello previously served as chairman and/or director of several private companies in which

Carlyle had significant investment interests. 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.

David M. Rubenstein. Mr. Rubenstein is a founder and Co-Chief Executive Officer of Carlyle. He was elected to the Board of Directors of our general partner effective July 18, 2011. 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. 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 (Chair), Johns Hopkins University, University of Chicago, the Brookings Institution (Co-Chair), the Lincoln Center for the Performing Arts, the Council on Foreign Relations (Vice Chair) and the Institute for Advanced Study. 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.

Jay S. Fishman. Mr. Fishman is a member of the Board of Directors of our general partner. Mr. Fishman was elected to the Board of Directors of our general partner effective May 2, 2012. Mr. Fishman is Chairman and Chief Executive Officer of The Travelers Companies, Inc. Mr. Fishman has served as the Chief Executive Officer of Travelers since the April 2004 merger of The St. Paul Companies, Inc. with Travelers Property Casualty Corp. that formed Travelers, and he assumed the additional role of Chairman in September 2005. Mr. Fishman also held the additional title of President from October 2001 until June 2008. From October 2001 until April 2004, Mr. Fishman had been Chairman, Chief Executive Officer and President of The St. Paul Companies, Inc. Prior to joining The St. Paul Companies, Mr. Fishman held several executive posts at Citigroup Inc. from 1998 to 2001, including Chairman, Chief Executive Officer and President of the Travelers insurance business. Mr. Fishman is currently a director of ExxonMobil Corporation, a trustee of the University of Pennsylvania, a trustee of New York — Presbyterian Hospital and the Chairman of the Board of New York City Ballet. Mr. Fishman graduated from the University of Pennsylvania and received an M.S. from the Wharton School at the University of Pennsylvania.

Lawton W. Fitt. Ms. Fitt is a member of the Board of Directors of our general partner. Ms. Fitt was elected to the Board of Directors of our general partner effective May 2, 2012. Ms. Fitt is a director of Ciena Corporation and The Progressive Corporation. Ms. Fitt served as Secretary (CEO) of the Royal Academy of Arts in London from October 2002 to March 2005. Prior to that, Ms. Fitt was an investment banker with Goldman, Sachs & Co., where she became a partner in 1994 and a managing director in 1996. She retired from Goldman, Sachs in 2002. Ms. Fitt is a former director of Thomson Reuters, Frontier Communications and Overture Acquisitions Corporation. She is also a trustee or director of several not-for-profit organizations, including the Goldman Sachs Foundation and the Thomson Reuters Foundation. Ms. Fitt received her bachelor s degree from Brown University and her M.B.A. from the Darden School of the University of Virginia.

James H. Hance, Jr. Mr. Hance is an Operating Executive of Carlyle and a member of the Board of Directors of our general partner. Mr. Hance was elected to the Board of Directors of our general partner effective May 2, 2012. Mr. Hance joined Carlyle in November 2005 and has worked primarily in our Global Market Strategies segment and the financial services sector. Prior to joining Carlyle in 2005, Mr. Hance served as Vice Chairman of Bank of America from 1993 until his retirement on January 31, 2005 and served as Chief Financial Officer from 1988 to 2004. Prior to joining Bank of America, Mr. Hance spent 17 years with Price Waterhouse (now PricewaterhouseCoopers LLP). Mr. Hance is a director of Duke Energy Corporation, Cousins Properties Inc., Acuity Brands Inc. and Ford Motor Company. Mr. Hance is a former director of Sprint Nextel Corporation, Rayonier, Inc., EnPro Industries, Inc., Bank of America and Morgan Stanley. Mr. Hance serves as Emeritus Trustee on the Board of Trustees at Washington University in St. Louis. Mr. Hance graduated from Westminster College and received an M.B.A. from Washington University in St. Louis. He is a certified public accountant.

Janet Hill. Ms. Hill is a member of the Board of Directors of our general partner. Ms. Hill was elected to the Board of Directors of our general partner effective May 2, 2012. Ms. Hill serves as Principal at Hill Family Advisors. From 1981 until her retirement in 2010, Ms. Hill served as Vice President of Alexander & Associates, Inc., a corporate

consulting firm which she co-owned in Washington, D.C. Ms. Hill is currently a director of The Wendy's Company, Dean Foods Company and Echo360. Ms. Hill is a former director of Wendy's/Arby's Group, Inc. and Sprint Nextel Corporation. She also serves on the Board of Trustees at Duke University, John F. Kennedy Center for the Performing Arts, the Knight Commission on Intercollegiate Athletics, the Military Bowl, the Underground Railroad Freedom Center in Cincinnati, Ohio and the Wolf Trap Foundation. Ms. Hill graduated from Wellesley College with a Bachelor of Arts in Mathematics and received a Master of Arts in Teaching Mathematics from the Graduate School of the University of Chicago.

Edward J. Mathias. Mr. Mathias is a Managing Director of Carlyle and a member of the Board of Directors of our general partner. Mr. Mathias was elected to the Board of Directors of our general partner effective May 2, 2012. Prior to joining Carlyle in 1994, Mr. Mathias was a long-time member of the Management Committee and Board of Directors of T. Rowe Price Associates, Inc., a major investment management organization. He was instrumental in the founding of Carlyle and assisted in

raising the firm’s initial capital. Mr. Mathias is currently a director of Brown Advisory, the Baltimore-based investment firm and a Trustee Emeritus at the University of Pennsylvania. He is also a member of The Council of Foreign Relations and the President's Advisory Council on Doing Business in Africa (PAC-DBIA). Mr. Mathias holds an M.B.A. from Harvard Business School and an undergraduate degree from the University of Pennsylvania.

Dr. Thomas S. Robertson. Dr. Robertson is a member of the Board of Directors of our general partner. Dr. Robertson was elected to the Board of Directors of our general partner effective May 2, 2012. Dr. Robertson is the Joshua J. Harris Professor of Marketing at the Wharton School at the University of Pennsylvania. Prior to rejoining Wharton in 2007, Dr. Robertson was special assistant to Emory University’s president on issues of international strategy and a founding director of the Institute for Developing Nations established jointly by Emory University and The Carter Center in fall 2006. From 1998 until 2007, Dr. Robertson was Dean of Emory University’s Goizueta Business School and, from 1994 until 1998, he was the Sainsbury Professor at, and the Chair of Marketing and Deputy Dean of, the London Business School. From 1971 to 1994, Dr. Robertson was a member of the faculty at the Wharton School, and from 2007-2014, was the Dean of the Wharton School. Dr. Robertson is currently a director of CRA International Inc. and on the Board of Trustees of the Singapore Management University. He is also a former director of PRGX Global, Inc. Dr. Robertson graduated from Wayne State University and received his M.A. and Ph.D. in marketing from Northwestern University.

William J. Shaw. Mr. Shaw is a member of the Board of Directors of our general partner. Mr. Shaw was elected to the Board of Directors of our general partner effective May 2, 2012. Mr. Shaw was the Vice Chairman of Marriott International, Inc. until his retirement in March 2011. Prior to becoming Vice Chairman of Marriott, Mr. Shaw served as President and Chief Operating Officer of Marriott from 1997 until 2009. Mr. Shaw joined Marriott in 1974 and held various positions, including Corporate Controller, Corporate Vice President, Senior Vice President-Finance, Treasurer, Chief Financial Officer, Executive Vice President, and President of Marriott Service Group. Prior to joining Marriott, Mr. Shaw worked at Arthur Andersen & Co. Mr. Shaw is Chairman of the Board of Directors of Marriott Vacations Worldwide Corporation, serves on the Board of Trustees of three funds in the American Family of mutual funds, and is a former director of Marriott International, Inc. from March 1997 through February 2011. Mr. Shaw also serves on the Board of Trustees of the University of Notre Dame and the Board of Trustees of Suburban Hospital in Bethesda, Maryland. Mr. Shaw graduated from the University of Notre Dame and received an M.B.A. degree from Washington University in St. Louis.

Curtis L. Buser. Mr. Buser is Chief Financial Officer of Carlyle and has served in such capacity since December 2014. Mr. Buser also serves on Carlyle’s Executive Group. From May 2014 until December 2014, Mr. Buser served as Carlyle’s Interim Chief Financial Officer. Mr. Buser joined Carlyle in 2004 as a managing director and served as the firm’s Chief Accounting Officer until May 2014. Prior to joining Carlyle, Mr. Buser was an audit partner with Ernst & Young, LLP. He began his career with Arthur Andersen in 1985 and was admitted to the partnership in 1997. Mr. Buser is a member of the PCAOB Investor Advisory Group. Mr. Buser graduated from Georgetown University.

Michael J. Cavanagh. Mr. Cavanagh is Co-President and Co-Chief Operating Officer of Carlyle and has served in such capacity since June 2014. Mr. Cavanagh also serves on Carlyle's Executive Group. Prior to joining Carlyle in June 2014, Mr. Cavanagh was the Co-Chief Executive Officer of JPMorgan Chase & Co.’s Corporate & Investment Bank since 2012. Mr. Cavanagh also was a member of JPMorgan Chase & Co.’s Operating Committee since 2004. Prior to serving as the Co-Chief Executive Officer of the Corporate & Investment Bank, Mr. Cavanagh served as the Chief Executive Officer of JPMorgan Chase & Co.’s Treasury & Securities Services business from 2010-2012. Prior to that position, Mr. Cavanagh was the Chief Financial Officer of JPMorgan Chase & Co. from 2004-2010 and prior to that he was the Head of Middle Market Banking. Mr. Cavanagh joined Bank One in May 2000 and held a variety of roles there including Head of Strategy and Planning, Treasurer, Chief Administrative Officer of the Commercial Bank

and Chief Operating Officer for Middle Market Banking. Before joining Bank One, Mr. Cavanagh worked for seven years at Citigroup and its predecessors. Mr. Cavanagh earned his B.A. in history from Yale University and his J.D. from the University of Chicago. Mr. Cavanagh serves on the Board of Directors of Yum! Brands, Inc.
Jeffrey W. Ferguson. Mr. Ferguson is General Counsel of Carlyle and has served in such capacity since 1999. Mr. Ferguson also serves on Carlyle's Executive Group. 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.

Glenn A. Youngkin. Mr. Youngkin is Co-President and Co-Chief Operating Officer of Carlyle and has served in such capacity since June 2014. Mr. Youngkin also serves on Carlyle's Executive Group. From March 2011 until June 2014, Mr. Youngkin served as Chief Operating Officer. 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 previously served 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 National Cathedral School and the Board of Directors of the Rice Management Company. 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.

There are no family relationships among any of the directors or executive officers of our general partner.

Composition of the Board of Directors

The limited liability company agreement of Carlyle Group Management L.L.C. establishes a board of directors that is responsible for the oversight of our business and operations. Our common unitholders 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 is 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.

The Carlyle Group L.P. is a limited partnership that is advised by our general partner. As a limited partnership, we are excepted from certain governance rules, which eliminate the requirements that we have a majority of independent directors on our board of directors and that we have independent director oversight of executive officer compensation and director nominations. In addition, we are not required to hold annual meetings of our common unitholders.

