Carlyle Group L.P.
Form S-1
September 06, 2011

As filed with the Securities and Exchange Commission on September 6, 2011.

Registration No. 333-

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

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Delaware	**6282**	**45-2832612**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of	Proposed Maximum Aggregate Offering	Amount of Registration

Securities to be Registered	Price(1)(2)	Fee
Common Units Representing Limited Partner Interests	$100,000,000	$11,610

(1) Estimated solely for the purpose of determining the amount of the registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

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

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

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

SUBJECT TO COMPLETION, DATED SEPTEMBER 6, 2011

PRELIMINARY PROSPECTUS

Common Units
Representing Limited Partner Interests

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

Investing in our common units involves risks. See Risk Factors beginning on page 24. These risks include the following:

We are managed by our general partner, which is owned by our senior Carlyle professionals. Our common unitholders will have only limited voting rights and will have no right to remove our general partner or, except in limited circumstances, elect the directors of our general partner. Moreover, immediately following this offering, our senior Carlyle professionals generally will have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of our limited partners. In addition, our partnership agreement limits the liability of, and reduces or eliminates the duties (including fiduciary duties) owed by, our general partner to our common unitholders and restricts the remedies available to our common unitholders for actions that might otherwise constitute breaches of our general partner s duties.

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

adverse economic and market conditions, which can affect our business and liquidity position in many ways, including by reducing the value or performance of the investments made by our investment funds and reducing the ability of our investment funds to raise or deploy capital;

changes in the debt financing markets, which could negatively impact the ability of our funds and their portfolio companies to obtain attractive financing or refinancing for their investments and operations, and could increase the cost of such financing if it is obtained, leading to lower-yielding investments;

the potential volatility of our revenue, income and cash flow;

our dependence on our founders and other key personnel and our ability to attract, retain and motivate high quality employees who will bring value to our operations;

business and regulatory impediments to our efforts to expand into new investment strategies, markets and businesses;

the fact that most of our investment funds invest in illiquid, long-term investments that are not marketable securities, and such investments may lose significant value during an economic downturn;

the potential for poor performance of our investment funds; and

the possibility that we will not be able to continue to raise capital from third-party investors on advantageous terms.

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

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

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

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

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

J.P. Morgan **Citigroup** **Credit Suisse**

, 2012

Global Presence

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

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

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

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

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

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

When we refer to the partners of The Carlyle Group L.P., we are referring specifically to the common unitholders and our general partner and any others who may from time to time be partners of that specific Delaware limited partnership. When we refer to our senior Carlyle professionals, we are referring to the partners of our firm who are, together with CalPERS and Mubadala, the owners of our Parent Entities prior to the reorganization. References in this prospectus to the ownership of the senior Carlyle professionals include the ownership of personal planning vehicles of these individuals.

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

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

(a) for carry funds and certain co-investment vehicles where the investment period has not expired, the amount of limited partner capital commitments;

(b) for carry funds and certain co-investment vehicles where the investment period has expired, the remaining amount of limited partner invested capital;

(c) the gross amount of aggregate collateral balance at par, adjusted for defaulted or discounted collateral, of our collateralized loan obligations (CLOs) and the reference portfolio notional amount of our synthetic collateralized loan obligations (synthetic CLOs);

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

(e) for fund of funds vehicles, the amount of external investor capital commitments during the commitment period, and the lower of cost or fair value of invested capital thereafter.

(iii)

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

(a) the fair value of the capital invested in our carry funds, co-investment vehicles and fund of funds vehicles plus the capital that we are entitled to call from investors in those funds and vehicles (including our commitments to those funds and vehicles and those of senior Carlyle professionals and employees) pursuant to the terms of their capital commitments to those funds and vehicles;

(b) the amount of aggregate collateral balance at par of our CLOs and the reference portfolio notional amount of our synthetic CLOs; and

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

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

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

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

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

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

Unless indicated otherwise, non-financial operational and statistical data in this prospectus is as of June 30, 2011, and the presentation of AUM and non-financial operational and statistical data as of June 30, 2011 in this prospectus is presented on an as adjusted basis to give effect to our acquisitions on July 1, 2011 of a 60% equity interest in AlpInvest and a 55% equity interest in Emerging Sovereign Group LLC (ESG) as if these acquisitions had occurred on June 30, 2011. Compound annual growth in AUM is presented since December 31, 2003, the first period for which comparable information is available. For additional information concerning our recent acquisitions, including our acquisitions of controlling interests in AlpInvest and ESG, our December 2010 acquisition of a controlling interest in

Claren Road Asset Management, LLC (Claren Road), our acquisition of a CLO management contract for Foothill CLO I, Ltd. (Foothill CLO) and our acquisition of CLO management contracts for Mizuho Alternative Investments LLC (Mizuho) and Stanfield Capital Partners LLC (Stanfield) in August 2011, December 2010 and August 2010,

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

The data presented herein that provides inception to date performance results of our segments relates to the period following the formation of the first fund within each segment. For our Corporate Private Equity segment, our first fund was formed in 1990. For our Real Assets segment, our first fund was formed in 1997.

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

SUMMARY

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

The Carlyle Group

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

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

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

Excellence in Investing. Our primary goal is to invest wisely and create value for our fund investors. We strive to generate superior investment returns by combining deep industry expertise, a global network of local investment teams who can leverage extensive firm-wide resources and a consistent and disciplined investment process.

Commitment to our Fund Investors. Our fund investors come first. This commitment is a core component of our firm culture and informs every aspect of our business. We believe this philosophy is in the long-term best interests of Carlyle and its owners, including our prospective common unitholders.

Investment in the Firm. We have invested, and intend to continue to invest, significant resources in hiring and retaining a deep talent pool of investment professionals and in building the infrastructure of the firm, including our expansive local office network and our comprehensive investor support team, which provides finance, legal and compliance and tax services in addition to other corporate services.

Expansion of our Platform. We innovate continuously to expand our investment capabilities through the creation or acquisition of new asset-, sector- and regionally-focused strategies in order to provide our fund investors a variety of investment options.

Unified Culture. We seek to leverage the local market insights and operational capabilities that we have developed across our global platform through a unified culture we call One Carlyle. Our culture emphasizes collaboration and sharing of knowledge and expertise across the firm to create value.

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

Our Business

We operate our business across four segments: (1) Corporate Private Equity, (2) Real Assets, (3) Global Market Strategies and (4) Fund of Funds Solutions. We established our Fund of Funds Solutions segment on July 1, 2011 at the time we completed our acquisition of a 60% equity interest in, and began to consolidate, AlpInvest. The following tables set forth information regarding our segment revenues, economic net income (ENI) and Distributable Earnings by segment for the six months ended June 30, 2011 and the year ended December 31, 2010. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Key Financial Measures for a discussion of the composition of our revenues and expenses and Segment Analysis for discussion and analysis of our segment results.

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

	For the Year Ended December 31, 2010				
	Corporate Private Equity	**Real Assets**	**Global Market Strategies**	**Fund of Funds Solutions**	**Total**

			(In millions)		
Segment Revenues(1)	$ 1,897.2	$ 235.0	$ 253.6	n/a	$ 2,385.8
ENI(1)(2)	$ 819.3	$ 90.7	$ 104.0	n/a	$ 1,014.0
Distributable Earnings(1)(3)	$ 307.2	$ 12.7	$ 22.6	n/a	$ 342.5

(1) Under U.S. generally accepted accounting principles (GAAP), we are required to consolidate certain of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these funds.

(2) ENI, a non-GAAP measure, represents segment net income excluding the impact of income taxes, acquisition-related items including amortization of acquired intangibles and earn-outs, charges associated with equity-based compensation, corporate actions and infrequently occurring or unusual events (e.g., acquisition related costs, gains and losses on mark to market adjustments on contingent consideration, gains and losses from the retirement of our debt, charges associated with lease terminations and employee severance and settlements of legal claims). For a further discussion about ENI and a reconciliation to Income (Loss) Before Provision for Taxes, see Management s Discussion and Analysis of Financial Condition and Results of Operations Key Financial Measures Non-GAAP Financial Measures Economic Net Income and Non-GAAP Financial Measures, and Note 14 to our combined and consolidated financial statements appearing elsewhere in this prospectus.

(3) Distributable Earnings, a non-GAAP measure, is a component of ENI representing total ENI less unrealized performance fees and unrealized investment income plus unrealized performance fee compensation expense. For a further discussion about Distributable Earnings and a reconciliation to Income (Loss) Before Provision for Taxes, see Management s Discussion and Analysis of Financial Condition and Results of Operations Key Financial Measures Non-GAAP Financial Measures Distributable Earnings, Non-GAAP Financial Measures and Note 14 to our combined and consolidated financial statements appearing elsewhere in this prospectus.

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

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

Buyout Funds. Our buyout teams advise a diverse group of 16 active funds that invest in transactions that focus either on a particular geography (United States, Europe, Asia, Japan, South America or the Middle East and North Africa (MENA)) or a particular industry (e.g., financial services). As of June 30, 2011, our buyout funds had, in the aggregate, approximately $51 billion in AUM.

Growth Capital Funds. Our nine active growth capital funds are advised by three regionally-focused teams in the United States, Europe and Asia, with each team generally focused on middle-market and growth companies consistent with specific regional investment considerations. As of June 30, 2011, our growth capital funds had, in the aggregate, approximately $4 billion in AUM.

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

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

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

Our Real Assets teams have three primary areas of focus:

Real Estate. Our 11 active real estate funds pursue real estate investment opportunities in Asia, Europe and the United States and generally focus on acquiring single-property opportunities rather than large-cap companies with real estate portfolios. As of June 30, 2011, our real estate funds had, in the aggregate, approximately $12 billion in AUM.

Infrastructure. Our infrastructure investment team focuses on investments in infrastructure companies and assets. As of June 30, 2011, we advised one infrastructure fund with approximately $1 billion in AUM.

Energy & Renewable Resources. Our energy and renewable resources activities focus on buyouts, growth capital investments and strategic joint ventures in the midstream, upstream, power and oilfield services sectors, as well as the renewable and alternative sectors of the energy industry. We currently conduct these activities through a joint venture with Riverstone, jointly advising six funds with approximately $18 billion in AUM as of June 30, 2011. We and Riverstone have mutually decided not to pursue additional jointly managed funds (although we will continue to advise jointly with Riverstone the six existing energy and renewable resources funds). We are actively exploring new approaches through which to expand our energy capabilities and intend to augment our significant in-house expertise in this sector.

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

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

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

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

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

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

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

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

Fund of Funds Solutions. Our Fund of Funds Solutions segment was established on July 1, 2011 when we completed our acquisition of a 60% equity interest in AlpInvest. AlpInvest is one of the world s largest investors in private equity and advises a global private equity fund of funds program and related co-investment and secondary activities. Its anchor clients are two large Dutch pension funds, which were the founders and previous shareholders of the company. We expect to grow our Fund of Funds Solutions group by advising customized separate accounts and potentially co-mingled vehicles for a broader group of investors.

AlpInvest has three primary areas of focus:

Fund Investments. AlpInvest funds make investment commitments directly to buyout, growth capital, venture and other alternative asset funds advised by other general partners (portfolio funds). As of June 30, 2011, AlpInvest advised 24 fund of funds vehicles totaling, in the aggregate, approximately $32 billion in AUM.

Co-investments. AlpInvest invests alongside other private equity and mezzanine funds in which it has a fund investment throughout Europe, North America and Asia. As of June 30, 2011, AlpInvest co-investments programs were conducted through 14 funds totaling, in the aggregate, approximately $7 billion in AUM.

Secondary Investments. AlpInvest also advises funds that acquire interests in portfolio funds in secondary market transactions. As of June 30, 2011, AlpInvest s secondary investments program was conducted through 11 funds totaling, in the aggregate, approximately $6 billion in AUM.

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

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

Competitive Strengths

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

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

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

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

initiatives. We believe our focus on innovation will enable us to continue to identify and capitalize on new opportunities in high-growth geographies and sectors.

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

Demonstrated Record of Investment Performance. We have demonstrated a strong and consistent investment track record, producing attractive returns for our fund investors across segments, sectors and geographies, and across economic cycles. The following table summarizes the aggregate investment performance of our Corporate Private Equity and Real Assets segments. Due to the diversified nature of the strategies in our Global Market Strategies segment, we have included summarized investment performance for the largest carry fund and largest hedge fund in this segment. For additional information, including performance information of other Global Market Strategies funds, see Management s Discussion and Analysis of Financial Condition and Results of Operations Segment Analysis Corporate Private Equity Fund Performance Metrics, Real Assets Fund Performance Metrics and Global Market Strategies Fund Performance Metrics.

	As of June 30, 2011			Inception to June 30, 2011		
	Cumulative Invested Capital(2)	MOIC(3)	Realized/ Partially Realized MOIC(3)(4)	Gross IRR(5)	Net IRR(6)	Realized/ Partially Realized Gross IRR(4)(5)
	(Dollars in billions)					
Corporate Private Equity(1)	$ 46.7	1.8x	2.6x	27%	19%	31%
Real Assets(1)	$ 25.2	1.5x	2.0x	18%	11%	31%

	As of June 30, 2011	Inception to June 30, 2011		
	Total AUM	Gross IRR(5)	Net IRR(6)	Net Annualized Return(7)
	(Dollars in billions)			
Global Market Strategies				
CSP II (carry fund)	$ 2.0	22%	15%	n/a
Claren Road Master Fund (hedge fund)	$ 4.3	n/a	n/a	12%

The returns presented herein represent those of the applicable Carlyle funds and not those of The Carlyle Group L.P. See Risk Factors Risks Related to Our Business Operations The historical returns attributable to our funds, including those presented in this prospectus, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.

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

(2) Represents the original cost of all capital called for investments since inception.

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

(4) Investments are considered partially realized when distributions are a substantial majority of invested capital.

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

(6) Net IRR represents the annualized IRR for the period indicated on limited partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(7) Net Annualized Return is presented for fee-paying investors on a total return basis, net of all fees and expenses.

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

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

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

Our Strategy for the Future

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

- continue to generate attractive investment returns for our fund investors across our multi-fund, multi-product global investment platform, including by increasing the value of our current portfolio and leveraging the strong capital position of our investment funds to pursue new investment opportunities;

- continue to inspire the confidence and loyalty of our more than 1,400 carry fund investors, and further expand our investor base, with a focus on client service and strong investment performance;

- continue to grow our AUM by raising follow-on investment funds across our four segments and by broadening our platform into new strategies, through both organic growth and selective acquisitions, where we believe we can provide investors with differentiated products to meet their needs;

- further advance our leadership position in core non-U.S. geographic markets, including high-growth emerging markets such as China, Latin America, India, MENA and Sub-Saharan Africa; and

- continue to demonstrate principled industry leadership and to be a responsible and respected member of the global community by demonstrating our commitment to environmental, social and governance standards in our investment activities.

Investment Risks

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

adverse economic and market conditions, which can affect our business and liquidity position in many ways, including by reducing the value or performance of the investments made by our investment funds and reducing the ability of our investment funds to raise or deploy capital;

changes in the debt financing markets, which could negatively impact the ability of our funds and their portfolio companies to obtain attractive financing or refinancing for their investments and operations, and could increase the cost of such financing if it is obtained, leading to lower-yielding investments;

the potential volatility of our revenue, income and cash flow;

our dependence on our founders and other key personnel and our ability to attract, retain and motivate high quality employees who will bring value to our operations;

business and regulatory impediments to our efforts to expand into new investment strategies, markets and businesses;

the fact that most of our investment funds invest in illiquid, long-term investments that are not marketable securities, and such investments may lose significant value during an economic downturn;

the potential for poor performance of our investment funds; and

the possibility that we will not be able to continue to raise capital from third-party investors on advantageous terms.

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

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

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

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Organizational Structure

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

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

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

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

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

all management fees payable in respect of all current and future investment funds that we advise, as well as the fees for transaction advisory and oversight services that may be payable by these investment funds portfolio companies (subject to certain third party interests, as described below);

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- all carried interest earned in respect of all current and future carry funds that we advise (subject to certain third party interests, including those described below and to the allocation to our investment professionals who work in these operations of a portion of this carried interest as described below);

- all incentive fees (subject to certain interests in Claren Road and ESG and, with respect to other funds earning incentive fees, any performance-related allocations to investment professionals); and

- all returns on investments of our own balance sheet capital that we make following this offering (as well as on existing investments with an aggregate value of approximately $ million as of June 30, 2011).

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

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

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

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

(2) Certain individuals engaged in our business will continue to own interests directly in selected subsidiaries of the Parent Entities, including, in certain instances, entities that receive management fees from funds that we advise.

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

domestic corporations for U.S. federal income tax purposes and in certain non-U.S. entities. Certain of our non-U.S. fee-generating businesses will be held by Carlyle Holdings III L.P.

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

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

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

Under the terms of the partnership agreements of the Carlyle Holdings partnerships, all of the Carlyle Holdings partnership units received by our existing owners in the reorganization described in Organizational Structure will be subject to restrictions on transfer and, with the exception of Mubadala and CalPERS, minimum retained ownership requirements. In addition, approximately % of the Carlyle Holdings partnership units received by our existing owners who are our

employees will not be vested and, with specified exceptions, will be subject to forfeiture if the employee ceases to be employed by us prior to vesting. See Management Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions.

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

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

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

Although our general partner has no business activities other than the management of our business, conflicts of interest may arise in the future between us and our common unitholders, on the one hand, and our general partner and its affiliates, on the other. The resolution of these conflicts may not always be in our best interests or that of our common unitholders. In addition, we have fiduciary and contractual obligations to the investors in our investment funds and we expect to regularly take actions with respect to the purchase or sale of investments in our investment funds,

the structuring of investment transactions for those funds or otherwise that are in the best interests of the limited partner investors in those funds but that might at the same time adversely affect our near-term results of operations or cash flow.

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

The Offering

Common units offered by The Carlyle Group L.P.	common units.
Common units outstanding after the offering transactions	common units (or common units if all outstanding Carlyle Holdings partnership units held by our existing owners were exchanged for newly-issued common units on a one-for-one basis).
Use of proceeds	We estimate that the net proceeds to The Carlyle Group L.P. from this offering, after deducting estimated underwriting discounts, will be approximately $, or $ if the underwriters exercise in full their option to purchase additional common units. The Carlyle Group L.P. intends to use all of these proceeds to purchase newly issued Carlyle Holdings partnership units from Carlyle Holdings, as described under Organizational Structure Offering Transactions. We intend to cause Carlyle Holdings to use approximately $ of these proceeds to repay outstanding indebtedness and the remainder for general corporate purposes, including general operational needs, growth initiatives, acquisitions and strategic investments and to fund capital commitments to, and other investments in and alongside of, our investment funds. Carlyle Holdings will also bear or reimburse The Carlyle Group L.P. for all of the expenses of this offering, which we estimate will be approximately $.
Voting rights	Our general partner, Carlyle Group Management L.L.C., will manage all of our operations and activities. You will not hold an interest in our general partner, which is wholly-owned by our senior Carlyle professionals. Unlike the holders of common stock in a corporation, you will have only limited voting rights and will have no right to remove our general partner or, except in limited circumstances, elect the directors of our general partner. In addition, TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, will hold a special voting unit that provides it with a number of votes on any matter that may be submitted for a vote of our common unitholders that is equal to the aggregate number of vested and unvested Carlyle Holdings partnership units held by the limited partners of Carlyle Holdings. Accordingly, immediately following this offering our existing owners generally will have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of the limited partners of The Carlyle Group L.P. Our common unitholders voting rights will be further restricted by the provision in our partnership agreement stating that any common units held by a person that beneficially owns 20% or more of any class of The Carlyle Group L.P. common units then outstanding (other than our general

partner and its affiliates, or a direct or subsequently approved transferee of our general partner or its affiliates) cannot be voted on any matter. See Material Provisions of The Carlyle Group L.P.

Partnership Agreement Withdrawal or Removal of the General Partner, Meetings; Voting and Election of Directors of General Partner.

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

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

The Carlyle Group L.P. will be a holding partnership and will have no material assets other than its ownership of partnership units in Carlyle Holdings held through wholly-owned subsidiaries. We intend to cause Carlyle Holdings to make distributions to its partners, including the wholly-owned subsidiaries of The Carlyle Group L.P., in order to fund any distributions we may declare on the common units. If Carlyle Holdings makes such distributions, the limited partners of Carlyle Holdings will be entitled to receive equivalent distributions pro rata based on their partnership interests in Carlyle Holdings. Because certain wholly-owned subsidiaries of The Carlyle Group L.P. must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by The Carlyle Group L.P. to common unitholders are expected to be less, on a per unit basis, than the amounts

	distributed by the Carlyle Holdings partnerships to the limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units.
	In addition, the partnership agreements of the Carlyle Holdings partnerships will provide for cash distributions, which we refer to as tax distributions, to the partners of such partnerships if our wholly-owned subsidiaries that are the general partners of the Carlyle Holdings partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the non-deductibility of certain expenses and the character of our income). The Carlyle Holdings partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year were otherwise insufficient to cover such tax liabilities.
	For limitations on our ability to make distributions, see Cash Distribution Policy.
Exchange rights of holders of Carlyle Holdings partnership units	Prior to this offering we will enter into an exchange agreement with our senior Carlyle professionals and the other limited partners of the Carlyle Holdings partnerships so that these holders, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Carlyle Holdings partnerships, may on a quarterly basis, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three Carlyle Holdings partnerships to effect an exchange for a common unit. For information concerning transfer restrictions that will apply to holders of Carlyle Holdings partnership units, including our senior Carlyle professionals, see Management Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions.
Tax receivable agreement	Future exchanges of Carlyle Holdings partnership units are expected to result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, primarily attributable to a portion of the goodwill inherent in our business. These increases in tax basis will increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that certain of our subsidiaries, including Carlyle Holdings I GP Inc., which we refer to as the corporate taxpayers, would otherwise be

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	required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. We will enter into a tax receivable agreement with our existing owners whereby the corporate taxpayers will agree to pay to our existing owners 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax that they realize as a result of these increases in tax basis. The corporate taxpayers will have the right to terminate the tax receivable agreement by making payments to our existing owners calculated by reference to the value of all future payments that our existing owners would have been entitled to receive under the tax receivable agreement using certain valuation assumptions, including that any Carlyle Holdings partnership units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination, and that the corporate taxpayers will have sufficient taxable income in each future taxable year to fully realize all potential tax savings. Based upon certain assumptions described in greater detail under Certain Relationships and Related Person Transactions Tax Receivable Agreement, we estimate that if the corporate taxpayers were to exercise their termination right immediately following this offering, the aggregate amount of these termination payments would be approximately $ million. See Certain Relationships and Related Person Transactions Tax Receivable Agreement.
Risk factors	See Risk Factors for a discussion of risks you should carefully consider before deciding to invest in our common units.
Proposed trading symbol	.

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

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

additional common units or Carlyle Holdings partnership units available for future grant under our Equity Incentive Plan, which are subject to automatic annual increases.

See Management Equity Incentive Plan and IPO Date Equity Awards.

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

Summary Financial and Other Data

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

We derived the summary historical combined and consolidated statements of operations data of Carlyle Group for each of the years ended December 31, 2010, 2009 and 2008 and the summary historical combined and consolidated balance sheet data as of December 31, 2010 and 2009 from our audited combined and consolidated financial statements which are included elsewhere in this prospectus. We derived the summary historical condensed combined and consolidated statements of operations data of Carlyle Group for the six months ended June 30, 2011 and 2010 and the summary historical condensed combined and consolidated balance sheet data as of June 30, 2011 from our unaudited condensed combined and consolidated financial statements which are included elsewhere in this prospectus. We derived the summary historical combined and consolidated balance sheet data of Carlyle Group as of December 31, 2008 from our audited combined and consolidated financial statements which are not included in this prospectus. The combined and consolidated financial statements of Carlyle Group have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds.