Director Qualifications

When determining that each of our directors is particularly well-suited to serve on the board of directors of our general partner and that each 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 "— Directors and Executive Officers."

With regard to:

- Messrs. Conway, D'Aniello and Rubenstein — We considered that these three individuals are the original founders of our firm, that each has played an integral role in our firm's successful growth since its founding in 1987, and that each has 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, each has additional motivation to diligently fulfill his oversight responsibilities as a member of the board of directors of our general partner.

- Mr. Fishman — We considered his knowledge and expertise in the financial services industry as Chairman and Chief Executive Officer of The Travelers Companies, as well as his familiarity with board responsibilities, oversight and control resulting from his extensive public company operating and management experience.

- Ms. Fitt — We considered her extensive financial background and experience in a distinguished career at Goldman, Sachs in the areas of investment banking and risk analysis, including her unique insights into the operation of global capital markets.

- Mr. Hance — We considered his invaluable perspective owing to his experience in various senior leadership roles in the financial services industry, including his role as the Chief Financial Officer of Bank of America Corporation, which included responsibility for financial and accounting matters, as well as his familiarity with our business and operations as an Operating Executive of Carlyle.

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- Ms. Hill — We considered her insights into the operations of public companies owing to her experience as a consultant, as well as her familiarity with board responsibilities, oversight and control resulting from her significant experience serving on the boards of directors of various public companies.

- Mr. Mathias — We considered his extensive knowledge and expertise in the investment management business, as well as his knowledge of and familiarity with our business and operations.

- Dr. Robertson — We considered his distinguished career as a professor and Dean of the Wharton School at the University of Pennsylvania and his extensive knowledge and expertise in finance and business administration.

- Mr. Shaw — We considered his extensive financial background and public company operating and management experience resulting from his distinguished career in various senior leadership roles at Marriott.

Director Independence

Because we are a publicly traded limited partnership, the NASDAQ rules do not require our general partner's board to be made up of a majority of independent directors. However, our general partner's board has five directors who satisfy the independence and financial literacy requirements of the NASDAQ and the Securities and Exchange Commission (the "SEC"). These directors are Jay S. Fishman, Lawton W. Fitt, Janet Hill, Dr. Thomas S. Robertson and William J. Shaw. Based on all the relevant facts and circumstances, the board of directors determined that the independent directors have no relationship with us or our general partner that would impair their independence as it is defined in the NASDAQ rules and The Carlyle Group L.P. Governance Policy. To assist it in making its independence determinations, the board of directors of our general partner has adopted the following categorical standards for relationships that are deemed not to impair a director's independence:

Under any circumstances, a director is not independent if:

- the director is, or has been within the preceding three years, employed by a Carlyle Entity. A Carlyle Entity means the general partner, us and any parent or subsidiary that the general partner or we control and consolidate into the general partner's or our financial statements, respectively, filed with the SEC, (but not if the general partner or we reflect such entity solely as an investment in these financial statements);

- the director, or an immediate family member of that director, accepted any compensation from a Carlyle Entity in excess of $120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than (i) compensation for director or committee service, (ii) compensation paid to an immediate family member who is an employee (other than an executive officer) of a Carlyle Entity and (iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation;

- the director is an immediate family member of an individual who is, or at any time during the past three years was, employed by us as an executive officer;

- the director is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of any organization to which a Carlyle Entity made, or from which a Carlyle Entity received, payments for property or services in the current or any of the past three fiscal years that exceed five percent (5%) of the recipient's consolidated gross revenues for that year, or $200,000, whichever is more, other than the following:

- payments arising solely from investments in a Carlyle Entity's securities; or

- payments under non-discretionary charitable contribution matching programs

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- the director is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of a Carlyle Entity serve on the compensation committee of such other entity; or

- the director is, or has an immediate family member who is, a current partner of a Carlyle Entity's outside auditor, or was a partner or employee of a Carlyle Entity's outside auditor who worked on a Carlyle Entity's audit at any time during any of the past three years.

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The following commercial or charitable relationships will not be considered to be material relationships that would impair a director's independence:

- if the director or an immediate family member of that director serves as an executive officer, director or trustee of a charitable organization, and our annual charitable contributions to that organization (excluding contributions by us under any established matching gift program) are less than the greater of $200,000 or five percent (5%) of that organization's consolidated gross revenues in its most recent fiscal year, provided, however, that in calculating such amount (i) payments arising solely from investments in the Carlyle Entity's securities and (ii) payments under non-discretionary charitable contribution matching programs shall be excluded; and

- if the director or an immediate family member of that director (or a company for which the director serves as a director or executive officer) invests in or alongside of one or more investment funds or investment companies managed by us or any of our subsidiaries, whether or not fees or other incentive arrangements for us or our subsidiaries are borne by the investing person.

Committees of the Board of Directors

The board of directors of Carlyle Group Management L.L.C. has three standing committees: the audit committee, the conflicts committee and the executive committee.

Audit committee. Our audit committee consists of Ms. Fitt and Messrs. Robertson and Shaw, with Mr. Shaw serving as chairman. The purpose of the audit committee of the board of directors of Carlyle Group Management L.L.C. is to provide assistance to the board of directors in fulfilling its obligations with respect to matters involving our accounting, auditing, financial reporting, internal control and legal compliance functions, including, without limitation, assisting the board of director's oversight of (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 and our internal audit function, and directly appointing, retaining, reviewing and terminating our independent registered public accounting firm. The members of our audit committee meet the independence standards and financial literacy requirements for service on an audit committee of a board of directors pursuant to federal and NASDAQ Global Select Market rules relating to corporate governance matters. The board of directors of our general partner has determined that Mr. Shaw is an "audit committee financial expert" within the meaning of Item 407(d)(5) of Regulation S-K. The audit committee has a charter which is available on our internet website at http://ir.carlyle.com.

Conflicts committee. The conflicts committee consists of Ms. Fitt and Ms. Hill and Messrs. Fishman, Robertson and Shaw and is responsible for reviewing specific matters that our general partner's board of directors believes may involve conflicts of interest. The conflicts committee determines if the resolution of any conflict of interest submitted to it is fair and reasonable to us. Any matters approved by the conflicts committee are 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 "Item 13. Certain Relationships and Related Person Transactions and Director Independence — 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 meet the independence standards for service on an audit committee of a board of directors pursuant to federal and NASDAQ Global Select Market rules relating to corporate governance matters.

Executive committee. The executive committee of the board of directors of Carlyle Group Management L.L.C. 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, make all final determinations regarding executive officer compensation. The board of directors of our general partner has determined that maintaining our current compensation practices 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 "Item 13. Certain Relationships and Related Person Transactions and Director Independence."

Director Compensation

Each director that is not an employee of or advisor to Carlyle receives an annual retainer of $225,000, $125,000 of which is payable in cash and $100,000 of which is payable in the form of an annual deferred restricted common unit award, which will vest on the first anniversary of the grant date. An additional $25,000 cash retainer is payable annually to the chairman of the audit committee. In addition, each director is reimbursed for reasonable out-of-pocket expenses incurred in connection with such service. Our employees and advisors who serve as directors of our general partner do not receive separate compensation for service on the board of directors or on committees of the board of directors of our general partner. See "Certain Relationships and Related Person Transactions — Other Transactions."

Code of Conduct and Code of Ethics for Financial Professionals

We have a Code of Conduct and a Code of Ethics for Financial Professionals, which apply to our principal executive officers, principal financial officer and principal accounting officer. Each of these codes is available on our internet website at http://ir.carlyle.com. We intend to disclose any amendment to or waiver of the Code of Conduct and any waiver of our Code of Ethics for Financial Professionals on behalf of an executive officer or director either on our Internet website or in a Form 8-K filing.

Governance Policy

The board of directors of our general partner has a governance policy, which addresses matters such as the board of directors' responsibilities and duties and the board of directors' composition and compensation. The governance policy is available on our internet website at http://ir.carlyle.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the executive officers and directors of our general partner, and persons who own more than ten percent of a registered class of the Partnership's equity securities, to file initial reports of ownership and reports of changes in ownership with the SEC and to furnish the Partnership with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2014, such persons complied with all such filing requirements.

ITEM 11. 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. 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 several primary objectives: (1) establish a clear relationship between performance and compensation, (2) align short-term and long-term incentives with our fund investors and common unitholders, and (3) provide competitive incentive opportunities, with an appropriate balance between short-term and long-term.

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.

Our senior Carlyle professionals and other key employees invest a significant amount of their own capital in or alongside the funds we advise. 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 significant equity ownership by our named executive officers results in alignment of their interests with those of our common unitholders.

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Our chairman, Daniel A. D'Aniello together with our 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 Michael J. Cavanagh, our co-president and co-chief operating officer, Glenn A. Youngkin, our co-president and co-chief operating officer, Curtis L. Buser, our chief financial officer and principal financial officer, Adena T. Friedman, our former chief financial officer and principal financial officer, Jeffrey W. Ferguson, our general counsel and Kewsong Lee, our deputy chief investment officer for CPE, as our "named executive officers." Ms. Friedman resigned in May 2014 at which time Mr. Buser assumed the role of principal financial officer. In January 2014, we reevaluated our management structure and realigned the group of persons with policy making functions. As a result of this realignment, certain members of our management are no longer considered to be executive officers. With the exception of our employment agreements with Mr. Cavanagh and Mr. Lee, described below under "Employment Agreements with Mr. Cavanagh and Mr. Lee," and the prior employment agreement with our former chief financial officer, Ms. Friedman, currently we do not have employment agreements with any of our named executive officers. Our founders have entered into non-competition and non-solicitation agreements with us that are described below under "— Summary Compensation Table — Founders' Non-Competition and Non-Solicitation Agreements."
Compensation Elements

The primary elements of our compensation program for our named executive officers are base salary, annual cash bonuses and long-term incentives, including the ownership of Carlyle Holdings units, deferred restricted common units and for certain of our named executive officers, carried interest, equity pool or key executive incentive plan (KEIP) interests. We believe that the elements of compensation for our named executive officers serve the primary objectives of our compensation program. However, we periodically review the compensation of our key employees, including our named executive officers, and, from time to time, we may implement new plans or programs or otherwise make changes to the compensation structure relating to current or future key employees, including our named executive officers. Compensation decisions and decisions regarding the allocation of carried interest and KEIP interests to our named executive officers, senior Carlyle professionals and other employees are made by our founders and other senior Carlyle professionals and not by our independent directors.
Base Salary. For 2014, each of our named executive officers was paid an annual salary of $275,000. 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 Discretionary Bonuses. For 2014, our named executive officers, with the exception of our founders and Ms. Friedman who resigned in May 2014, were awarded bonuses. For our named executive officers other than Mr. Cavanagh and Mr. Lee, we paid 90% of each individual's bonus in cash in December 2014 and paid the balance by granting an amount of deferred restricted common units that was equal to the remaining 10% of the total bonus amount in February 2015. We paid Mr. Cavanagh's and Mr. Lee's bonuses all in cash pursuant to our employment agreements with each of them. The amounts of the bonuses were $5,000,000 for Mr. Cavanagh, $3,000,000 for Mr. Youngkin, $1,000,000 for Mr. Buser, $1,400,000 for Mr. Ferguson and $2,500,000 for Mr. Lee. The deferred restricted common units granted to certain named executive officers as part of their discretionary bonus for services provided in 2014 for the remaining 10% of the total bonus amount vest 18 months after the grant date of February 1, 2015. These deferred restricted common units will be included in the Summary Compensation Table in our Form 10-K for the year-ended December 31, 2015.

The discretionary bonuses for each of our named executive officers were recommended by Mr. D'Aniello and were approved by all three of our founders. As discussed below, Mr. Cavanagh's cash bonus reflected a guaranteed minimum annual bonus of $2,725,000 and a sign-on bonus of $2,000,000 for the year pursuant to our employment agreement with him, as well as an additional $275,000 awarded to Mr. Cavanagh for his performance and individual contribution in 2014. Mr. Lee's cash bonus reflected a guaranteed minimum annual bonus of $2,000,000 pursuant to our employment agreement with him and an additional $500,000 given Mr. Lee's work related to the development of

new products. The specific factors considered in determining the discretionary bonuses for Messrs. Youngkin, Buser and Ferguson are discussed below. Our founders determined that they would not accept an annual bonus for 2014 in order to further align their interests with our unitholders.

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 2014 and the named executive officer's tenure at his level. An overview of select Carlyle 2014 accomplishments that were considered in determining the annual cash bonuses include:

- Executing a successful equity offering in the first half of the year to strengthen Carlyle's balance sheet and provide liquidity for certain of our senior Carlyle professionals;

- Issuing $200 million of additional 5.625% Senior Notes due 2043 to strengthen our balance sheet;
- Expanding our Natural Resources platform by exercising the option to purchase additional interests in the general partners of all future carry funds managed by NGP and exercising the option to purchase general partnership interests in NGP X;
- Further developing and expanding the Investment Solutions segment;
- Hiring key personnel to assist the senior management team in operating the firm, investing across Carlyle's four platforms and with fundraising initiatives;
- Raising over $24 billion in total capital commitments; and
- Achieving strong performance at the firm and fund level.

Each of our named executive officers provided critical and significant contributions to Carlyle's achievements in 2014. Mr. Cavanagh received a sign-on bonus of $2,000,000 for the year and a guaranteed minimum annual bonus of $2,725,000 pursuant to our employment agreement with him. We believe these bonus amounts were appropriate in attracting Mr. Cavanagh to help lead our firm. In addition to these bonus amounts, Mr. Cavanagh received an additional $275,000 based on his performance and individual contribution for 2014. In assessing Mr. Youngkin's performance and individual contribution, we considered his strategic leadership role and operational oversight of our business on a global basis, and his active role in the continued global expansion of our investment platform through acquisitions and investments. In assessing Mr. Buser's performance, we considered his oversight of accounting, finance, treasury and information technology. In assessing Mr. Ferguson's performance, we considered his oversight of our global legal and compliance team, his role in managing our litigation and efforts undertaken to address new regulatory considerations. Mr. Lee received a guaranteed minimum annual bonus of $2,000,000 pursuant to our employment agreement with him. We believe this amount was appropriate in attracting Mr. Lee to serve as deputy chief investment officer of CPE, our largest segment. In addition to this bonus amount, Mr. Lee received an additional $500,000 given his work developing new products.
Carried Interest and Incentive Fees. 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. Similarly, the collateral managers of our structured credit funds and the investment advisors of our hedge funds are entitled to receive incentive fees from our credit and hedge funds if investors in such funds achieve a specified threshold return. While the Carlyle Holdings partnerships own controlling equity interests in these collateral managers, fund general partners and investment advisors, our senior Carlyle professionals and other personnel who work in these operations directly own a portion of the carried interest in these entities or are allocated a portion of the incentive fees, in order to better align their interests with our own and with those of the investors in these funds. Furthermore, we generally seek to concentrate the direct ownership of carried interest in respect of each carry fund and the incentive fees in our structured credit and hedge funds 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. Our founders and Mr. Cavanagh, Mr. Buser and Mr. Lee do not currently receive allocations of direct carried interest ownership or incentive fees at the fund level. Mr. Youngkin and Mr. Ferguson previously received allocations of direct carried interest ownership at the fund level in respect of certain corporate private equity funds, but neither continues to receive such allocations for subsequent funds.

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. There is no giveback obligation with respect to incentive fees. Because the amount of carried interest and incentive fees 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 by senior Carlyle professionals and other personnel at the fund level is also subject to a range of vesting schedules. Vesting depends on continued employment over specified periods of time, and 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.

Equity Pool. The equity pool program allows employees to share in the future potential value of our investment activities by giving participants equity pool units that represent an economic stake in the investments made in that calendar year. In a given year, the equity pool receives a portion of any carried interest proceeds Carlyle earns from all investments made during the respective calendar year. On a semi-annual basis, participants then receive cash distributions equivalent to the

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equity pool unit value times their number of equity pool units. Other than Mr. Youngkin, Mr. Buser and Mr. Ferguson, none of our other named executive officers previously have received equity pool units to participate in the equity pool. The last equity pool was formed in 2011, prior to our initial public offering ("IPO").

Key Executive Incentive Program ("KEIP"). In March 2014, we adopted a new methodology for determining potential future grants of deferred restricted common units and/or common units of the Partnership under The Carlyle Group L.P. 2012 Equity Incentive Plan (the "Equity Incentive Plan") to certain key executives. Commencing in 2014, Mr. Cavanagh and Mr. Youngkin participated in the KEIP. Ms. Friedman was also eligible to participate in the KEIP, but this right terminated upon her departure following her resignation as Chief Financial Officer in May 2014. Additional key executives may be eligible to participate in the KEIP at our discretion. The KEIP is intended to be an incentive to such key executives to align their economic interests with those of our fund investors and our common unitholders, as well as with Carlyle's overall performance. Under the terms of the KEIP, for each calendar year commencing with 2014, we will calculate the number of deferred restricted common units to be issued to the participating executives based on the carried interest generated by the investment pool composed of the portfolio investments acquired during the calendar year by any of our carry funds. On a semi-annual basis, based on the amount of carried interest distributed during that period (less any funds escrowed to secure clawback obligations during that period) in the investment pool and the participating executive's participation percentage, we will calculate a number of deferred restricted common units to be granted to such executive for that period by reference to that executive's interest in the investment pool for that period divided by the fair market value of our common units on the relevant grant date. The grant of such deferred restricted common units is anticipated to be made on November 1 of each year for carry distributed during the first and second quarters of the calendar year and on May 1 of the following year for carry distributed during the third and fourth quarters of the calendar year, subject in each case to a minimum grant threshold value of $100,000 for each six-month period. Each deferred restricted common unit grant will vest six months from the grant date.

For Mr. Cavanagh, the KEIP investment pool for 2014 includes investments made during both 2013 and 2014. We did not grant to Mr. Cavanagh any deferred restricted common units pursuant to the KEIP in November 2014, but we anticipate that we will grant to Mr. Cavanagh, on May 1, 2015, deferred restricted common units with a value of $528,308 in respect of carried interest generated from the KEIP program's inception through December 31, 2014. Mr. Cavanagh's participation percentage for each of the 2014, 2015 and 2016 KEIP investment pools is 0.5%. Mr. Cavanagh's participation percentage for 2015 and 2016 is guaranteed. Subsequent to 2016, his participation percentage will be determined in our discretion. Mr. Youngkin's participation percentage for the 2014 and 2015 KEIP investment pools is 0.5%. Mr. Youngkin's 2015 participation percentage was determined in our discretion.

Other Equity Grants. At the time of the initial public offering, our pre-IPO owners contributed to the Carlyle Holdings partnerships equity interests in our business in exchange for partnership units of Carlyle Holdings. All of the Carlyle Holdings partnership units received by our founders as part of the reorganization were fully vested upon receipt. Some of the Carlyle Holdings partnership units received by employees other than our founders in exchange for their contribution of interests in the Parent Entities and other interests, however, are subject to vesting, as are certain additional Carlyle Holdings partnership units we have issued subsequent to our IPO in connection with certain acquisitions. Accordingly, we recognize expense for financial statement reporting purposes in respect of the unvested Carlyle Holdings partnership units and deferred restricted common units received by our personnel, including the named executive officers.

As part of the annual bonuses for our named executive officers (other than the founders, who did not receive bonuses, and Messrs. Lee and Cavanagh, who received largely guaranteed bonuses in cash pursuant to their respective employment agreements) for services provided in 2014, we decided to pay a portion of such bonuses in deferred restricted common units that were granted in February 2015. These grants of deferred restricted common units

represent 10% of the total bonus amount awarded to each person and will vest 18 months after the grant date of February 1, 2015. These deferred restricted common units will be included in the Summary Compensation Table in our Form 10-K for the year-ended December 31, 2015. Because the value of these deferred restricted common units is directly tied to the performance of the Partnership, we believe this fosters a strong alignment of interests among our named executive officers and our unitholders. On February 1, 2014, we granted to Mr. Lee 592,691 deferred restricted common units pursuant to the terms of our employment agreement with him. One-sixth of these deferred restricted common units vested on each of May 1, 2014 and February 1, 2015 and the remaining deferred restricted common units will vest in equal installments over a four year period commencing with the next vesting on February 1, 2016. On August 1, 2014, we granted to Mr. Cavanagh 994,392 deferred restricted common units pursuant to the terms of our employment agreement with him. Of the 994,392 deferred restricted common units, 60,976 vest in equal installments over a period of five years from the grant date and 933,416, which were granted as make-whole consideration for equity interests or other compensatory amounts that Mr. Cavanagh forfeited upon his departure from his prior employer, will vest over three years, with one-third of such amount previously vesting on February 1, 2015 and one-third vesting on each of the second and third anniversaries of the grant date.

As part of our year-end compensation program, on February 1, 2015 we awarded deferred restricted common to various employees based on their performance, leadership, overall responsibilities and expected future contribution to the firm's success. The size of each grant was determined by all three of our founders. These grants are subject to a series of different vesting schedules. Each of our named executive officers, other than our founders, Mr. Cavanagh (who received a grant of $2 million deferred restricted common units on February 1, 2015 pursuant to the terms of his employment agreement) and Ms. Friedman (who resigned in May 2014), received grants ranging in amounts equivalent to $1 to $2 million based on the fair market value of our common units on the grant date. These deferred restricted common units will be included in the Summary Compensation Table in our Form 10-K for the year-ended December 31, 2015.

Compensation Committee Report

The board of directors of our general partner does not have a compensation committee. The executive committee of the board of directors has reviewed and discussed with management the foregoing Compensation Discussion and Analysis and, based on such review and discussion, has determined that the Compensation Discussion and Analysis should be included in this annual report.