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

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

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

that our management believes are reasonable

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

	Pro Forma[4] for the Six Months Ended June 30, 2011	Six Months Ended June 30,		Pro Forma[4] for Year Ended December 31, 2010	Year Ended December 31,		
		2011	2010		2010	2009	2008
	(Dollars in millions)						
Statement of Operations Data							
Revenues							
Fund management fees	$	$ 447.2	$ 386.7	$	$ 770.3	$ 788.1	$ 811.4
Performance fees							
Realized		494.9	81.0		266.4	11.1	59.3
Unrealized		725.5	32.9		1,215.6	485.6	(944.0)
Total performance fees		1,220.4	113.9		1,482.0	496.7	(884.7)
Investment income (loss)		62.0	22.0		72.6	5.0	(104.9)
Interest and other income		13.1	8.9		21.4	27.3	38.2
Interest and other income of Consolidated Funds		330.4	231.0		452.6	0.7	18.7
Total Revenues		2,073.1	762.5		2,798.9	1,317.8	(121.3)
Expenses							
Compensation and benefits		317.9	153.8		429.0	348.4	97.4
General, administrative and other expenses		144.3	77.1		177.2	236.6	245.1
Interest		32.8	9.0		17.8	30.6	46.1
Interest and other expenses of Consolidated Funds		190.9	115.4		233.3	0.7	6.8
Other non-operating expenses		20.6					
Loss (gain) from early extinguishment of debt, net of related expenses					2.5	(10.7)	
Equity issued for affiliate debt financing					214.0		
Loss on CCC liquidation							147.0
Total Expenses		706.5	355.3		1,073.8	605.6	542.4
Other Income (Loss)							
Net investment gains (losses) of Consolidated Funds		(277.0)	314.6		(245.4)	(33.8)	162.5

Income (loss) before provision for income taxes		1,089.6	721.8		1,479.7	678.4	(501.2)
Provision for income taxes		12.8	7.4		20.3	14.8	12.5
Net income (loss)		1,076.8	714.4		1,459.4	663.6	(513.7)
Net income (loss) attributable to non-controlling interests in consolidated entities		(191.1)	410.1		(66.2)	(30.5)	94.5
Net income (loss) attributable to Carlyle Group	$	$ 1,267.9	$ 304.3	$	$ 1,525.6	$ 694.1	$ (608.2)
Other Data							
Economic Net Income (Loss)(1)(2)	$	$ 770.2	$ 190.4	$	$ 1,014.0	$ 416.3	$ (259.6)
Distributable Earnings(1)(3)	$	$ 373.2	$ 148.7	$	$ 342.5	$ 165.3	$ 251.9
Fee-Earning Assets Under Management (at period end)	$	$ 80,433.0	$ 72,954.5	$	$ 80,796.5	$ 75,410.5	$ 76,326.4
Total Assets Under Management (at period end)	$	$ 107,242.5	$ 90,769.1	$	$ 106,781.3	$ 89,355.8	$ 85,879.5

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

(1) Under U.S. generally accepted accounting principles (GAAP), we are required to consolidate certain of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these investment funds.

(2) ENI, a non-GAAP measure, represents segment net income excluding the impact of income taxes, acquisition-related items including amortization of acquired intangibles and earn-outs, charges associated with equity-based compensation, corporate actions and infrequently occurring or unusual events (e.g., acquisition related costs and gains and losses on mark to market adjustments on contingent consideration, gains and losses from the retirement of our debt, charges associated with lease terminations and employee severance and settlements of legal claims). For discussion about the purposes for which our management uses ENI and the reasons why we believe our presentation of ENI provides useful information to investors regarding our results of operations as well as a reconciliation of Economic Net Income to Income (Loss) Before Provision for Taxes, see Management s Discussion and Analysis of Financial Condition and Results of Operations Key Financial Measures Non-GAAP Financial Measures Economic Net Income and Non-GAAP Financial Measures and Note 14 to our combined and consolidated financial statements appearing elsewhere in this prospectus.

(3) Distributable Earnings, a non-GAAP measure, is a component of ENI representing total ENI less unrealized performance fees and unrealized investment income plus unrealized performance fee compensation expense. For a discussion about the purposes for which our management uses Distributable Earnings and the reasons why we believe our presentation of Distributable Earnings provides useful information to investors regarding our results

of operations as well as a reconciliation of Distributable Earnings to Income (Loss) Before Provision for Taxes, see Management s Discussion and Analysis of Financial Condition and Results of Operations Key Financial Measures Non-GAAP Financial Measures Distributable Earnings and Non-GAAP Financial Measures and Note 14 to our combined and consolidated financial statements appearing elsewhere in this prospectus.

(4) Refer to Unaudited Pro Forma Financial Information.

RISK FACTORS

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

Risks Related to Our Company

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

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

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

Our funds may be affected by reduced opportunities to exit and realize value from their investments, by lower than expected returns on investments made prior to the deterioration of the credit markets and by the fact that we may not be able to find suitable investments for the funds to effectively deploy capital, all of which could adversely affect the timing of new funds and our ability to raise new funds. During periods of difficult market conditions or slowdowns (which may be across one or more industries or geographies), our funds portfolio companies may experience adverse operating performance, decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. Negative financial results in our funds portfolio companies may result in lower investment returns for our investment funds, which could materially and adversely affect our ability to raise new funds as well as our operating results and cash flow. During such periods of weakness, our funds portfolio companies may also have difficulty expanding their businesses and operations or meeting their debt service obligations or other expenses as they become due, including expenses payable to us. Furthermore, such negative market conditions could potentially result in a portfolio company entering bankruptcy proceedings, or in the case of our Real Assets funds, the abandonment or

foreclosure of investments, thereby potentially resulting in a

complete loss of the fund s investment in such portfolio company or real assets and a significant negative impact to the fund s performance and consequently our operating results and cash flow, as well as to our reputation. In addition, negative market conditions would also increase the risk of default with respect to investments held by our funds that have significant debt investments, such as our Global Market Strategies funds.

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

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

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

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

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

Our revenue, net income and cash flow are variable. For example, our cash flow fluctuates due to the fact that we receive carried interest from our carry funds and fund of funds vehicles only when investments are realized and achieve a certain preferred return. In addition, transaction fees

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

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

With respect to certain of the investment funds and vehicles that we advise, we are entitled to incentive fees that are paid annually, semi-annually or quarterly if the net asset value of a fund has increased. These funds also have high-water mark provisions whereby if the funds have experienced losses in prior periods, we will not be able to earn incentive fees with respect to an investor s account until the net asset value of the investor s account exceeds the highest period end value on which incentive fees were previously paid. The incentive fees we earn are therefore dependent on the net asset value of these funds or vehicles, which could lead to volatility in our quarterly results and cash flow.

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

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

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

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

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

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

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

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

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

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

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

In pursuing the interests of our fund investors, we may take actions that could reduce the profits we could otherwise realize in the short term. While we believe that our commitment to our fund investors and our discipline in this regard is in the long-term interest of us and our common unitholders, our common unitholders should understand this approach may have an adverse impact on our short-term profitability, and there is no guarantee that it will be beneficial in the long term. One of the means by which we seek to achieve superior investment performance in each of our

strategies might include limiting the AUM in our strategies to an amount that we believe can be invested appropriately in accordance with our investment philosophy and current or anticipated economic and market conditions. For instance, in 2009 we released JPY 50 billion ($542 million) of co-investment commitments associated with Carlyle Japan Partners II, LP in exchange for an extension of the fund s investment period. In prioritizing the interests of our fund investors, we may also take other actions that could adversely impact our short-term results of operations when we deem such action appropriate. For example, in 2009, we decided to shut down one of our Real Assets funds and guaranteed to reimburse investors of the fund for capital contributions made for investments and fees to the extent investment proceeds did not cover such amounts. Additionally, we may voluntarily reduce management fee rates and terms for certain of our funds or strategies when we deem it appropriate, even when doing so may reduce our short-term revenue. For example, in 2009, we voluntarily increased the transaction fee rebate on Carlyle Partners V, LP and Carlyle Europe Partners III, LP from 65% to 80%, and voluntarily reduced Carlyle Europe Partners III, LP management fees by 20% for the years 2011 and 2012. We have also waived management fees on certain leveraged finance vehicles at various times to improve returns.

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

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

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

- the availability of suitable opportunities;
- the level of competition from other companies that may have greater financial resources;
- our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities;
- our ability to obtain requisite approvals and licenses from the relevant governmental authorities and to comply with applicable laws and regulations without incurring undue costs and delays; and
- our ability to successfully negotiate and enter into beneficial arrangements with our counterparties.

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

the diversion of management s attention to integration matters;

difficulties and costs associated with the integration of operations and systems;

difficulties and costs associated with the assimilation of employees; and

the risk that a change in ownership will negatively impact the relationship between an acquiree and the investors in its investment vehicles.

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

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

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

the required investment of capital and other resources;

the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk;

the combination or integration of operational and management systems and controls; and

the broadening of our geographic footprint, including the risks associated with conducting operations in certain foreign jurisdictions where we currently have no presence.

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

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

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

Over the past several years, a number of legislative and administrative proposals have been introduced and, in certain cases, have been passed by the U.S. House of Representatives. Most recently, the U.S. House of Representatives on May 28, 2010 passed legislation that would have, in general, treated income and gains, including gain on sale, attributable to an interest in an investment services partnership interest (ISPI) as income subject to a new blended tax rate that is higher than under current law, except to the extent such ISPI would have been considered under the legislation to be a qualified capital interest. Your interest in us, our interest in The Carlyle Group L.P. and the interests that The Carlyle Group L.P. holds in entities that are entitled to receive carried interest may have been classified as ISPIs for purposes of this legislation. The U.S. Senate considered but did not pass similar legislation. It is unclear when or whether the U.S. Congress will reconsider similar legislation or what provisions will be included in any legislation, if enacted.

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

The Obama administration has indicated it supports the adoption of legislation that similarly changes the treatment of carried interest for U.S. federal income tax purposes. In its published revenue proposal for 2012, the Obama administration proposed that the current law regarding the treatment of carried interest be changed for periods after December 31, 2011 to subject such income to ordinary income tax (which is taxed at a higher rate than the proposed blended tax rate under the House legislation). The Obama administration s published revenue proposals for 2010 and 2011 contained similar proposals.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York recently considered legislation under which you, even if a non-resident, could be subject to New York state income tax on income in respect of our common units as a result of certain activities of our affiliates in New York. This legislation would have been retroactive to January 1, 2010. It is unclear when or whether similar legislation will be enacted. In addition, states and other jurisdictions have considered legislation to increase taxes involving other aspects of our structure. In addition, states and other jurisdictions have considered legislation which could increase taxes imposed on our income and gain. For example, the District of Columbia has passed (but not yet enacted) legislation that could expand the portion of our income that could be subject to District of Columbia income tax. If enacted, this provision would be effective January 1, 2011.

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

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

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

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

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

consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, and result in a breach of the covenants under the agreements governing any of our financing arrangements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements could also suffer if our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. This could materially adversely affect us and lead to a decline in our common unit price.

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

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

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

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

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

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

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

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

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

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

The Dodd-Frank Act establishes the Financial Stability Oversight Council (the FSOC), a federal agency acting as the financial system s systemic risk regulator with the authority to review the activities of nonbank financial companies predominantly engaged in financial activities that are designated as systemically important. Such designation is applicable to companies where material distress could pose risk to the financial stability of the United States. If we were designated as a systemically-important nonbank financial company, then we would become subject to heightened regulatory requirements that would impose additional administrative costs on our business and could limit our ability to grow.

The Dodd-Frank Act, under what has become known as the Volcker Rule, generally prohibits bank holding companies (including foreign banks with U.S. branches) and insured depository institutions (including their subsidiaries and affiliates) from investing in or sponsoring private equity funds or hedge funds. The Volcker Rule will become effective on July 21, 2012 and is subject to certain transition periods and exceptions for certain permitted activities. While there is substantial uncertainty regarding the implementation of the Volcker Rule and its practical implications, there could be adverse implications on our ability to raise funds from bank holding companies (including foreign banks with U.S. branches) and

insured depository institutions and their subsidiaries and affiliates, including investment funds controlled by such entities, as a result of this prohibition.