William E. Conway, Jr.
Daniel A. D'Aniello
David M. Rubenstein

Compensation Committee Interlocks and Insider Participation

As described above, we do not have a compensation committee. Our founders, Messrs. Conway, D'Aniello and Rubenstein, make all final determinations regarding executive officer compensation. For a description of certain transactions between us and Messrs. Conway, D'Aniello and Rubenstein, see "Item 13. Certain Relationships, Related Transactions and Director Independence."

Summary Compensation Table

The following table presents summary information concerning compensation of our named executive officers during the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012.

Under the applicable accounting principles, for financial statement reporting purposes prior to our initial public offering in May 2012, we 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 our initial public offering, the salary and bonus payments to our senior Carlyle professionals, including our named executive officers, are reflected as compensation expense in our financial statements. For all periods presented, we have reflected these amounts in the applicable columns of the Summary Compensation Table below even though they were not recorded as compensation expense in our historical financial statements for periods prior to our initial public offering.

For those of our named executive officers who own direct carried interest allocations or allocations of incentive fees at the fund level or who participate in the equity pool program, we have reported in the All Other Compensation column amounts that reflect the actual cash distributions received by our named executive officers in respect of such allocations during the relevant year.

Name and Principal Position	Year	Salary ($)		Cash Bonus ($)(1)	Stock Awards ($)(2)		All Other Compensation ($)		Total ($)(3)
William E. Conway, Jr.	2014	275,000		—	—		6,500	(4)	281,500
Founder and Co-Chief Executive Officer	2013	275,000		—	—		6,375	(4)	281,375
(co-principal executive officer)	2012	275,000		—	—		6,250	(4)	281,250
Daniel A. D'Aniello	2014	275,000		—			6,500	(4)	281,500
Founder and Chairman	2013	275,000		—	—		6,375	(4)	281,375
(co-principal executive officer)	2012	275,000		—	—		6,250	(4)	281,250
David M. Rubenstein	2014	275,000		—	—		6,500	(4)	281,500
Founder and Co-Chief Executive Officer	2013	275,000		—	—		6,375	(4)	281,375
(co-principal executive officer)	2012	275,000		—	—		6,250	(4)	281,250
Adena T. Friedman (5)	2014	126,923		—	1,791,615	(6)	3,173	(4)	1,921,711
Former Chief Financial Officer	2013	275,000		1,518,000	—		6,375	(4)	1,799,375
(former principal financial officer)	2012	275,000		1,725,000	—		1,023	(7)	2,001,023
Curtis L. Buser	2014	275,000		900,000	1,658,425		278,505	(8)	3,111,930
Chief Financial Officer									
(principal financial officer)									
Michael J. Cavanagh	2014	137,500	(9)	5,000,000	26,092,846		—		31,230,346
Co-President and Co-Chief									
Operating Officer									
Glenn A. Youngkin	2014	275,000		2,700,000	2,666,619		14,636,834	(10)	20,278,453
Co-President and Co-Chief Operating Officer	2013	275,000		2,112,000	—		8,173,232	(10)	10,560,232
	2012	275,000		2,400,000	—		14,548,028	(10)	17,223,028
Jeffrey W. Ferguson	2014	275,000		1,260,000	944,395		1,860,733	(11)	4,340,128

General Counsel							
Kewsong Lee	2014	275,000	2,500,000	17,537,727	6,500	(4)	20,319,227
Deputy Chief Investment Officer for Corporate Private Equity							

(1) For 2014, the amount shown represents the cash portion of the year-end bonus paid in December 2014 and excludes the portion paid in deferred restricted common units in February 2015, with the exception of Messrs. Cavanagh and Lee, who received their full bonus amount in cash in December 2014 as further discussed in "Compensation Discussion and Analysis—Compensation Elements—Annual Discretionary Bonuses." As part of the discretionary bonuses for services provided in 2014, each of our named executive officers (other than our founders, Ms. Friedman and Messrs. Cavanagh and Lee) received 10% of his bonus in a grant of deferred restricted common units. See footnote (5) below.

(2) This amount represents the grant-date fair value of deferred restricted common units granted in 2014, computed in accordance with U.S. GAAP pertaining to equity-based compensation. For additional information regarding the determination of grant-date fair value see Note 16 to our consolidated financial statements included in this Annual Report on Form 10-K.

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(3) As part of the discretionary bonuses for services provided in 2014, each of our named executive officers (other than our founders, Ms. Friedman and Messrs. Cavanagh and Lee) received 10% of his bonus in a grant of deferred restricted common units. Mr. Buser, Mr. Youngkin and Mr. Ferguson received deferred restricted common units equivalent to a value of $100,000, $300,000 and $140,000, respectively, all of which will vest 18 months from the grant date of February 1, 2015. In addition, as part of our year-end compensation program we awarded additional deferred restricted common units to each of our named executive officers (other than our founders, Ms. Friedman and Mr. Cavanagh). Mr. Buser, Mr. Youngkin, Mr. Ferguson and Mr. Lee received deferred restricted common units on February 1, 2015 equivalent to a value of $1,000,000, $2,000,000, $1,000,000 and $1,000,000, respectively, of which 40% will vest on August 1, 2016, 30% will vest on August 1, 2017 and the remaining 30% will vest on August 1, 2018. Mr. Cavanagh received two grants of deferred restricted common units pursuant to the terms of our employment agreement with him equivalent to a value of $2,000,013 as a guaranteed award that vest in equal installments over a period of five years from the grant date and $30,616,045 as a make-whole award that vests over three years, with one-third of such amount previously vesting on February 1, 2015 and one-third vesting on each of the second and third anniversaries of the grant date.

(4) This amount represents our 401(k) matching contributions.

(5) Ms. Friedman served as our Chief Financial Officer and principal financial officer until her resignation in May 2014, at which time Mr. Buser became our Interim Chief Financial Officer and principal financial officer. In December 2014, Mr. Buser was named our Chief Financial Officer and continues to be our principal financial officer.

(6) These deferred restricted common units were unvested and were forfeited upon Ms. Friedman's departure following her resignation as Chief Financial Officer in May 2014.

(7) Represents actual cash distributions received by Ms. Friedman in respect of the portion of the carried interest-related distributions received by Ms. Friedman from the former Parent Entities that were subject to forfeiture in the event Ms. Friedman were to have ceased providing services prior to the time the relevant investment in a carry fund was realized.

(8) This amount represents cash distributions received by Mr. Buser in respect of his equity pool interests and also includes $6,500 in 401(k) matching contributions for 2014.

(9) Mr. Cavanagh joined the firm in June 2014 and, therefore, his salary is pro-rated for his service period during 2014.

(10) Represents actual cash distributions received by Mr. Youngkin in respect of direct carried interest allocations at the fund level and the portion of the carried interest-related distributions received by Mr. Youngkin from the former Parent Entities that were subject to forfeiture in the event Mr. Youngkin were to have ceased providing services prior to the time the relevant investment in a carry fund was realized. The amounts for 2014, 2013 and 2012 in the table also include $6,500, $6,375 and $6,250, respectively, representing 401(k) matching contributions for such periods.

(11) This amount represents actual cash distributions received by Mr. Ferguson in respect of direct carried interest allocations at the fund level and also includes $6,500 in 401(k) matching contributions for 2014.

Grants of Plan-Based Awards in 2014

The number of deferred restricted common units shown under the column heading "Stock Awards: Number of Shares of Stock or Units" in the table below represents the aggregate number of unvested deferred restricted common units that were granted to the relevant named executive officer in 2014. The dollar amounts shown under the column heading "Grant Date Fair Value of Stock and Option Awards" in the table below were calculated in accordance with ASC Topic 718. For additional information regarding the determination of grant date fair value, see Note 16 to our consolidated financial statements included in this Annual Report on Form 10-K.

Stock Awards(1)

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Option Awards
William E. Conway, Jr.	—	—	$—
Daniel A. D'Aniello	—	—	$—
David M. Rubenstein	—	—	$—
Adena T. Friedman (2)	2/1/2014	63,402	$1,791,615
Curtis L. Buser (3)	2/1/2014	60,042	$1,658,425
Glenn A. Youngkin (4)	2/1/2014	94,457	$2,666,619
Michael J. Cavanagh (5)	8/1/2014	994,392	$26,092,846
Jeffrey W. Ferguson (6)	2/1/2014	33,210	$944,395
Kewsong Lee (7)	2/1/2014	592,691	$17,537,727

(1) The references to "stock", "shares" or "units" in this table refer to deferred restricted common units.
(2) Ms. Friedman forfeited these 63,402 deferred restricted common units upon her resignation and departure from the firm in May 2014.
(3) Of Mr. Buser's 60,042 deferred restricted common units, 8,332 units vest on August 1, 2015, 4,309 units vest on August 1, 2016, 4,309 units vest on August 1, 2017 and 43,092 units vest on August 1, 2019.
(4) Of Mr. Youngkin's 94,457 deferred restricted common units, 8,274 units vest on August 1, 2015, 43,092 units vest on August 1, 2017 and 43,091 units vest on August 1, 2019.

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(5) Of Mr. Cavanagh's 994,392 deferred restricted common units, 60,976 vest in equal installments over a period of five years from the grant date and 933,416 vest over three years, with one-third of such amount vesting on February 1, 2015 and one-third vesting on each of the second and third anniversaries of the grant date.

(6) Of Mr. Ferguson's 33,210 deferred restricted common units 4,482 units vest on August 1, 2015, 14,364 units vest on August 1, 2017 and 14,364 units vest on August 1, 2019.

(7) Of Mr. Lee's 592,691 deferred restricted common units, 98,802 vested on May 1, 2014 and 98,778 vested on February 1, 2015. The remaining 395,111 will vest in equal installments on the anniversary of the grant date over the next four years.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2014

Terms of Deferred Restricted Common Units

In connection with our initial public offering, the firm adopted the Equity Incentive Plan, which is 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. Grants under the Equity Incentive Plan are usually subject to time-based vesting and forfeiture of unvested units if an employee should cease providing services to us or our affiliates.

Vesting. For our named executive officers (other than the founders, who did not receive bonuses, and Messrs. Lee and Cavanagh, who received largely guaranteed bonuses in cash pursuant to their respective employment agreements), we paid 10% of their 2014 bonuses in deferred restricted common units granted on February 1, 2015. These deferred restricted common units vest 18 months from the grant date.

As part of our year-end compensation program, on February 1, 2015 we awarded deferred restricted common units to various employees based on their performance, leadership, overall responsibilities and expected future contribution to the firm's success. These grants are subject to a series of different vesting schedules.

Under the terms of the KEIP, on a semi-annual basis, we will calculate a number of deferred restricted common units to be granted for that period. The grant of such deferred restricted common units is anticipated to be made on November 1 of each year for the first and second quarters of the calendar year and on May 1 of the following year for the third and fourth quarters of the calendar year. Each deferred restricted common unit grant made pursuant to the KEIP will vest six months from the grant date.

Transfer Restrictions. Employee holders of our Carlyle Holdings partnership units, including our founders and our other senior Carlyle professionals, are prohibited from transferring or exchanging any such units without our consent until the fifth anniversary of the initial public offering. However, exchanges and sales may occur prior to such time in firm-approved transactions or as part of a firm-approved plan or program.

Employment Agreements

For a discussion of the material provisions of the employment agreements with our named executive officers, see "Potential Payments Upon Termination or Change in Control" and "Employment Agreements with Mr. Cavanagh and Mr. Lee" below.

Outstanding Equity Awards at 2014 Fiscal-Year End

Our pre-IPO owners, including certain of our named executive officers, received Carlyle Holdings partnership units in the reorganization in exchange for the contribution of their equity interests in the former Parent Entities and a portion of the equity interests they owned in certain of our operating subsidiaries. Each holder of our Carlyle Holdings

partnership units who is employed by us will generally be required to hold at least 25% of such units until one year following the termination of active service with us. A holder who is our employee will generally forfeit all unvested Carlyle Holdings partnership units once he or she is no longer providing services. Notwithstanding the foregoing, upon the death or permanent disability of a holder of all of his or her unvested Carlyle Holdings partnership units held at that time will vest immediately. In addition, all vested and unvested Carlyle Holdings partnership units held by a holder who is employed by us will be immediately forfeited in the event his or her service is terminated for cause, or if such person materially breaches the non-solicitation provisions of the partnership agreements of the Carlyle Holdings partnership agreements.

The following table provides information regarding outstanding unvested equity awards held by our named executive officers as of December 31, 2014. Some of the Carlyle Holdings partnership units received as a part of the reorganization by our named executive officers are subject to vesting; however, all of the Carlyle Holdings partnership units received by our founders as part of the reorganization we effected prior to our initial public offering were fully vested. The dollar amounts shown under the column heading "Market Value of Shares or Units of Stock That Have Not Vested" in the table below were calculated by multiplying the number of unvested Carlyle Holdings partnership units and unvested deferred restricted common units held by the named executive officer by the closing market price of $27.50 per Carlyle common unit on December 31, 2014, the last trading day of 2014.

	Stock Awards(1)	
	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
William E. Conway, Jr.	—	—
Daniel A. D'Aniello	—	—
David M. Rubenstein	—	—
Michael J. Cavanagh (2)	994,392	$27,345,780
Glenn A. Youngkin (3)	2,695,256	$74,119,540
Curtis L. Buser (4)	202,934	$5,580,685
Jeffrey W. Ferguson (5)	377,016	$10,367,940
Adena T. Friedman (6)	—	—
Kewsong Lee (7)	493,889	$13,581,948

(1) The references to "stock", "shares" or "units" in this table refer to Carlyle Holdings partnership units and deferred restricted common units.
(2) Mr. Cavanagh's 994,392 units are all deferred restricted common units.
(3) Mr. Youngkin's 2,695,256 units are composed of 2,600,799 Carlyle Holdings partnership units and 94,457 deferred restricted common units.
(4) Mr. Buser's 202,934 units are composed of 130,353 Carlyle Holdings partnership units and 72,581 deferred restricted common units.
(5) Mr. Ferguson's 377,016 units are composed of 343,806 Carlyle Holdings partnership units and 33,210 deferred restricted common units.
(6) Ms. Friedman forfeited all of her unvested Carlyle Holdings partnership units and deferred restricted common units upon her departure in May 2014.
(7) Mr. Lee's 493,889 units are all deferred restricted common units.

Option Exercises and Stock Vested in 2014

Our named executive officers had no option exercises during the year ended December 31, 2014. Some of our named executive officers had stock vest during the year ended December 31, 2014.

	Stock Awards(1)	
	Number of Shares Acquired on Vesting	Value Realized on Vesting (2)
William E. Conway, Jr.	—	—
Daniel A. D'Aniello	—	—
David M. Rubenstein	—	—
Michael J. Cavanagh	—	—
Glenn A. Youngkin	650,200	$20,819,404
Curtis L. Buser	38,859	$1,261,758
Jeffrey W. Ferguson	85,952	$2,752,183

Adena T. Friedman	88,139	$2,822,211
Kewsong Lee	98,802	$3,220,945

(1) The references to "stock", "shares" or "units" in this table refer to Carlyle Holdings partnership units and Carlyle common units.

(2) Value based on the fair market value of the units on the vesting date of May 1, 2014 for Mr. Lee and May 2, 2014 for Ms. Friedman and Messrs. Youngkin and Ferguson. For Mr. Buser, the value is based on the value of 32,589 Carlyle Holdings partnership units that vested on May 2, 2014 and 6,270 common units received upon the vesting of deferred restricted common units on February 1, 2014.

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Pension Benefits for 2014
We provide no pension benefits to our named executive officers.
Nonqualified Deferred Compensation for 2014
We provide no defined contribution plans for the deferral of compensation on a basis that is not tax-qualified.

Potential Payments upon Termination or Change in Control

Other than Mr. Cavanagh and Mr. Lee, 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 June 30, 2017 (the third anniversary of Mr. Cavanagh's commencement of employment), Mr. Cavanagh's employment is terminated by him for Good Reason, as such term is defined in Mr. Cavanagh's employment agreement, or if his employment is terminated by us without Cause, as such term is defined in Mr. Cavanagh's employment agreement, we will pay severance to Mr. Cavanagh in an amount equal to the sum of (1) the base salary amounts that Mr. Cavanagh would have received from the date of his termination through the third anniversary of his employment commencement date if his employment had not terminated and (2) the excess of the sum of Mr. Cavanagh's guaranteed bonus amounts through 2016 over the bonus amounts actually paid to him for such years. The aggregate severance amount paid to Mr. Cavanagh, however, will in no event be less than 25% of his annual base salary. If at any time on or after June 30, 2017, Mr. Cavanagh's employment is terminated by him for Good Reason or if his employment is terminated by us without Cause, we will pay severance to Mr. Cavanagh in an amount equal to 25% of his annual base salary. If Mr. Cavanagh's employment is terminated at any time for any reason he is entitled to accrued but unpaid base salary through the effective date of such termination.
If Mr. Cavanagh is terminated by us other than for Cause or if he terminates his employment with us for Good Reason, he is entitled to receive specified additional payments, including the possible accelerated vesting of certain equity awards due to his role within the firm. Mr. Cavanagh also may be entitled to accelerated vesting of his equity awards in the event of a change of control of the firm. In addition, Mr. Cavanagh is eligible to receive a severance payment calculated with reference to his participation in the KEIP in the event of termination of his employment for specified reasons, which severance payment, if any, will be made in common units.
For the purpose of the employment agreement with Mr. Cavanagh, "Good Reason" includes (1) a material breach of the employment agreement by us; (2) a significant, sustained reduction in or adverse modification of the nature and scope of Mr. Cavanagh's authority, duties and privileges; (3) a reduction in Mr. Cavanagh's base salary, guaranteed bonus or the termination or reduction of any significant benefit; (4) the termination or non-renewal of any incentive or other compensation plan or program in which Mr. Cavanagh participates, if such plan or program is not replaced with a plan or program with similar potential value; (5) the relocation of Mr. Cavanagh to an office location more than 50 miles from New York, NY without his consent; (6) our failure to have Mr. Cavanagh's employment agreement assumed in writing by any successor in interest in connection with any reorganization, merger, consolidation or other disposition of all or substantially all of our assets; (7) without Mr. Cavanagh's consent, the appointment of any person other than Glenn Youngkin as the Chief Executive Officer or Co-Chief Executive Officer upon the departure of Messrs. Conway or Rubenstein; but 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 Mr. Cavanagh of his intent to terminate his employment for Good Reason; and "Cause" includes (1) gross negligence or willful misconduct in the performance of the duties required of Mr. Cavanagh under his employment agreement; (2) breach of any material provision of our employment agreement with Mr. Cavanagh; (3) Mr. Cavanagh conviction of fraud, embezzlement or any other felony or Mr. Cavanagh entering into a plea bargain or settlement admitting guilt for any felony; (4) Mr. Cavanagh being the subject of any order by the SEC for any securities violation, if such order has a material adverse effect on Mr. Cavanagh's ability to function in his position, taking into account the services required by Mr. Cavanagh and the nature of our business.

Mr. Cavanagh is subject to a covenant not to disclose our confidential information at any time and may not disclose publicly or discuss our fundraising efforts or the name of any fund vehicle that has not had a final closing with any member of the press. Mr. Cavanagh also is subject to restricted covenants, including a covenant not to solicit our employees or customers during his employment term and for one year following termination of his employment for any reason without our prior written consent. He is also subject to a covenant not to breach any agreements, including non-solicitation agreements, with any former employer. We have also entered into an indemnification agreement with Mr. Cavanagh in the same form as that which applies to our other executive officers.

If at any time before December 31, 2015 (the second anniversary of Mr. Lee's commencement of employment), Mr. Lee's employment is terminated by him for Good Reason, as such term is defined in Mr. Lee's employment agreement, or if his employment is terminated by us without Cause, as such term is defined in Mr. Lee's employment agreement, we will pay severance to Mr. Lee in an amount equal to the sum of (1) the base salary amounts that Mr. Lee would have received from the date of his termination through the second anniversary of his employment commencement date if his employment had not terminated and (2) the excess of the sum of Mr. Lee's guaranteed bonus amounts through 2015 over the bonus amounts actually paid to him for such years. The aggregate severance amount paid to Mr. Lee, however, will in no event be less than 25% of his annual base salary. If at any time on or after December 31, 2015, Mr. Lee's employment is terminated by him for Good Reason or if his employment is terminated by us without Cause we will pay severance to Mr. Lee in an amount equal to 25% of his annual base salary. If Mr. Lee's employment is terminated at any time for any other reason he is entitled to accrued but unpaid base salary through the effective date of such termination.

For the purpose of the employment agreement with Mr. Lee, "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 Mr. Lee'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 Mr. Lee of his intent to terminate his employment for Good Reason; and "Cause" includes (1) gross negligence or willful misconduct in the performance of the duties required of Mr. Lee under the employment agreement; (2) willful conduct that Mr. Lee knows is materially injurious to us or any of our affiliates; (3) his breach of any material provision of the employment agreement; (4) Mr. Lee's conviction of any felony or Mr. Lee entering into a plea bargain or settlement admitting guilt for any felony; (5) Mr. Lee being the subject of any order by the SEC for any securities violation or; (6) Mr. Lee discussing our fundraising efforts or any fund vehicle that has not had a final closing of commitments with any member of the press.

Mr. Lee is not entitled to any additional payments or benefits upon a change in control of our company or upon retirement, death or disability.

Mr. Lee is subject to a covenant not to disclose our confidential information at any time and may not disclose publicly or discuss our fundraising efforts or the name of any fund vehicle that has not had a final closing with any member of the press. Mr. Lee also is subject to restricted covenants, including a covenant not to solicit our employees or customers during his employment term and for one year following termination of his employment for any reason without our prior written consent. He is also subject to a covenant not to breach any agreements, including non-solicitation agreements, with any former employer.