The Dodd-Frank Act requires many private equity and hedge fund advisers to register with the SEC under the Advisers Act, to maintain extensive records and to file reports with information that the regulators identify as necessary for monitoring systemic risk. Although a Carlyle subsidiary has been registered as an investment adviser for 15 years, the Dodd-Frank Act will affect our business and operations, including increasing regulatory costs, imposing additional burdens on our staff and potentially requiring the disclosure of sensitive information.

The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk taking by covered financial institutions. Such restrictions could limit our ability to recruit and retain investment professionals and senior management executives.

The Dodd-Frank Act requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the giveback of related incentive compensation from current and former executive officers.

The Dodd-Frank Act amends the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

Many of these provisions are subject to further rulemaking and to the discretion of regulatory bodies, such as the FSOC. We do not know exactly what the final regulations under the Dodd-Frank Act will require or how significantly the Dodd-Frank Act will affect us. The extent of the burden of complying with the Dodd-Frank Act will not be known until regulatory rulemakings are promulgated.

If the FSOC were to determine that we were a systemically important nonbank financial company, we would be subject to a heightened degree of regulation, which could include a requirement to adopt heightened standards relating to capital, leverage, liquidity, risk management, credit exposure reporting and concentration limits, restrictions on acquisitions and being subject to annual stress tests by the Board of Governors of the Federal Reserve. There can be no assurance that nonbank financial firms such as us will not become subject to the aforementioned restrictions or other requirements for financial firms deemed to be systemically significant to the financial health of the U.S. economy. Rules ultimately promulgated under the Dodd-Frank Act could also require us to substantially revise our compensation strategy and adversely affect our ability to recruit and retain qualified employees

In June 2010, the SEC approved Rule 206(4)-5 under the Advisers Act regarding pay to play practices by investment advisers involving campaign contributions and other payments to government clients and elected officials able to exert influence on such clients. The rule prohibits investment advisers from providing advisory services for compensation to a government client for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in position to influence the hiring of an investment adviser by such government client. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser s employees and engagement of third parties that solicit government entities and to keep certain records in order to enable the SEC to determine compliance with the rule. Any failure on our part to comply with the rule could expose us to significant penalties and reputational damage. In addition, there have been similar rules on a

state-level regarding pay to play practices by investment advisers. For example, in May 2009, we reached resolution with the Office of the Attorney General of the State of New York (the NYAG) regarding its inquiry into the use of placement agents by various asset managers, including Carlyle, to solicit New York public pension funds for private equity and hedge fund investment commitments. We made a $20 million payment to New York State as part of this resolution in November 2009 and agreed to adopt the NYAG s Code of Conduct.

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

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

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

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

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

In addition, in November 2010, the European Parliament voted to approve the EU Directive on Alternative Investment Fund Managers (the EU Directive), which establishes a new EU regulatory regime for alternative investment fund managers, including private equity and hedge fund managers. The EU Directive generally applies to managers with a registered office in the EU (or managing an EU-based fund vehicle), as well as non-EU-based managers that market securities of alternative investment funds in the European Union. In general, the EU Directive will have a staged implementation over a period of years beginning in mid-2013 for EU-based managers (or EU-based

funds) and no later than 2018 for non-EU-based managers marketing non-EU-based funds into the European Union. Compliance with the EU Directive will subject us to a number of additional requirements, including rules relating to the remuneration of certain personnel (principally adopting the provisions of CRD III referred to above), certain capital requirements for alternative investment fund managers, leverage oversight for each investment fund, liquidity management and retention of depositories for each investment fund. Compliance with the requirements of the EU Directive will impose additional compliance expense for us and could reduce our operating flexibility and fund raising opportunities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Business Operations

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

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

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

Alternatively, in the face of poor fund performance, investors could demand lower fees or fee concessions for existing or future funds which would likewise decrease our revenue.

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

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

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

The failure of our investment funds to raise capital in sufficient amounts could result in a decrease in our AUM as well as management fee and transaction fee revenue, or could result in a decline in the rate of growth of our AUM and management fee and transaction fee revenue, any of which could have a material adverse impact on our revenues and financial condition. Our past

experience with growth of AUM provides no assurance with respect to the future. For example, our next generation of large buyout and other funds could be smaller in overall size than our current large buyout and other funds. There can be no assurance that any of our business segments will continue to experience growth in AUM.

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

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

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

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

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

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

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

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

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of such investments as reflected in an investment fund s net asset value do not necessarily reflect the prices that would be obtained by us on behalf of the investment fund when such investments are realized. Realizations at values significantly lower than the values at which investments have been reflected in prior fund net asset values would result in reduced earnings or losses for the applicable fund, the loss of potential carried interest and incentive fees and in the case of our hedge funds, management fees. Changes in values attributed to investments from quarter to quarter may result in volatility in the net asset values and results of operations that we report from period to period. Also, a situation where asset values turn out to be

materially different than values reflected in prior fund net asset values could cause investors to lose confidence in us, which could in turn result in difficulty in raising additional funds.

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

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

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

- market conditions at times were significantly more favorable for generating positive performance, particularly in our Corporate Private Equity and Real Assets businesses, than the market conditions we experienced in the past three years and may continue to experience for the foreseeable future;

- the rates of returns of our carry funds reflect unrealized gains as of the applicable measurement date that may never be realized, which may adversely affect the ultimate value realized from those funds investments;

- unitholders will not benefit from any value that was created in our funds prior to your investment in our common units to the extent such value has been realized;

- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in alternative investment funds and high liquidity in debt markets, and the increased competition for investments may reduce our returns in the future;

- the rates of returns of some of our funds in certain years have been positively influenced by a number of investments that experienced rapid and substantial increases in value following the dates on which those investments were made, which may not occur with respect to future investments;

- our investment funds returns in some years have benefited from investment opportunities and general market conditions that may not repeat themselves (including, for example, particularly favorable borrowing conditions in the debt markets during 2005, 2006 and early 2007), and our current or future investment funds might not be able to avail themselves of comparable investment opportunities or market conditions; and

- we may create new funds in the future that reflect a different asset mix and different investment strategies, as well as a varied geographic and industry exposure as compared to our present funds, and any such new funds could have different returns than our existing or previous funds.

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

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

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

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

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

- allow even moderate reductions in operating cash flow to render the entity unable to service its indebtedness, leading to a bankruptcy or other reorganization of the entity and a loss of part or all of the equity investment in it;

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

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

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

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

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

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

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

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

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

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

- the inability of our investment professionals to identify attractive investment opportunities;

- competition for such opportunities among other potential acquirers;

- decreased availability of capital on attractive terms; and

- our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets.

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

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

The alternative asset management business is intensely competitive.

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

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

some of our competitors may have more flexibility than us in raising certain types of investment funds under the investment management contracts they have negotiated with their investors;

some of our competitors may have better expertise or be regarded by investors as having better expertise in a specific asset class or geographic region than we do;

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

there are relatively few barriers to entry impeding the formation of new alternative asset management firms, and the successful efforts of new entrants into our various businesses, including former star portfolio managers at large diversified financial institutions as well as such institutions themselves, is expected to continue to result in increased competition;

some investors may prefer to invest with an asset manager that is not publicly traded or is smaller with only one or two investment products that it manages; and

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

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

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

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

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

investment and, in some circumstances, third-party investigations. The due diligence process may at times be subjective with respect to newly-organized companies for which only limited information is available. Accordingly,

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

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

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

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

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

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

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

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

significant failures of our portfolio companies to comply with laws and regulations applicable to them could affect the ability of our funds to invest in other companies in certain industries in the future and could harm our reputation;

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

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

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

companies in which private equity investments are made generally have less predictable operating results;

instances of fraud and other deceptive practices committed by senior management of portfolio companies in which our funds invest may undermine our due diligence efforts with respect to such companies and, upon the discovery of such fraud, negatively affect the valuation of a fund s investments as well as contribute to overall market volatility that can negatively impact a fund s investment program;

our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund s term or otherwise, resulting in a lower than expected return on the investments and, potentially, on the fund itself;

our funds generally establish the capital structure of portfolio companies on the basis of the financial projections based primarily on management judgments and assumptions, and general economic conditions and other factors may cause actual performance to fall short of these financial projections, which could cause a substantial decrease in the value of our equity holdings in the portfolio company and cause our funds performance to fall short of our expectations; and

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

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

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

those associated with the burdens of ownership of real property;

general and local economic conditions;

changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding);

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

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

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

As an element of our investment style, we may pursue unusually complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that would deter other asset managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions;

and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Any of these risks could harm the performance of our funds.

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

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

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

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

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

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

higher rates of inflation;

higher transaction costs;

less government supervision of exchanges, brokers and issuers;

less developed bankruptcy, corporate, partnership and other laws;

difficulty in enforcing contractual obligations;

less stringent requirements relating to fiduciary duties;

fewer investor protections; and

greater price volatility.

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

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

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

If, at the end of the life of a carry fund (or earlier with respect to certain of our real estate funds), the carry fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, we will be obligated to repay an amount equal to the extent to which carried interest that was previously distributed to us exceeds the amounts to which we are ultimately entitled. These repayment obligations may be related to amounts previously distributed to our senior Carlyle professionals prior to the completion of this offering, with respect to which our common unitholders did not receive any benefit. This obligation is known as a giveback obligation. 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 may need to reserve cash to repay the giveback obligation instead of using the cash for other purposes. See Business Structure and Operation of Our Investment Funds Incentive

Arrangements / Fee Structure and Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations Contingent Obligations (Giveback) and Notes 2 and 10 to the combined and consolidated financial statements for the year ended December 31, 2010 and the six months ended June 30, 2011 appearing elsewhere in this prospectus.

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

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

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

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

The AlpInvest funds and vehicles generally provide for suspension or termination of investment commitments in the event of cause, key person or regulatory events, changes in control of Carlyle or of majority ownership of AlpInvest, and, in some cases, other performance metrics, but generally have not provided for liquidation without cause. Where AlpInvest funds and vehicles include key person provisions, they are focused on specific existing AlpInvest personnel. While we believe that

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existing AlpInvest management have appropriate incentives to remain at AlpInvest, based on equity ownership, profit participation and other contractual provisions, we are not able to guarantee the ongoing participation of AlpInvest management team members in respect of the AlpInvest funds. In addition, AlpInvest funds and vehicles have historically had few or even a single investor. In such cases, an individual investor may hold disproportionate authority over decisions reserved for third-party investors.

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

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

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

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

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

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our funds investment activities. Certain of our funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds. For example, a decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to take any action. We may also cause different private equity funds to invest in a single portfolio company, for example where the fund that made an initial investment no longer has capital available to invest. We may also cause different funds that we manage to purchase different classes of securities in the same portfolio company. For example, one of our CLO funds could acquire a debt

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security issued by the same company in which one of our buyout funds owns common equity securities. A direct conflict of interest could arise between the debt holders and the equity holders if such a company were to develop insolvency concerns, and that conflict would have to be carefully managed by us. In addition, conflicts of interest may exist in the valuation of our investments and regarding decisions about the allocation of specific investment opportunities among us and our funds and the allocation of fees and costs among us, our funds and their portfolio companies. Lastly, in certain infrequent instances we may purchase an investment alongside one of our investment funds or sell an investment to one of our investment funds and conflicts may arise in respect of the allocation, pricing and timing of such investments and the ultimate disposition of such investments. To the extent we fail to appropriately deal with any such conflicts, it could negatively impact our reputation and ability to raise additional funds and the willingness of counterparties to do business with us or result in potential litigation against us.

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

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

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

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

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

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

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

Our performance and the performance of our private equity funds is significantly impacted by the value of the companies in which our funds have invested. Our funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. Over the last few years, the credit crisis has caused significant fluctuations in the value of securities held by our funds and the global economic recession had a significant impact in overall performance activity and the demands for many of the goods and services provided by portfolio companies of the funds we advise. Although the U.S. economy has begun to improve, there remain many obstacles to continued growth in the economy such as high unemployment, global geopolitical events, risks of inflation and high deficit levels for governments in the United States and abroad. These factors and other general economic trends are likely to impact the performance of portfolio companies in many industries and in particular, industries that are more impacted by changes in consumer demand, such as the consumer products sector and real estate. The performance of our private equity funds, and our performance, may be adversely affected to the extent our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends. In respect of real estate, various factors could halt or limit a recovery in the housing market and have an adverse effect on investment performance, including, but not limited to, continued high unemployment, a low level of consumer confidence in the economy and/or the residential real estate market and rising mortgage interest rates.

The financial projections of our portfolio companies could prove inaccurate.

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

decrease in the value of our equity holdings in the portfolio company. The inaccuracy of financial projections could thus cause our funds performance to fall short of our expectations.

Contingent liabilities could harm fund performance.

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

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

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

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

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

The AlpInvest business is subject to business and other risks and uncertainties generally consistent with our business as a whole, including without limitation legal and regulatory risks, the avoidance or management of conflicts of interest and the ability to attract and retain investment professionals and other personnel.

We will restrict our day-to-day participation in the AlpInvest business, which may in turn limit our ability to address risks arising from the AlpInvest business for so long as AlpInvest maintains separate investment operations. AlpInvest s management team will continue to carry out independent asset management operations without day-to-day participation by other Carlyle personnel. For so long as these arrangements are in place, Carlyle representatives will serve on the 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 client mandates, will be shared. As such, we will have a reduced ability to identify or respond to investment and other operational issues that may arise within the AlpInvest business, relative to other Carlyle investment funds.

AlpInvest s business is subject to regulatory capital requirements which may limit our ability to withdraw cash from AlpInvest, or require additional investments of capital in order for AlpInvest to maintain certain licenses to operate its business.

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

AlpInvest is expected to seek to broaden its client base by advising separate accounts for investors on an account-by-account basis. AlpInvest has only limited experience in attracting new clients and may not be successful in this strategy.

AlpInvest s co-investment business is subject to the risk that other private equity sponsors, alongside whom AlpInvest has historically invested in leveraged buyouts and growth capital transactions throughout Europe, North America and Asia, will no longer be willing to provide AlpInvest with investment opportunities as favorable as in the past, if at all, as a result of our ownership of AlpInvest.

AlpInvest s secondary investments business is subject to the risk that conditions for the secondary investments market, which tends to perform counter-cyclically, may not be as favorable as the recent past.

Our hedge fund investments are subject to additional risks.

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

Generally, there are few limitations on the execution of these hedge funds investment strategies, which are subject to the sole discretion of the management company or the general partner of such funds.

These funds may engage in short-selling, which is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. A fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the fund is otherwise unable to borrow securities that are necessary to hedge its positions.

These funds may be limited in their ability to engage in short selling or other activities as a result of regulatory mandates. Such regulatory actions may limit our ability to engage in hedging activities and therefore impair our investment strategies. In addition, these funds may invest in securities and other assets for which appropriate market hedges do not exist or cannot be acquired on attractive terms.

These funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss.

Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This systemic risk could have a further material adverse effect on the financial intermediaries (such as prime brokers, clearing agencies, clearing houses, banks, securities firms and exchanges) with which these funds transact on a daily basis.

The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position in a combination of financial instruments, which can be difficult to execute.

These funds may make investments or hold trading positions in markets that are volatile and may become illiquid.

These funds investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to a theoretically unlimited risk of loss in certain circumstances. In addition, the funds assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties.

These funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund s term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have a limited ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

Risks Related to Our Organizational Structure

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

Our general partner, Carlyle Group Management L.L.C., which is owned by our senior Carlyle professionals, will manage all of our operations and activities. The limited liability company agreement of Carlyle Group Management L.L.C. establishes a board of directors that will be responsible for the oversight of our business and operations. Unlike the holders of common stock in a corporation, our common unitholders will have only limited voting rights and will have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. Our common unitholders will have no right to elect the directors of our general partner unless, as determined on January 31 of each year, the total voting power held by holders of the special voting units in The Carlyle Group L.P. (including voting units held by our general partner and its affiliates) in their capacity as such, or otherwise held by then-current or former Carlyle personnel (treating voting units deliverable to such persons pursuant to outstanding equity awards as being held by them), collectively, constitutes less than 10% of the voting power of the outstanding voting units of The Carlyle Group L.P. Unless and until the foregoing voting power condition is satisfied, our general partner s board of directors will be elected in accordance with its limited liability company agreement, which provides that directors may be appointed and removed by members of our general partner holding a majority in interest of the voting power of the members, which voting power is allocated to each member ratably according to his or her aggregate relative ownership of our common units and partnership units. Immediately following this offering our existing owners will collectively have % of the voting power of The Carlyle Group L.P. limited partners, or % if the underwriters exercise in full their option to purchase additional common units. As a result, our common unitholders will have limited ability to influence decisions regarding our business. See Material Provisions of The Carlyle Group L.P. Partnership Agreement Election of Directors of General Partner.

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

Immediately following this offering, our existing owners will beneficially own % of the equity in our business, or % if the underwriters exercise in full their option to purchase additional common units. TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, will hold a special voting unit that provides it with a number of votes on any

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matter that may be submitted for a vote of our common unitholders (voting together as a single class on all such matters) that is equal to the aggregate number of vested and unvested Carlyle Holdings partnership units held by the limited partners of Carlyle Holdings. Accordingly, immediately following this offering our existing owners generally will have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of the limited partners of The Carlyle Group L.P. See Material Provisions of The Carlyle Group L.P. Partnership Agreement Withdrawal or Removal of the General Partner, Meetings; Voting and Election of Directors of General Partner.

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

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

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

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

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

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

Accordingly, you will not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of .

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

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

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

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

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

- our general partner determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional partnership interests and amounts of reserves, each of which can affect the amount of cash that is available for distribution to you;
- our general partner is allowed to take into account the interests of parties other than us and the common unitholders in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to our common unitholders. For example, our subsidiaries that serve as the general partners of our investment funds have fiduciary and contractual obligations to the investors in those funds as a result of which we expect to regularly take actions that might adversely affect our near-term results of operations or cash flow;
- because our senior Carlyle professionals hold their Carlyle Holdings partnership units directly or through entities that are not subject to corporate income taxation and The Carlyle Group L.P. holds Carlyle Holdings partnership units through wholly-owned subsidiaries, some of which are subject to corporate income taxation, conflicts may arise between our senior Carlyle professionals and The Carlyle Group L.P. relating to the selection, structuring and disposition of investments and other matters. For example, the earlier disposition of assets following an exchange or acquisition transaction by a senior Carlyle professional generally will accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase an existing owner s tax liability without giving rise to any rights of an existing owner to receive payments under the tax receivable

agreement;

our partnership agreement does not prohibit affiliates of the general partner, including its owners, from engaging in other businesses or activities, including those that might directly compete with us;

our general partner has limited its liability and reduced or eliminated its duties (including fiduciary duties) under the partnership agreement, while also restricting the remedies available to our common unitholders for actions that, without these limitations, might constitute breaches of duty (including fiduciary duty). In addition, we have agreed to indemnify our general partner and its affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct. **By purchasing our common units, you will have agreed and consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law;**

our partnership agreement will not restrict our general partner from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are fair and reasonable to us as determined under the partnership agreement;

our general partner determines how much debt we incur and that decision may adversely affect our credit ratings;

our general partner determines which costs incurred by it and its affiliates are reimbursable by us;

our general partner controls the enforcement of obligations owed to us by it and its affiliates; and

our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

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

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

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

The above modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and our common unitholders will only have recourse and be able to seek remedies against our general partner if our general partner breaches its obligations pursuant to our partnership agreement. Unless our general partner breaches its obligations pursuant to our partnership agreement, we and our common unitholders will not have any recourse against our general partner

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

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

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

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

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

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

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

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

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

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

Holders of partnership units in Carlyle Holdings (other than The Carlyle Group L.P. s wholly-owned subsidiaries), subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to such holders as set forth in the partnership agreements of the Carlyle Holdings partnerships, may on a quarterly basis, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three Carlyle Holdings partnerships to effect an exchange for a common unit. The exchanges are expected to

result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that certain of our subsidiaries, including Carlyle Holdings I GP Inc., which we refer to as the corporate taxpayers, would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

We will enter into a tax receivable agreement with our existing owners that will provide for the payment by the corporate taxpayers to our existing owners of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayers and not of Carlyle Holdings. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, the payments that we may make to our existing owners will be substantial. The payments under the tax receivable agreement are not conditioned upon our existing owners continued ownership of us. In the event that The Carlyle Group L.P. or any of its wholly-owned subsidiaries that are not treated as corporations for U.S. federal income tax purposes become taxable as a corporation for U.S. federal income tax purposes, these entities will also be obligated to make payments under the tax receivable agreement on the same basis and to the same extent as the corporate taxpayers.

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

Accordingly, it is possible that the actual cash tax savings realized by the corporate taxpayers may be significantly less than the corresponding tax receivable agreement payments. There may be a material negative effect on our liquidity if the payments under the tax receivable agreement exceed the actual cash tax savings that the corporate taxpayers realize in respect of the tax attributes subject to the tax receivable agreement and/or distributions to the corporate taxpayers by Carlyle Holdings are not sufficient to permit the corporate taxpayers to make payments under the tax receivable agreement after they have paid taxes and other expenses. Based upon certain assumptions described in greater detail below under Certain Relationships and Related Person Transactions Tax Receivable Agreement, we estimate that if the corporate taxpayers were to exercise their

termination right immediately following this offering, the aggregate amount of these termination payments would be approximately $ million. The foregoing number is merely an estimate and the actual payments could differ materially. We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise.

See Certain Relationships and Related Person Transactions Tax Receivable Agreement.

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

Prior to this offering, our compensation and benefits expense has reflected compensation (primarily salary and bonus) solely to our employees who are not senior Carlyle professionals. Historically, all payments for services rendered by our senior Carlyle professionals have been accounted for as partnership distributions rather than as compensation and benefits expense. As a result, our consolidated financial statements have not reflected compensation and benefits expense for services rendered by these individuals. Following this offering, all of our senior Carlyle professionals and other employees will receive a base salary that will be paid by us and accounted for as compensation and benefits expense. Our senior Carlyle professionals and other employees are also eligible to receive discretionary cash bonuses based on the performance of Carlyle and the investments of the funds that we advise and other matters. The base salaries and any discretionary cash bonuses paid to our senior Carlyle professionals will be represented as compensation and benefits expense on our GAAP financials following the offering. In addition, as part of the reorganization, our existing owners will receive Carlyle Holdings partnership units, of which are unvested. In addition, we expect to grant unvested deferred restricted units to our employees at the time of this offering. See Management IPO Date Equity Awards. The grant date fair value of the unvested Carlyle Holdings partnership units and deferred restricted units (which will be the initial public offering price per common unit in this offering) will be charged to expense as such units vest over the assumed service periods, which range up to years, on a straight-line basis. The amortization of this non-cash equity-based compensation will increase our GAAP expenses substantially during the relevant periods and, as a result, we may record significant net losses for a number of years following this offering. See Unaudited Pro Forma Financial Information and Management s Discussion and Analysis of Financial Condition and Results of Operation for additional information.

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

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

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

We believe that we are engaged primarily in the business of providing asset management services and not in the business of investing, reinvesting or trading in securities. We hold ourselves out as an asset management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that The Carlyle Group L.P. is, or following this offering will be, an orthodox investment company as defined in section 3(a)(1)(A) of the 1940 Act and described in the first bullet point above. Furthermore, following this

offering, The Carlyle Group L.P. will have no material assets other than its interests in certain wholly-owned subsidiaries, which in turn will have no material assets other than general partner interests in the

Carlyle Holdings partnerships. These wholly-owned subsidiaries will be the sole general partners of the Carlyle Holdings partnerships and will be vested with all management and control over the Carlyle Holdings partnerships. We do not believe that the equity interests of The Carlyle Group L.P. in its wholly-owned subsidiaries or the general partner interests of these wholly-owned subsidiaries in the Carlyle Holdings partnerships are investment securities. Moreover, because we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities, we believe that less than 40% of The Carlyle Group L.P. s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis after this offering will be composed of assets that could be considered investment securities. Accordingly, we do not believe that The Carlyle Group L.P. is, or following this offering will be, an inadvertent investment company by virtue of the 40% test in section 3(a)(1)(C) of the 1940 Act as described in the second bullet point above. In addition, we believe that The Carlyle Group L.P. is not an investment company under section 3(b)(1) of the 1940 Act because it is primarily engaged in a non-investment company business.