Founders' Non-Competition and Non-Solicitation Agreements

The following is a description of the material terms of the non-competition agreements we have with 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.

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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 Agreements with Mr. Cavanagh and Mr. Lee

We have entered into an employment agreement with Mr. Cavanagh pursuant to which he serves as our co-president and co-chief operating officer. The employment term is indefinite and lasts until Mr. Cavanagh's employment is terminated pursuant to the terms of the employment agreement. Mr. Cavanagh is currently entitled to receive an annual base salary of $275,000, which may be increased from time-to-time by us. For each of the calendar years 2014, 2015 and 2016, Mr. Cavanagh is entitled to a guaranteed minimum bonus of $2,725,000 per year and a signing bonus of $2,000,000 per year. For calendar years following 2016, Mr. Cavanagh will be paid bonuses at our discretion. In August 2014, we granted Mr. Cavanagh 60,976 deferred restricted common units that will vest in equal installments over five years. In addition, pursuant to his employment agreement, in February 2015 we granted deferred restricted common units to Mr. Cavanagh with a value based on the closing price per Carlyle common unit on the date of grant of approximately $2,000,000 that in equal installments over five years from the date of grant. In calendar year 2016, we will also grant to Mr. Cavanagh a number of deferred restricted common units of the Partnership that will have a value based on the closing price per Carlyle common unit on the date of grant equal to $2,000,000 that will vest in equal installments over five years from the date of grant. In August 2014, we also granted to Mr. Cavanagh 933,416 deferred restricted common units of which one-third vested on February 1, 2015 and one-third will vest on each of August 1, 2016 and August 1, 2017 as make-whole consideration for equity interests or other compensatory amounts that Mr. Cavanagh forfeited upon his departure from his prior employer.

We have entered into an employment agreement with Mr. Lee pursuant to which he serves as the Deputy Chief Investment Officer of our Corporate Private Equity segment. The employment term is indefinite and lasts until Mr. Lee's employment is terminated pursuant to the terms of the employment agreement. Mr. Lee is currently entitled to receive an annual base salary of $275,000, which may be increased from time to time by us. For each of the calendar years 2014 and 2015, Mr. Lee is entitled to a guaranteed minimum bonus of $2,000,000 per year. For calendar years following 2015, Mr. Lee will be paid bonuses at our discretion.

Director Compensation in 2014

No additional remuneration is paid to our employees or advisors for service as a director or on committees of the board of directors of our general partner. Certain of the directors of our general partner are employees or advisors to Carlyle and have received compensation or other payments in respect of their services in such capacities. In 2014, each director who is not an employee of or advisor to Carlyle received an annual cash retainer of $225,000, $125,000 of which was paid in cash and $100,000 of which was paid in the form of a grant of deferred restricted common units in May 2014 that vest on the first anniversary of the grant date. An additional $25,000 annual cash retainer was paid to the Chairman of the Audit Committee for 2014.

The following table provides the director compensation for Mr. Hance and Mr. Mathias and our non-employee directors for 2014:

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Total

Jay S. Fishman	$125,000	$90,015	$215,015
Lawton W. Fitt	$125,000	$90,015	$215,015
James H. Hance, Jr. (2)	$—	$—	$—
Janet Hill	$125,000	$90,015	$215,015
Edward J. Mathias (2)	$—	$—	$—
Dr. Thomas S. Robertson	$125,000	$90,015	$215,015
William J. Shaw	$150,000	$90,015	$240,015

(1) The reference to "stock" in this table refers to deferred restricted common units. Amounts represent the grant date fair value of stock awards granted in the year, computed in accordance with U.S. GAAP pertaining to equity-based

compensation. For additional information regarding the computation of grant date fair value, see Note 16 to our consolidated financial statements included in this Annual Report on Form 10-K.

(2) As Mr. Hance is an Operating Executive and Mr. Mathias is an employee, no additional remuneration is paid to them as directors of our general partner. Mr. Hance and Mr. Mathias' compensation is discussed in "Item 13. Certain Relationships and Related Transactions, and Director Independence."

The following table provides information regarding outstanding unvested equity awards held by our non-employee and operating executive directors as of December 31, 2014:

Name	Stock Awards (a) Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (b)
Jay S. Fishman	6,098	$ 167,695
Lawton W. Fitt	6,098	$ 167,695
Janet Hill	6,098	$ 167,695
Dr. Thomas S. Robertson	6,098	$ 167,695
William J. Shaw	6,098	$ 167,695

(a) The references to "stock" or "shares" in this table refer to our deferred restricted common units.

(b) The dollar amounts shown under this column were calculated by multiplying the number of unvested deferred restricted common units held by the director by the closing market price of $27.50 per Carlyle common unit on December 31, 2014, the last trading day of 2014.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information regarding the beneficial ownership of The Carlyle Group L.P. common units and Carlyle Holdings partnership units as of February 23, 2015 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. 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.

	Common Units Beneficially Owned		Carlyle Holdings Partnership Units Beneficially Owned (1)		
Name of Beneficial Owner (2)	Number	% of Class	Number	% of Class	
William E. Conway, Jr.	—	—	45,499,644	18.1	%
Daniel A. D’Aniello (3)	—	—	45,499,644	18.1	%
David M. Rubenstein	—	—	46,999,644	18.7	%
Jay S. Fishman	9,905	*	—	—	
Lawton W. Fitt	9,905	*	—	—	
James H. Hance, Jr.	—	—	251,380	*	
Janet Hill	9,905	*	—	—	
Edward J. Mathias	—	—	619,242	*	
Thomas S. Robertson	9,905	*	—	—	
William J. Shaw	9,905	*	—	—	
Michael J. Cavanagh	158,582	*	—	—	
Glenn A. Youngkin (3)	150,000	*	5,671,088	2.3	%
Curtis L. Buser	8,065	*	260,708	*	
Jeffrey W. Ferguson	—	—	684,118	*	
Kewsong Lee	197,580	*	—	—	
Adena T. Friedman (4)	—	—	352,557	*	
All executive officers and directors as a group (14 persons)	366,172	*	145,485,468	58.0	%

*Less than 1%

(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 (subject to the terms of the exchange agreement). 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. See “Item 13. Certain Relationships and Related Transactions, and Director Independence—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, holds a special voting unit of The Carlyle Group L.P. that entitles it, on those few matters that may be submitted for a vote of the common unitholders of The Carlyle Group L.P., to participate in the vote on the same basis as the common unitholders and provides 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.

(3) The Carlyle Holdings partnership units shown in the table above for the named executive officers and directors include the following units held for the benefit of family members with respect to which such person disclaims beneficial ownership: Mr. D'Aniello – 285,714 units held in a trust for which Mr. D'Aniello is the investment trustee and Mr. Youngkin – 142,857 units held in trusts for which Mr. Youngkin is the investment trustee.

(4) Ms. Friedman served as our Chief Financial Officer and principal financial officer until her resignation in May 2014.

Securities Authorized for Issuance under Equity Compensation Plans

The table set forth below provides information concerning the awards that may be issued under The Carlyle Group L.P. 2012 Equity Incentive Plan (the "Equity Plan") as of December 31, 2014:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column) (2)
Equity compensation plans approved by security holders	18,946,369	—	24,702,807
Equity compensation plans not approved by security holders	—	—	—
Total	18,946,369	—	24,702,807

(1) Reflects the outstanding number of our deferred restricted common units granted under the Equity Plan as of December 31, 2014.

(2) The aggregate number of our common units and Carlyle Holdings partnership units covered by the Equity Plan is increased on the first day of each fiscal year during its term by a number of units equal to the positive difference, if any, of (a) 10% of the aggregate number of our 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 our common units and Carlyle Holdings partnership units which were available for the issuance of future awards under the Equity Plan as of such last day (unless the administrator of the Equity Plan should decide to increase the number of our common units and Carlyle Holdings partnership units available for future grants under the plan by a lesser amount). As of January 1, 2015, pursuant to this formula, 31,895,630 units were available for issuance under the Equity Plan. We have filed a registration statement and intend to file additional registration statements on Form S-8 under the Securities Act to register common units covered by the Equity 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.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Reorganization

As part of the reorganization, prior to our initial public offering we effected a number of transactions as described under "Item 8. Financial Statements and Supplementary Data — Notes to the Consolidated Financial Statements — 1. Organization and Basis of Presentation — Reorganization" whereby, among other things, our senior Carlyle professionals (including our inside directors and executive officers) CalPERS and Mubadala, contributed their interests in the Parent Entities to the Carlyle Holdings partnerships, and certain of our senior Carlyle professionals and other employees (including certain of our executive officers) contributed a portion of their equity interests in the general partners of our carry funds to the Carlyle Holdings partnerships, in each case, in exchange for Carlyle Holdings partnership units. 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.

Tax Receivable Agreement

Limited partners of the Carlyle Holdings partnerships, may, subject to the terms of the exchange agreement and the Carlyle Holdings partnership agreements, 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. has made an election under Section 754 of the Code effective for each taxable year in which an exchange of partnership units for common units occurred and will do so for all future tax years in which an exchange occurs. The election has resulted in increases to the tax basis of the assets of Carlyle Holdings at the time of an exchange of partnership units and future exchanges are expected to result in similar increases in future tax years. These increases in tax basis have reduced 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 current period as well as 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 was and 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 have entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships that provides for the payment by the corporate taxpayers to such owners of 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax or foreign or franchise tax that the corporate taxpayers realize (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 commenced upon consummation of our initial public 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. 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 the continued ownership of us by the limited partners of the Carlyle Holdings partnerships.

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

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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.
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 we make in the course of running our business may influence the timing and amount of payments that are received by an exchanging or selling limited partner of the Carlyle Holdings partnerships 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 the tax liability of a limited partner of the Carlyle Holdings partnerships without giving rise to any rights of a limited partner of the Carlyle Holdings partnerships 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
In connection with the reorganization and initial public offering we entered into a registration rights agreement with the limited partners of the Carlyle Holdings partnerships who are our personnel, including our inside directors and executive officers, pursuant to which we granted 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 agreement, we agreed to register the exchange of Carlyle Holdings partnership units for common units by the limited partners of the Carlyle Holdings partnerships, including certain of our directors and officers. 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 such persons 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. has the ability to exercise certain piggyback registration rights in respect of common units held by our pre-IPO 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 entered into separate registration rights agreements with CalPERS and Mubadala. During 2013, pursuant to the terms of the registration rights agreement we entered into with CalPERS, we registered an offering

whereby CalPERS sold substantially all of its units in the Partnership which CalPERS had received in connection with our reorganization.