The 1940 Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the 1940 Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that The Carlyle Group L.P. will not be deemed to be an investment company under the 1940 Act. If anything were to happen which would cause The Carlyle Group L.P. to be deemed to be an investment company under the 1940 Act, requirements imposed by the 1940 Act, including limitations on our capital structure, ability to transact business with affiliates (including us) and ability to compensate key employees, could make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among The Carlyle Group L.P., Carlyle Holdings and our senior Carlyle professionals, or any combination thereof, and materially adversely affect our business, results of operations and financial condition. In addition, we may be required to limit the amount of investments that we make as a principal or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the 1940 Act.

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

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

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

Risks Related to Our Common Units and this Offering

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

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

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

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

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

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

We have agreed to provide Mubadala and CalPERS with

registration rights to effect certain sales. See Common Units Eligible for Future Sale Registration Rights.

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

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

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

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

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

Even if a trading market develops, the market price of our common units may be highly volatile and could be subject to wide fluctuations. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of common units in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly operating results or distributions to unitholders, additions or departures of key management personnel, failure to meet analysts earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of

similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, adverse publicity about the industries in which we participate or individual scandals, and in response the market price of our common units could decrease significantly. You may be unable to resell your common units at or above the initial public offering price.

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

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

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

Risks Related to U.S. Taxation

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

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

investment partnership and allocable to a partner affiliated with the sponsor of the partnership (i.e., a portion of the carried interest) as ordinary income to such partner for U.S. federal income tax purposes.

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

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

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

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

Current law may change, causing us to be treated as a corporation for U.S. federal or state income tax purposes or otherwise subjecting us to additional entity level taxation. See Risks Related to Our Company Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted

and apply to us, the after tax income and gain related to our business, as well as our distributions to you and the market price of our common units, could be reduced. For example, because of widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our distributions to you would be reduced.

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

As long as 90% of our gross income for each taxable year constitutes qualifying income as defined in Section 7704 of the Internal Revenue Code and we are not required to register as an investment company under the 1940 Act on a continuing basis, and assuming there is no change in law, we will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. Accordingly, you will be required to take into account your allocable share of our items of income, gain, loss and deduction. Distributions to you generally will be taxable for U.S. federal income tax purposes only to the extent the amount distributed exceeds your tax basis in the common unit. That treatment contrasts with the treatment of a shareholder in a corporation. For example, a shareholder in a corporation who receives a distribution of earnings from the corporation generally will report the distribution as dividend income for U.S. federal income tax purposes. In contrast, a holder of our common units who receives a distribution of earnings from us will not report the distribution as dividend income (and will treat the distribution as taxable only to the extent the amount distributed exceeds the unitholder s tax basis in the common units), but will instead report the holder s allocable share of items of our income for U.S. federal income tax purposes. As a result, you may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on your allocable share of our items of income, gain, loss, deduction and credit (including our allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within your taxable years, regardless of whether or not you receive cash distributions from us. See Material U.S. Federal Tax Considerations. See also Risks Related to Our Company Although not enacted, the U.S. Congress has considered legislation that would have: (i) in some cases after a ten-year transition period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations; and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after tax income and gain related to our business, as well as our distributions to you and the market price of our common units, could be reduced.

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

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

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

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

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

Our structure also may impede our ability to engage in certain corporate acquisitive transactions because we generally intend to hold all of our assets through the Carlyle Holdings partnerships. In addition, we may be unable to participate in certain corporate reorganization transactions that would be tax-free to our common unit holders if we were a corporation.

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

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

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

We currently do not intend to make, or cause to be made, an election to adjust asset basis under Section 754 of the Internal Revenue Code with respect to us, Carlyle Holdings II L.P. or Carlyle Holdings III L.P. If no such election is made, there generally will be no adjustment to the basis of the assets of Carlyle Holdings II L.P. or Carlyle Holdings III L.P. upon our acquisition of interests in Carlyle Holdings II L.P. or Carlyle Holdings III L.P. in connection with this offering, or to our assets or to the assets of Carlyle Holdings II L.P. or Carlyle Holdings III L.P. upon a subsequent transferee s acquisition of common units from a prior holder of such common units, even if the

purchase price

for those interests or units, as applicable, is greater than the share of the aggregate tax basis of our assets or the assets of Carlyle Holdings II L.P. or Carlyle Holdings III L.P. attributable to those interests or units immediately prior to the acquisition. Consequently, upon a sale of an asset by us, Carlyle Holdings II L.P. or Carlyle Holdings III L.P., gain allocable to a holder of common units could include built-in gain in the asset existing at the time we acquired those interests, or such holder acquired such units, which built-in gain would otherwise generally be eliminated if we had made a Section 754 election. See Material U.S. Federal Tax Considerations Consequences to U.S. Holders of Common Units Section 754 Election.

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

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

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

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

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

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

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

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

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

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

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

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

In addition, it is possible that a common unitholder will be required to file amended income tax returns as a result of adjustments to items on the corresponding income tax returns of the partnership. Any obligation for a common unitholder to file amended income tax returns for that or

any other reason, including any costs incurred in the preparation or filing of such returns, are the responsibility of each common unitholder.

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

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes. Such an entity may be a PFIC or a CFC for U.S. federal income tax purposes. U.S. holders of common units indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences.

FORWARD-LOOKING STATEMENTS

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

MARKET AND INDUSTRY DATA

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

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

ORGANIZATIONAL STRUCTURE

Our Current Organizational Structure

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

The diagram below depicts our current organizational structure.

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

Our Organizational Structure Following this Offering

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

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

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

(2) Certain individuals engaged in our business will continue to own interests directly in selected subsidiaries of the Parent Entities, including, in certain instances, entities that receive management fees from funds that we advise.

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

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

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

- all management fees payable in respect of all current and future investment funds that we advise, as well as the fees for transaction advisory and oversight services that may be payable by these investment funds portfolio companies (subject to certain third-party interests, as described below);

- all carried interest earned in respect of all current and future carry funds that we advise (subject to certain third-party interests, including those described below and to the allocation to our investment professionals who work in these operations of a portion of this carried interest as described below);

- all incentive fees (subject to certain interests in Claren Road and ESG and, with respect to other funds earning incentive fees, any performance-related allocations to investment professionals); and

- all returns on investments of our own balance sheet capital that we make following this offering (as well as on existing investments with an aggregate value of approximately $ million as of June 30, 2011).

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

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

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

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

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

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

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

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

ownership of our common units and partnership units. See Material Provisions of The Carlyle Group L.P. Partnership Agreement Election of Directors of General Partner.

Reorganization

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

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

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

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

- our senior Carlyle professionals, Mubadala and CalPERS will contribute all of their interests in:
  - TC Group, L.L.C. to Carlyle Holdings I L.P.;

TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. to Carlyle Holdings II L.P.; and

TC Group Cayman, L.P. to Carlyle Holdings III L.P.; and

our senior Carlyle professionals and other individuals engaged in our business will contribute to the Carlyle Holdings partnerships a portion of the equity interests they own in the general partners of our existing carry funds.

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

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

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

Exchange Agreement; Tax Receivable Agreement

At the time of this offering, we will enter into an exchange agreement with limited partners of the Carlyle Holdings partnerships so that these holders, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Carlyle Holdings partnerships, will have the right on a quarterly basis, from and after the first anniversary date of the closing of this offering (subject to the terms of the exchange agreement), to exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three Carlyle Holdings partnerships to effect an exchange for a common unit. See Certain Relationships and Related Person Transactions Exchange Agreement.

Future exchanges of Carlyle Holdings partnership units are expected to result in transfers of and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, primarily attributable to a portion of the goodwill inherent in our business. These transfers and increases in tax basis will increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that certain of our subsidiaries, including Carlyle Holdings I GP Inc., which we refer to as the corporate taxpayers, would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. We will enter into a tax receivable agreement with our existing owners whereby the corporate taxpayers will agree to pay to our existing owners 85% of the amount of cash tax savings, if any, in

U.S. federal, state and local income tax that it realizes as a result of these increases in tax basis and, in limited cases, transfers or prior increases in tax basis. See Certain Relationships and Related Person Transactions Tax Receivable Agreement.

Offering Transactions

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

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

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

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

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

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

Holding Partnership Structure

As discussed in Material U.S. Federal Tax Considerations, The Carlyle Group L.P. will be treated as a partnership and not as a corporation for U.S. federal income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether or not cash distributions are made. Investors in this offering will become partners in The Carlyle Group L.P. Distributions of cash by a partnership to a partner are generally not taxable unless the amount of cash distributed to a partner is in excess of

the partner s adjusted basis in its partnership interest. However, our partnership agreement does not restrict our ability to take actions that may result in our being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. See Material U.S. Federal Tax Considerations for a summary discussing certain U.S. federal income tax considerations related to the purchase, ownership and disposition of our common units as of the date of this prospectus.

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

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

The partnership agreements of the Carlyle Holdings partnerships will provide for cash distributions, which we refer to as tax distributions, to the partners of such partnerships if the wholly-owned subsidiaries of The Carlyle Group L.P. which are the general partners of the Carlyle Holdings partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the non-deductibility of certain expenses and the character of our income). If we had effected the Reorganization on January 1, 2011, the assumed effective tax rate for 2011 would have been approximately %. The Carlyle Holdings partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year were otherwise insufficient to cover such tax liabilities.

USE OF PROCEEDS

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

The Carlyle Group L.P. intends to use all of these proceeds to purchase newly issued Carlyle Holdings partnership units from Carlyle Holdings, as described under Organizational Structure Offering Transactions. We intend to cause Carlyle Holdings to use approximately $ of these proceeds to repay outstanding indebtedness and the remainder for general corporate purposes, including general operational needs, growth initiatives, acquisitions and strategic investments and to fund capital commitments to, and other investments in and alongside of, our investment funds. Carlyle Holdings will also bear or reimburse The Carlyle Group L.P. for all of the expenses of this offering, which we estimate will be approximately $.

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

CASH DISTRIBUTION POLICY

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

Notwithstanding the foregoing, the declaration and payment of any distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. Our general partner will take into account:

- general economic and business conditions;
- our strategic plans and prospects;
- our business and investment opportunities;
- our financial condition and operating results, including our cash position, our net income and our realizations on investments made by our investment funds;
- working capital requirements and anticipated cash needs;
- contractual restrictions and obligations, including payment obligations pursuant to the tax receivable agreement and restrictions pursuant to our credit facility;
- legal, tax and regulatory restrictions;
- other constraints on the payment of distributions by us to our common unitholders or by our subsidiaries to us; and
- such other factors as our general partner may deem relevant.

Because The Carlyle Group L.P. will be a holding partnership and will have no material assets other than its ownership of partnership units in Carlyle Holdings held through wholly-owned subsidiaries, we will fund distributions by The Carlyle Group L.P., if any, in three steps:

- first, we will cause Carlyle Holdings to make distributions to its partners, including The Carlyle Group L.P. s wholly-owned subsidiaries. If Carlyle Holdings makes such distributions, the limited partners of Carlyle Holdings will be entitled to receive equivalent distributions pro rata based on their partnership interests in Carlyle Holdings;

second, we will cause The Carlyle Group L.P. s wholly-owned subsidiaries to distribute to The Carlyle Group L.P. their share of such distributions, net of taxes and amounts payable under the tax receivable agreement by such wholly-owned subsidiaries; and

third, The Carlyle Group L.P. will distribute its net share of such distributions to our common unitholders on a pro rata basis.

Because our wholly-owned subsidiaries must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by us to our common unitholders are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings

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

In addition, the partnership agreements of the Carlyle Holdings partnerships will provide for cash distributions, which we refer to as tax distributions, to the partners of such partnerships if the wholly-owned subsidiaries of The Carlyle Group L.P. which are the general partners of the Carlyle Holdings partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the non-deductibility of certain expenses and the character of our income). The Carlyle Holdings partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year were otherwise insufficient to cover such tax liabilities.

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

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

Cash distributions to the owners of the Parent Entities in respect of the fiscal and tax year ended December 31, 2011 aggregated approximately $, which included distributions of an aggregate of $ of proceeds from the December 2010 investment in our firm by Mubadala. Cash distributions to the owners of the Parent Entities in respect of the 2012 fiscal and tax year have aggregated approximately $ to date. Prior to the date of the offering the Parent Entities will also make one or more cash distributions of previously undistributed earnings and accumulated cash to their owners totaling $.

CAPITALIZATION

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

on a historical basis; and

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

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

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

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

DILUTION

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

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

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

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

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

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

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

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

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

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

SELECTED HISTORICAL FINANCIAL DATA

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

We derived the selected historical combined and consolidated statements of operations data of Carlyle Group for each of the years ended December 31, 2010, 2009 and 2008 and the selected historical combined and consolidated balance sheet data as of December 31, 2010 and 2009 from our audited combined and consolidated financial statements which are included elsewhere in this prospectus. We derived the selected historical condensed combined and consolidated statements of operations data of Carlyle Group for the six months ended June 30, 2011 and 2010 and the selected historical condensed combined and consolidated balance sheet data as of June 30, 2011 from our unaudited condensed combined and consolidated financial statements which are included elsewhere in this prospectus. We derived the selected historical condensed combined and consolidated statements of operations data of Carlyle Group for the years ended December 31, 2007 and 2006 and the selected condensed combined and consolidated balance sheet data as of December 31, 2008, 2007 and 2006 from our audited combined and consolidated financial statements which are not included in this prospectus. The combined and consolidated financial statements of Carlyle Group have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds.

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

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

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010	Year Ended December 31, 2010	2009	2008	2007	2006
	(Dollars in millions)						
Statement of Operations Data							
Revenues							
Fund management fees	$ 447.2	$ 386.7	$ 770.3	$ 788.1	$ 811.4	$ 668.9	$ 186.3
Performance fees							
Realized	494.9	81.0	266.4	11.1	59.3	1,013.1	63.7
Unrealized	725.5	32.9	1,215.6	485.6	(944.0)	376.7	42.3
Total performance fees	1,220.4	113.9	1,482.0	496.7	(884.7)	1,389.8	106.0
Investment income (loss)	62.0	22.0	72.6	5.0	(104.9)	75.6	7.6
Interest and other income	13.1	8.9	21.4	27.3	38.2	36.3	22.9
Interest and other income of Consolidated Funds	330.4	231.0	452.6	0.7	18.7	51.9	41.3
Total Revenues	2,073.1	762.5	2,798.9	1,317.8	(121.3)	2,222.5	364.1
Expenses							
Compensation and benefits	317.9	153.8	429.0	348.4	97.4	775.5	500.2
General, administrative and other expenses	144.3	77.1	177.2	236.6	245.1	234.3	160.2
Interest	32.8	9.0	17.8	30.6	46.1	15.9	4.4
Interest and other expenses of Consolidated Funds	190.9	115.4	233.3	0.7	6.8	38.8	126.9
Other non-operating expenses	20.6						
Loss (gain) from early extinguishment of debt, net of related expenses			2.5	(10.7)			
Equity issued for affiliate debt financing			214.0				
Loss on CCC liquidation					147.0		
Total Expenses	706.5	355.3	1,073.8	605.6	542.4	1,064.5	791.7
Other Income (Loss)							
Net investment gains (losses) of Consolidated Funds	(277.0)	314.6	(245.4)	(33.8)	162.5	300.4	6,503.5

Income (loss) before provision for income taxes	1,089.6	721.8	1,479.7	678.4	(501.2)	1,458.4	6,075.9
Provision for income taxes	12.8	7.4	20.3	14.8	12.5	15.2	14.7
Net income (loss)	1,076.8	714.4	1,459.4	663.6	(513.7)	1,443.2	6,061.2
Net income (loss) attributable to non-controlling interests in consolidated entities	(191.1)	410.1	(66.2)	(30.5)	94.5	182.4	4,923.8
Net income (loss) attributable to Carlyle Group	$ 1,267.9	$ 304.3	$ 1,525.6	$ 694.1	$ (608.2)	$ 1,260.8	$ 1,137.4

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

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

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

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

Overview

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

Corporate Private Equity Our Corporate Private Equity segment advises our buyout and growth capital funds, which seek a wide variety of investments of different sizes and growth potentials. As of June 30, 2011, our Corporate Private Equity segment had approximately $55 billion in AUM and approximately $39 billion in fee-earning AUM.

Real Assets Our Real Assets segment advises our U.S. and internationally focused real estate and infrastructure funds, as well as our energy and renewable resources funds. As of June 30, 2011, our Real Assets segment had approximately $31 billion in AUM and approximately $23 billion in fee-earning AUM.

Global Market Strategies Our Global Market Strategies segment advises a group of funds that pursue investment opportunities across various types of credit, equities and alternative instruments, and (as regards certain macroeconomic strategies) currencies, commodities and interest rate products and their derivatives. As of June 30, 2011, our Global Market Strategies segment had approximately $21 billion in AUM and approximately $18 billion in fee-earning AUM.

Fund of Funds Solutions Our Fund of Funds Solutions segment was launched upon our acquisition of a 60% equity interest in AlpInvest on July 1, 2011 and advises a global private equity fund of funds program and related co-investment and secondary activities. As of June 30, 2011, AlpInvest had approximately $45 billion in AUM and approximately $28 billion in fee-earning AUM.

We earn management fees pursuant to contractual arrangements with the investment funds that we manage and fees for transaction advisory and oversight services provided to portfolio companies of these funds. We also typically receive a performance fee from an investment fund, which may be

either an incentive fee or a special residual allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund. Under U.S. generally accepted accounting principles, we are required to consolidate some of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these investment funds. Accordingly, our segment revenues primarily consist of fund management and related advisory fees, performance fees (consisting of incentive fees and carried interest allocations), investment income, including realized and unrealized gains on our investments in our funds and other trading securities, as well as interest and other income. Our segment expenses primarily consist of compensation and benefits expenses, including salaries, bonuses and performance payment arrangements, and general and administrative expenses.

Trends Affecting our Business

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

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

The attractiveness of the alternative asset management industry. Our ability to attract new capital and investors is driven in part by the extent to which investors continue to see the alternative asset management industry as an attractive vehicle for capital preservation and growth. While our recent fundraising has resulted in new capital commitments at levels that remain below the historically high volume achieved during 2007 and early 2008, we believe our fundraising efforts will benefit from certain fundamental trends that include: (i) institutional investors pursuit of higher relative investment returns which have historically been provided by top quartile alternative asset management funds; (ii) distributions to existing investors from historical commitments which could be used to fund new allocations; (iii) the entrance of new institutional investors from developing markets, including sovereign wealth funds and other entities; and (iv) increasing interest from high net worth individuals.

Our ability to generate strong returns. The strength of our investment performance affects investors willingness to commit capital to our funds. The capital we are able to attract drives the growth of our AUM and the management fees we earn. During the year ended December 31, 2010 and the six months ended June 30, 2011, we have distributed more than $20 billion from our carry funds to our investors. Although we have recently exited several investments at attractive returns and the fair value of our funds net assets has increased significantly with the economic recovery, there can be no assurance that these trends will continue. In addition, many of our funds experienced volatility in light of the economic conditions that prevailed in 2008 and 2009, a trend which could occur again in the near- to medium-term. The capital market volatility experienced in August 2011 could adversely impact valuations of our funds investments and fund performance while such volatility continues. Finally, a significant portion of our revenues are derived from performance fees, the size of which is dependent on the success of our fund investments.

Our successful deployment of capital. Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital that our investors have committed to our funds. During the year ended December 31, 2010 and the six months ended June 30, 2011, we have invested approximately $16 billion in new and existing investments representing an investment pace that is comparable to our investment pace during the peak of private equity capital deployment during 2006 through 2008. As of June 30, 2011, we had approximately $30 billion in capital available for investment (giving effect to our acquisition of AlpInvest on July 1, 2011, which had approximately $5 billion in capital available for investment as of June 30, 2011). We believe that this puts us in a position to grow our revenues over time. Our ability to identify and execute investments which our investment professionals determine to be attractive continues to depend on a number of factors, including competition, valuation, credit availability and pricing and other general market conditions.

Our ability to meet evolving investor requirements. We believe that investors will seek to deploy their investment capital in a variety of different ways, including fund investments, separate accounts and direct coinvestments. We anticipate that this trend will result in a bifurcation within the global alternative asset management industry, with a limited number of large global market participants joined by numerous smaller and more specialized funds, providing investors with greater flexibility when allocating their investment capital. In addition, we expect that larger investors will seek to allocate more resources to managed accounts through which they can directly hold title to assets and better control their investments.

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

Recent Transactions

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

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

On July 1, 2011, we completed the acquisition of 55% of ESG, an emerging markets equities and macroeconomic strategies investment manager. As of July 1, 2011, we consolidate the financial

position and results of operations of ESG and have accounted for this transaction as a business combination.

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

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

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

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

Reorganization

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

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

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

Conversion of Subordinated Notes. Immediately prior to the contribution of the Parent Entities to Carlyle Holdings as described below, the subordinated notes issued to Mubadala in December 2010 will be converted into additional equity interests in the Parent Entities. The amount of additional equity interests in the Parent Entities which Mubadala will receive upon conversion of the notes will be determined based on the initial public offering price of the common

units in this offering. More specifically, Mubadala will receive upon conversion of the notes that amount of additional equity

interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings as described below, entitle Mubadala to a number of Carlyle Holdings partnership units that is equal to the quotient of $500 million (plus any accrued and unpaid interest on the notes) divided by the product of .925 multiplied by the initial public offering price per common unit in this offering. Based on an assumed initial offering price of $ per common unit (the midpoint of the range indicated on the front cover of this prospectus), Mubadala will be entitled upon conversion of the notes to that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings as described below, entitle Mubadala to Carlyle Holdings partnership units. A $1.00 increase in the assumed initial offering price per common unit would decrease the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. A $1.00 decrease in the assumed initial public offering price per common unit would increase the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. See Pricing Sensitivity Analysis.

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

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

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

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

Consolidation of Certain Carlyle Funds

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

We are not required under U.S. GAAP to consolidate most of the investment funds we advise in our combined and consolidated financial statements because such funds provide the limited partners with the right to dissolve the fund without cause by a simple majority vote of the non-Carlyle

affiliated limited partners, which overcomes the presumption of control by Carlyle. Beginning in 2010, we consolidated the CLOs that we advise as a result of revisions to the accounting standards governing consolidations. As of June 30, 2011, our consolidated CLOs hold approximately $12 billion of total assets and comprise 90% of the assets of the Consolidated Funds and 100% of the loans payable of the Consolidated Funds. The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the liabilities of the Consolidated Funds are non-recourse to us. For further information on consolidation of certain funds, see Note 2 to the combined and consolidated financial statements included elsewhere in this prospectus.

Generally, the consolidation of the Consolidated Funds has a gross-up effect on our assets, liabilities and cash flows but has no net effect on the net income (loss) attributable to Carlyle Group and members equity. The majority of the net economic ownership interests of the Consolidated Funds are reflected as non-controlling interests in consolidated entities, redeemable non-controlling interests in consolidated entities, and equity appropriated for Consolidated Funds in the combined and consolidated financial statements. For further information, see Note 2 to the combined and consolidated financial statements included elsewhere in this prospectus.

Because only a small portion of our funds are consolidated, the performance of the Consolidated Funds is not necessarily consistent with or representative of the combined performance trends of all of our funds.

Key Financial Measures

Our key financial measures are discussed in the following pages.