Carlyle Holdings Partnership Agreements

The Carlyle Group L.P. is a holding partnership and, through wholly owned subsidiaries, holds 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. are the sole general partner of each of the three Carlyle Holdings partnerships. Accordingly, The Carlyle Group L.P. operates and controls all of the business and affairs of Carlyle Holdings and, through Carlyle Holdings and its operating entity subsidiaries, conducts our business. Through its wholly owned subsidiaries, The Carlyle Group L.P. has 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., operates and controls the business of The Carlyle Group L.P., the board of directors and officers of our general partner are 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 has 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, 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 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 are 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 are made only to the extent all distributions from such partnerships for the relevant year are insufficient to cover such tax liabilities.

All of the Carlyle Holdings partnership units received by our founders as part of the reorganization we undertook at the time of our initial public offering are fully vested. All of the Carlyle Holdings partnership units received by our other employees in exchange for their interests in carried interest owned at the fund level relating to investments made by our carry funds prior to the date of the reorganization are fully vested. Of the outstanding Carlyle Holdings partnership units, excluding those held by Messrs. D'Aniello, Conway, Rubenstein and by Mubadala, 60% are fully vested and 40% are unvested as of December 31, 2014. The unvested Carlyle Holdings units generally will vest in equal installments over the next 4 years on each anniversary of our initial public offering.

The partnership agreements of the Carlyle Holdings partnerships contain non-solicitation provisions that provide that during the term of his or her employment and for a period of one year after the effective date of his or her withdrawal, resignation or expulsion, each pre-IPO owner that is employed by us shall not, directly or indirectly, whether alone or in concert with other persons, solicit any person employed by us or our affiliates to abandon such employment, hire any person who is, or within the prior year was, employed by us or solicit any Carlyle fund investor for the purpose of obtaining funds or inducing such fund investor to make an investment which is sponsored or promoted by such person.

The partnership agreements of the Carlyle Holdings partnerships 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 our initial public 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, are borne by Carlyle Holdings.

Exchange Agreement

We have entered into an exchange agreement with the limited partners of the Carlyle Holdings partnerships, including persons who have received Carlyle Holdings partnership units subsequent to the reorganization effected in connection with our initial public offering. 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 (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. In addition, Mubadala is generally entitled to exchange Carlyle Holdings partnerships units for common units at any time. 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.

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 during 2014 totaled $4,365 for Mr. Conway, $80,115 for Mr. D'Aniello, and $392,865 for Mr. Rubenstein. Consistent with the terms of our agreement with the entity controlled by Mr. Conway, in 2014 we received a payment of $20,340 from the entity controlled by Mr. Conway to adjust the estimated annualized costs of operating his aircraft in 2013 to the actual costs incurred. We also made payments for services and supplies relating to business use flight operations to managers of the airplanes of Messrs. D'Aniello, Conway and Rubenstein, which during 2014 aggregated $506,545 in the case of Mr. Conway's airplane, $721,780 in the case of Mr. D'Aniello's airplane and $3,220,795 in the case of Mr. Rubenstein's airplane. Certain of these services were performed by one of our portfolio companies, Landmark Aviation. Consistent with the terms of our agreement with Landmark Aviation, in 2014 we received a payment of $87,318 from Landmark Aviation to adjust the estimated annualized costs of operating Mr. Conway's aircraft in 2013 to the actual costs incurred.

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, incentive 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. In 2014 alone, our founders (and their family members and investment vehicles) invested an aggregate of approximately $506 million in and alongside our funds. We intend to continue our co-investment program 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 advise or manage.

Certain members of the board of directors of our general partner are employees of Carlyle (Messrs. Conway, D'Aniello, Rubenstein and Mathias) and one member of the board of directors of our general partner is an operating executive of Carlyle (Mr. Hance) and each also own investments in and alongside our investment funds. The amount invested in and alongside our investment funds during 2014 by certain of our directors and by our executive officers (and their family members and investment vehicles), including amounts funded pursuant to third party capital

commitments assumed by such persons, was $233,152,583 for Mr. Conway, $143,439,541 for Mr. D'Aniello, $129,719,369 for Mr. Rubenstein, $1,090,284 for Mr. Fishman, $761,305 for Mr. Hance, $337,270 for Mr. Mathias, $78,000 for Mr. Shaw, $490,321 for Mr. Buser, $305,924 for Mr. Cavanagh, $714,971 for Mr. Ferguson, $20,080,801 for Mr. Youngkin, $2,840,447 for Mr. Lee and $997,465 for Ms. Friedman. The amount of distributions, including profits and return of capital, to certain of our directors and executive officers (and their family members and investment vehicles) during 2014 in respect of previous investments was $247,699,316 for Mr. Conway, $133,823,834 for Mr. D'Aniello, $132,323,512 for Mr. Rubenstein, $0 for Mr. Fishman, $1,795,017 for Mr. Hance, $449,098 for Mr. Mathias, $2,688 for Mr. Shaw, $333,958 for Mr. Buser, $379 for Mr. Cavanagh, $1,034,187 for Mr. Ferguson, $20,500,360 for Mr. Youngkin, $15,596 for Mr. Lee and $487,865 for Ms. Friedman.

Certain of our directors and our executive officers (and their family members and investment vehicles) also made additional commitments to our investment funds during 2014. In the aggregate, our directors and executive officers (and their family members and investment vehicles) made commitments to new carry funds and additional commitments to our open-end

funds during 2014 of approximately $435 million, and the total unfunded commitment of our directors and executive officers (and their family members and investment vehicles) to our investment funds as of December 31, 2014 was $301,313,499 for Mr. Conway, $269,327,259 for Mr. D'Aniello, $279,866,108 for Mr. Rubenstein, $1,412,950 for Mr. Fishman, $3,036,567 for Mr. Hance, $244,864 for Mr. Mathias, $1,166,166 for Mr. Shaw, $1,543,278 for Mr. Buser, $7,729,685 for Mr. Cavanagh, $2,231,454 for Mr. Ferguson, $56,597,704 for Mr. Youngkin, $5,702,651 for Mr. Lee and $3,030,602 for Ms. Friedman. 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.

Other Transactions

Mr. Hance, a member of the board of directors of our general partner, is an Operating Executive of Carlyle and received, for the year ended December 31, 2014, an operating executive fee in respect of his service in such capacity of $250,000 and, on May 1, 2014, a grant of 3,068 deferred restricted common units. Mr. Hance was also previously allocated direct carried interest ownership at the fund level in respect of certain corporate private equity funds. For the year ended December 31, 2014, Mr. Hance received distributions of $10,500 in respect of such carried interest.

Mr. Mathias, a member of the board of directors of our general partner, is a Managing Director of Carlyle and received, for the year ended December 31, 2014, total cash compensation in respect of his service in such capacity of $1,212,565. Mr. Mathias received a salary of $250,000. Of Mr. Mathias' $600,000 discretionary bonus, $540,000 was paid in cash and the balance was mandatorily granted in deferred restricted common units in February 2015. These deferred restricted common units will vest on August 1, 2016. Mr. Mathias was also previously allocated interests in the firm's equity pool, as well as direct carried interest ownership at the fund level in respect of certain corporate private equity funds. For the year ended December 31, 2014, Mr. Mathias received distributions of $422,565 in respect of such equity pool and carried interest.

Statement of Policy Regarding Transactions with Related Persons

The board of directors of our general partner has adopted 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 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 our conflict committee or another independent body of the board of directors of our general partner. No related person transaction will be executed without the approval or ratification of our conflict committee or another independent body of the board of directors of our general partner. 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 Annual Report on Form 10-K 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.

In addition, we have entered into indemnification arrangements with each of our executive officers and directors. The indemnification agreements provide the executive officers and directors with contractual rights to indemnification, expense advancement and reimbursement, to the fullest extent permitted by applicable law. We also indemnify such persons to the extent they serve at our request as directors, officers, employees or other agents of any other entity, such as an investment vehicle advised by us or its portfolio companies.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table summarizes the aggregate fees for professional services provided by Ernst & Young LLP ("Ernst & Young") for the years ended December 31, 2014 and 2013 (dollars in millions):

	Year Ended December 31, 2014				
	Carlyle		Carlyle Funds		Total
Audit Fees	$5.8	(a)	$ 12.8	(d)	$18.6
Audit-Related Fees	$0.1	(b)	$ 9.9	(e)	$10.0
Tax Fees	$0.5	(c)	$ 0.4	(d)	$0.9
All Other Fees	$—		$ —		$—
Total	$6.4		$ 23.1		$29.5
	Year Ended December 31, 2013				
	Carlyle		Carlyle Funds		Total
Audit Fees	$5.8	(a)	$ 11.5	(d)	$17.3
Audit-Related Fees	$0.7	(b)	$ 9.5	(e)	$10.2
Tax Fees	$2.4	(c)	$ 5.4	(d)	$7.8
All Other Fees	$—		$ —		$—
Total	$8.9		$ 26.4		$35.3

(a) Audit Fees consisted of fees for (1) the audits of our consolidated financial statements included in this Annual Report on Form 10-K and our internal controls over financial reporting, and services required by statute or regulation; (2) reviews of interim condensed consolidated financial statements included in our quarterly reports on Form 10-Q; (3) comfort letters, consents and other services related to SEC and other regulatory filings. This also includes fees for accounting consultation billed as audit services.

(b) Audit-Related Fees consisted of due diligence in connection with acquisitions, and other audit and attest services not required by statute or regulation.

(c) Tax Fees consisted of fees for services rendered for tax compliance and tax planning and advisory services. We also use other accounting firms to provide these services. Fees for tax compliance services were approximately $46 thousand and $1.7 million for the years ended December 31, 2014 and 2013, respectively.

(d) Ernst & Young also provided audit and tax services to certain investment funds managed by Carlyle in its capacity as the general partner or investment advisor. The tax services provided consist primarily of tax compliance and tax advisory services. We also use other accounting firms to provide these services. Fees for tax compliance services were approximately $0.1 million and $4.5 million for the years ended December 31, 2014 and 2013, respectively.

(e) Audit-Related Fees included assurance, merger and acquisition due diligence services provided in connection with contemplated investments by Carlyle-sponsored investment funds and attest services not required by statute or regulation. In addition, Ernst & Young provided audit, audit-related, tax and other services to certain Carlyle fund portfolio companies, which are approved directly by the portfolio company's management and are not included in the amounts presented here. We also use other accounting firms to provide these services.

Our audit committee charter, which is available on our website at www.carlyle.com under "Public Investors", requires the audit committee to approve in advance all audit and non-audit related services to be provided by our independent registered public accounting firm in accordance with the audit and non-audit related services pre-approval policy. All services reported in the Audit, Audit-Related, and Tax categories above were approved by the audit committee.

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PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit No.	Description
3.1	Certificate of Limited Partnership of The Carlyle Group L.P., dated as of May 8, 2012, by and among Carlyle Group Management L.L.C. and the limited partners thereto (incorporated by reference to Exhibit 3.1 to the Registrant’s Registration Statement on Form S-1 (File No. 333-176685) filed with the SEC on September 6, 2011).
3.2	Amended and Restated Limited Partnership Agreement of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K (File No. 001-35538) filed with the SEC on May 8, 2012).
4.1	Indenture dated as of January 18, 2013 among Carlyle Holdings Finance L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K (File No. 001-35538) filed with the SEC on January 18, 2013).
4.2	First Supplemental Indenture dated as of January 18, 2013 among Carlyle Holdings Finance L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Registrant’s Current Report on Form 8-K (File No. 001-35538) filed with the SEC on January 18, 2013).
4.3	Form of 3.875% Senior Note due 2023 (incorporated by reference to Exhibit 4.3 to the Registrant’s Current Report on Form 8-K (File No. 001-35538) filed with the SEC on January 18, 2013).
4.4	Indenture dated as of March 28, 2013 among Carlyle Holdings II Finance L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K (File No. 001-35538) filed with the SEC on March 28, 2013).
4.5	First Supplemental Indenture dated as of March 28, 2013 among Carlyle Holdings II Finance L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Registrant’s Current Report on Form 8-K (File No. 001-35538) filed with the SEC on March 28, 2013).
4.6	Form of 5.625% Senior Note due 2043 (incorporated by reference to Exhibit 4.3 to the Registrant’s Current Report on Form 8-K (File No. 001-35538) filed with the SEC on March 28, 2013).
4.7	Second Supplemental Indenture dated as of March 10, 2014 among Carlyle Holdings II Finance L.L.C., The Carlyle Group L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K (File No. 001-35538) filed with the SEC on March 10, 2014).

10.1	Amended and Restated Limited Partnership Agreement of Carlyle Holdings I L.P. (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-35538) filed with the SEC on May 8, 2012).

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Exhibit No.	Description
10.2	Amended and Restated Limited Partnership Agreement of Carlyle Holdings II L.P. (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-35538) filed with the SEC on May 8, 2012).
10.3	Amended and Restated Limited Partnership Agreement of Carlyle Holdings III L.P. (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 001-35538) filed with the SEC on May 8, 2012).
10.4	Exchange Agreement, dated as of May 2, 2012, among the Carlyle Group Management L.L.C., The Carlyle Group L.P., Carlyle Holdings I GP Inc., Carlyle Holdings II GP L.L.C., Carlyle Holdings II Sub L.L.C., Carlyle Holdings III GP L.P., Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. and the limited partners of each of Carlyle Holdings I L.P., Carlyle Holdings II L.P., Carlyle Holdings III L.P. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-35538) filed with the SEC on May 8, 2012).
10.5	Tax Receivable Agreement, dated as of May 2, 2012, by and among The Carlyle Group L.P., Carlyle Holdings I GP Inc., Carlyle Holdings I L.P. and each of the limited partners of the Carlyle Holdings Partnerships party thereto (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-35538) filed with the SEC on May 8, 2012).
10.6	Registration Rights Agreement with Senior Carlyle Professionals, dated as of May 8, 2012, by and among the Partnership, TCG Carlyle Global Partners L.L.C. and certain of the limited partners of each of the Carlyle Holdings Partnerships (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K (File No. 001-35538) filed with the SEC on May 8, 2012).
10.7	Registration Rights Agreement by and among the Partnership, 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, dated as of May 8, 2012 (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K (File No. 001-35538) filed with the SEC on May 8, 2012).
10.8	Reserved.
10.9+	Equity Incentive Plan (incorporated herein by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on April 16, 2012).
10.10	Noncompetition Agreement with William E. Conway, Jr. (incorporated herein by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on March 15, 2012).
10.11	Noncompetition Agreement with Daniel A. D'Aniello (incorporated herein by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on March 15, 2012).

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Exhibit No.	Description
10.12	Noncompetition Agreement with David M. Rubenstein (incorporated herein by reference to Exhibit 10.12 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on March 15, 2012).
10.13+	Amended and Restated Employment Agreement with Adena T. Friedman (incorporated herein by reference to Exhibit 10.13 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on February 14, 2012).
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. (incorporated herein by reference to Exhibit 10.14 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on February 14, 2012).
10.15	Lease, dated January 10, 2011, between Commonwealth Tower, L.P. and Carlyle Investment Management L.L.C. (incorporated herein by reference to Exhibit 10.15 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on November 7, 2011).
10.16	Lease, dated April 16, 2010, between Teachers Insurance and Annuity Association of America and Carlyle Investment Management L.L.C. (incorporated herein by reference to Exhibit 10.16 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on November 7, 2011).
10.17	First Amendment to Deed of Lease, dated November 8, 2011, between Commonwealth Tower, L.P. and Carlyle Investment Management L.L.C. (incorporated herein by reference to Exhibit 10.17 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on January 10, 2012).
10.18	Non-Exclusive Aircraft Lease Agreement, dated as of December 31, 2012, between Falstaff Partners, LLC as Lessor and Carlyle Investment Management L.L.C. as Lessee (incorporated by reference to Exhibit 10.18 to the Registrant’s Annual Report on Form 10-K (File No. 001-35538) filed with the SEC on March 14, 2013).
10.18.1	Amendment No. 1 to the Lease Agreement dated February 18, 2014 relating to the Non-Exclusive Aircraft Lease Agreement, dated as of December 31, 2012, between Falstaff Partners, LLC as Lessor and Carlyle Investment Management L.L.C. as Lessee (incorporated by reference to Exhibit 10.18.1 to the Registrant’s Annual Report on Form 10-K (File No. 001-35538) filed with the SEC on February 27, 2014).
10.19	

	Non-Exclusive Aircraft Lease Agreement, dated as of February 11, 2011, between Westwind Acquisition Company, L.L.C. as Lessor and Carlyle Investment Management L.L.C. as Lessee (incorporated herein by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on January 10, 2012).
10.19.1	Amendment No. 1 to the Lease Agreement dated February 18, 2014 relating to the Non-Exclusive Aircraft Lease Agreement, dated as of February 11, 2011, between Westwind Acquisition Company, L.L.C. as Lessor and Carlyle Investment Management L.L.C. as Lessee (incorporated by reference to Exhibit 10.19.1 to the Registrant's Annual Report on Form 10-K (File No. 001-35538) filed with the SEC on February 27, 2014).

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Exhibit No.	Description
10.20	Non-Exclusive Aircraft Lease Agreement, dated as of December 31, 2012, between Orange Crimson Aviation, L.L.C. as Lessor and Carlyle Investment Management L.L.C as Lessee (incorporated herein by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K (File No. 001-35538) filed with the SEC on March 14, 2013).
10.20.1	Amendment No. 1 to the Lease Agreement dated February 18, 2014 relating to the Non-Exclusive Aircraft Lease Agreement, dated as of December 31, 2012, between Orange Crimson Aviation, L.L.C. as Lessor and Carlyle Investment Management L.L.C. as Lessee (incorporated by reference to Exhibit 10.20.1 to the Registrant's Annual Report on Form 10-K (File No. 001-35538) filed with the SEC on February 27, 2014).
10.21	Form of Amended and Restated Limited Partnership Agreement of Fund General Partner (Delaware) (incorporated herein by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on February 14, 2012.
10.22	Form of Amended and Restated Limited Partnership Agreement of Fund General Partner (Cayman Islands) (incorporated herein by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on February 14, 2012.
10.24	Credit Agreement, dated as of December 13, 2011, among TC Group Investment Holdings, L.P., TC Group Cayman Investment Holdings, L.P., TC Group Cayman, L.P., Carlyle Investment Management L.L.C., as Borrowers, TC Group, L.L.C., as Parent Guarantor, the Lenders party hereto, and Citibank, N.A., as Administrative Agent, and Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC, as Joint Lead Arrangers and Bookrunners, and JPMorgan Chase Bank, N.A., Credit Suisse Securities (USA) LLC, as Syndication Agents. (incorporated herein by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on March 15, 2012).
10.24.1	Amendment No. 1, dated as of August 9, 2013, to the Credit Agreement, dated as of December 13, 2011, among TC Group Investment Holdings, L.P., TC Group Cayman Investment Holdings, L.P., TC Group Cayman, L.P., Carlyle Investment Management L.L.C., as Borrowers, TC Group, L.L.C., the Guarantors party thereto, the Lenders party thereto, and Citibank, N.A., as Administrative Agent, and Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC, as Joint Lead Arrangers and Bookrunners, and JPMorgan Chase Bank, N.A., Credit Suisse Securities (USA) LLC, as Syndication Agents. (incorporated by reference to Exhibit 10.24.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35538) filed with the SEC on August 12, 2013).
10.25	Form of Indemnification Agreement (incorporated herein by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on March 15, 2012).
10.26+*	Form of Global Deferred Restricted Common Unit Agreement.

10.27+	Operating Executive Consulting Agreement by and between Carlyle Investment Management L.L.C. and James H. Hance, dated as of November 1, 2012 (incorporated by reference to Exhibit 10.1 on the Registrant's Quarterly Report on Form 10-Q filed with the SEC on November 13, 2012).
10.28+*	Employment Agreement with Michael J. Cavanagh.
10.29+*	Employment Agreement with Kewsong Lee.
10.30+*	Key Executive Incentive Program.

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Exhibit No.	Description
21.1*	Subsidiaries of the Registrant.
23.1*	Consent of Ernst & Young LLP.
31.1*	Certification of the Co-Chief Executive Officer pursuant to Rule 13a – 14(a).
31.2*	Certification of the Chairman pursuant to Rule 13a – 14(a).
31.3*	Certification of the Co-Chief Executive Officer pursuant to Rule 13a – 14(a).
31.4*	Certification of the Chief Financial Officer pursuant to Rule 13a – 14(a).
32.1*	Certification of the Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Chairman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3*	Certification of the Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.4*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Form of Amended and Restated Agreement of Limited Liability Company of the General Partner of the Registrant (incorporated herein by reference to Exhibit 99.1 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-176685) filed with the SEC on February 14, 2012).
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

* Filed herewith.

+ Management contract or compensatory plan or arrangement in which directors and/or executive officers are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 26, 2015

The Carlyle Group L.P.
By: Carlyle Group Management L.L.C., its general partner

By: /s/ Curtis L. Buser
Name: Curtis L. Buser
Title: Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 26th day of February 2015.

Signature	Title
/s/ William E. Conway, Jr. William E. Conway, Jr.	Co-Chief Executive Officer and Director (co-principal executive officer)
/s/ Daniel A. D'Aniello Daniel A. D'Aniello	Chairman and Director (co-principal executive officer)
/s/ David M. Rubenstein David M. Rubenstein	Co-Chief Executive Officer and Director (co-principal executive officer)
/s/ Jay S. Fishman Jay S. Fishman	Director
/s/ Lawton W. Fitt Lawton W. Fitt	Director
/s/ James H. Hance, Jr. James H. Hance, Jr.	Director
/s/ Janet Hill Janet Hill	Director
/s/ Edward J. Mathias Edward J. Mathias	Director
/s/ Dr. Thomas S. Robertson Dr. Thomas S. Robertson	Director
/s/ William J. Shaw William J. Shaw	Director
/s/ Curtis L. Buser Curtis L. Buser	Chief Financial Officer (principal financial officer)

/s/ Pamela L. Bentley Pamela L. Bentley	Chief Accounting Officer (principal accounting officer)

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