Revenues

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

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

Management fees for funds in our Corporate Private Equity and Real Assets segments generally range from 1.0% to 2.0% of commitments during the investment period of the relevant fund. Following the expiration or termination of the investment period of such funds the management fees generally step-down to between 0.6% and 2.0% of contributions for unrealized investments. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees are recognized as earned over the specified contract period. Management fees for funds in our Fund of Funds Solutions segment generally range from 0.3% to 1.0% on the fund or vehicle s capital commitments during the first two to five years of the investment period and 0.3% to 1.0% on the lower of cost of the capital invested or fair value of the capital invested thereafter. Our hedge funds generally pay management fees that range from 1.5% to 2.0% of NAV per year. Management fees for our CLOs typically range from 0.4% to 0.5% on the total par amount of assets in the fund. Our management fees for our CLOs and credit

opportunities

funds are governed by indentures and collateral management agreements. With respect to Claren Road, ESG and AlpInvest, we retain a specified percentage of the earnings of the businesses based on our ownership in the management companies of 55% in the case of Claren Road and ESG and 60% in the case of AlpInvest.

Transaction and Portfolio Advisory Fees. Transaction and portfolio advisory fees are fees we receive for the transaction and portfolio advisory services we provide to our portfolio companies. When covered by separate contractual agreements, we recognize transaction and portfolio advisory fees for these services when the service has been provided and collection is reasonably assured. We are required to offset our fund management fees earned by a percentage of the transaction and advisory fees earned, which we refer to as the rebate offsets. Such rebate offset percentages generally range from 50% to 80% of the transaction and advisory fees earned. While the portfolio advisory fees are relatively consistent, transaction fees vary in accordance with our investment pace.

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

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

Realized carried interest may be clawed-back or given back to the fund if the fund s investment values decline below certain return hurdles, which vary from fund to fund. If the fair value of a

fund s investments falls below the applicable return hurdles previously recognized carried interest and performance fees are reduced. In all cases, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. For any given period carried interest income could thus be negative; however, cumulative performance fees and allocations can never be negative over the life of a fund. In addition, Carlyle is not obligated to pay guaranteed returns or hurdles. If upon a hypothetical liquidation of a fund s investments at the then-current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established in Carlyle s financial statements for the potential giveback obligation. As discussed below, each individual recipient of realized carried interest typically signs a guarantee agreement or partnership agreement that personally obligates such person to return his/her pro rata share of any amounts of realized carried interest previously distributed that are later clawed back. Generally, the actual giveback liability, if any, does not become due until the end of a fund s life.

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

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

In addition, we use the term net performance fees to refer to the carried interest from our carry funds and Global Market Strategies funds net of the portion allocated to our investment professionals which is reflected as performance fee related compensation expense.

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

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

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

Expenses

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

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

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

We expect that we will hire additional individuals and that overall compensation levels will correspondingly increase, which will result in an increase in compensation and benefits expense. As a result of recent acquisitions, we will have charges associated with contingent consideration taking

the form of earn-outs and profit participation some of which will be reflected as compensation expense in future periods. We also expect that our fundraising will increase in future periods and as a result we expect that our compensation expense will also increase in periods where we close on increased levels of new capital commitments. Amounts due to employees related to such fundraising will be expensed when earned even though the benefit of the new capital and related fees will be reflected in operations over the life of the related fund.

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

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

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

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

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

In the normal course of business, we are subject to examination by federal and certain state, local and foreign tax regulators. As of December 31, 2010, our U.S. federal income tax returns for the years 2007 through 2009 are open under the normal three-year statute of limitations and therefore subject to examination. State and local tax returns are generally subject to audit from 2006 to 2009. Specifically, our Washington, D.C. franchise tax years are currently open, as are our New York City returns, for the tax years 2008 to 2009. Foreign tax returns are generally subject to audit from 2004 to 2009. Certain of our foreign subsidiaries are currently under audit by foreign tax authorities.

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

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

and by subscriptions and redemptions in hedge funds which

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

Non-GAAP Financial Measures

Economic Net Income. Economic net income or ENI, is a key measure of value creation and is a performance benchmark used in our industry. ENI represents segment net income which excludes the impact of income taxes, acquisition-related items including amortization of acquired intangibles and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation, corporate actions and infrequently occurring or unusual events. For segment reporting purposes, revenues and expenses, and accordingly segment net income, are presented on a basis that deconsolidates the Consolidated Funds. ENI also reflects pro forma compensation expense for compensation to our senior Carlyle professionals, which we have historically accounted for as distributions from equity rather than as employee compensation. Total Segment ENI equals the aggregate of ENI for all segments. ENI is evaluated regularly by management in making resource deployment decisions and in assessing performance of our four segments and for compensation.

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

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

Assets under Management

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

Our calculations of fee-earning AUM and AUM may differ from the calculations of other alternative asset managers, and as a result this measure may not be comparable to similar measures presented by others. In addition, our

calculation of AUM includes uncalled commitments to, and the

fair value of invested capital in, our funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management or performance fees. Our definitions of fee-earning AUM or AUM are not based on any definition of fee-earning AUM or AUM that is set forth in the agreements governing the investment funds that we manage.

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

Fee-earning Assets under Management

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

(a) for carry funds and certain co-investment vehicles where the investment period has not expired, the amount of limited partner capital commitments;

(b) for carry funds and certain co-investment vehicles where the investment period has expired, the remaining amount of limited partner invested capital;

(c) the gross amount of aggregate collateral balance at par, adjusted for defaulted or discounted collateral, of our CLOs and the reference portfolio notional amount of our synthetic CLOs;

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

(e) for fund of funds vehicles, the amount of external investor capital commitments during the commitment period, and the lower of cost or fair value of invested capital thereafter.

Assets under Management

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

(a) the fair value of the capital invested in our carry funds, co-investment vehicles and fund of funds vehicles plus the capital that we are entitled to call from investors in those funds and vehicles (including our commitments to those funds and vehicles and those of senior Carlyle professionals and employees) pursuant to the terms of their capital commitments to those funds and vehicles;

(b) the amount of aggregate collateral balance at par of our CLOs and the reference portfolio notional amount of our synthetic CLOs; and

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

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

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

Available Capital

Available capital, commonly known as dry powder, for our carry funds refers to the amount of capital commitments available to be called for investments. Amounts previously called may be added back to available capital following certain distributions.

Limited Partner Capital Deployed

Limited partner capital deployed represents the amount of limited partner capital commitments that were called and invested by our carry funds during each period presented, plus the capital invested through co-investments arranged by us that were made by limited partners in investments of our carry funds.

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

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

(1) Includes amounts committed to or reserved for investments for certain real assets funds.

(2) Includes funds based on notional value, lower of cost or fair value of invested capital and gross asset value.

The table below provides the period to period rollforward of fee-earning AUM and also reflects AUM and available capital at period end. Limited partner capital deployed during the respective period is also reflected.

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Consolidated Results					
Fee-Earning AUM					
Balance, Beginning of Period	$ 80,796	$ 75,411	$ 75,411	$ 76,326	$ 64,858

Inflows, including Commitments	2,933	1,429	3,043	1,530	15,623
Acquisitions			9,604		
Outflows, including Distributions	(4,778)	(1,613)	(5,866)	(2,706)	(4,164)
Foreign exchange and other(1)	1,482	(2,272)	(1,396)	261	9
Balance, End of Period	$ 80,433	$ 72,955	$ 80,796	$ 75,411	$ 76,326
AUM, End of Period	$ 107,243	$ 90,769	$ 106,781	$ 89,356	$ 85,879
Available Capital, End of Period	$ 25,261	$ 30,712	$ 24,318	$ 33,253	$ 36,868
Limited Partner Capital Deployed	$ 5,723	$ 2,763	$ 9,390	$ 4,609	$ 11,498

(1) Includes the fair value change for certain funds that are calculated on the lower of cost or fair value of invested capital.

Combined and Consolidated Results of Operations

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

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Statement of operations data					
Revenues					
Fund management fees	$ 447.2	$ 386.7	$ 770.3	$ 788.1	$ 811.4
Performance fees					
Realized	494.9	81.0	266.4	11.1	59.3
Unrealized	725.5	32.9	1,215.6	485.6	(944.0)
Total performance fees	1,220.4	113.9	1,482.0	496.7	(884.7)
Investment income (loss)					
Realized	42.8	(3.1)	11.9	(5.2)	5.7
Unrealized	19.2	25.1	60.7	10.2	(110.6)
Total investment income (loss)	62.0	22.0	72.6	5.0	(104.9)
Interest and other income	13.1	8.9	21.4	27.3	38.2
Interest and other income of Consolidated Funds	330.4	231.0	452.6	0.7	18.7
Total revenues	2,073.1	762.5	2,798.9	1,317.8	(121.3)
Expenses					
Compensation and benefits					
Base compensation	175.3	145.1	265.2	264.2	297.2
Performance fee related					
Realized	84.8		46.6	1.1	23.3
Unrealized	57.8	8.7	117.2	83.1	(223.1)
Total compensation and benefits	317.9	153.8	429.0	348.4	97.4
General, administrative and other expenses	144.3	77.1	177.2	236.6	245.1
Interest	32.8	9.0	17.8	30.6	46.1
Interest and other expenses of Consolidated Funds	190.9	115.4	233.3	0.7	6.8
Loss (gain) from early extinguishment of debt, net of related expenses			2.5	(10.7)	
Equity issued for affiliate debt financing			214.0		
Other non-operating expenses	20.6				
Loss on CCC liquidation					147.0

Total expenses	706.5	355.3	1,073.8	605.6	542.4
Net investment gains (losses) of Consolidated Funds	(277.0)	314.6	(245.4)	(33.8)	162.5
Income (loss) before provision for income taxes	1,089.6	721.8	1,479.7	678.4	(501.2)
Provision for income taxes	12.8	7.4	20.3	14.8	12.5
Net income (loss)	1,076.8	714.4	1,459.4	663.6	(513.7)
Net income (loss) attributable to non-controlling interests in consolidated entities	(191.1)	410.1	(66.2)	(30.5)	94.5
Net income (loss) attributable to Carlyle Group	$ 1,267.9	$ 304.3	$ 1,525.6	$ 694.1	$ (608.2)

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

Revenues

Total revenues were $2,073.1 million for the six months ended June 30, 2011, an increase of 172% over total revenues in the comparable period in 2010. The increase in revenues was primarily

attributable to an increase in performance fees of $1,106.5 million, which represented a 971% increase over performance fees for the first six months of 2010. Fund management fees increased 16% to $447.2 million for the six months ended June 30, 2011. Interest and other income of Consolidated Funds increased 43% to $330.4 million from $231.0 million in 2010.

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

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

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

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

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

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds was $330.4 million in the first six months of 2011, an increase of $99.4 million from $231.0 million in the same period in 2010. This increase relates primarily to the acquired CLOs of Stanfield and Mizuho as well as the consolidated Claren Road funds.

Expenses

Expenses were $706.5 million for the six months ended June 30, 2011, an increase of $351.2 million from $355.3 million for the same period in 2010. Approximately 47% of the increase in

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

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

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

Interest. Our interest expense for the six months ended June 30, 2011 was $32.8 million, an increase of $23.8 million from the six months ended June 30, 2010. This increase was primarily attributable to $19.0 million of interest expense recorded in the first six months of 2011 on our subordinated notes payable to Mubadala which we issued in connection with a December 2010 transaction. This borrowing will convert into equity in connection with our planned offering. See Reorganization Conversion of Subordinated Notes. The balance of the increase results from higher borrowings under our refinanced term loan and indebtedness incurred in connection with the acquisition of Claren Road.

Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds increased $75.5 million in the first six months of 2011 as compared to the same period in 2010 due primarily to the acquisition of CLOs from Stanfield and Mizuho in 2010 and the consolidated Claren Road funds.

Other Non-operating Expenses. Other non-operating expenses of $20.6 million in the first six months of 2011 reflects a $17.7 million fair value adjustment on our subordinated notes payable to Mubadala which increased in fair value from $494.0 million at December 31, 2010 to $511.7 million at June 30, 2011. These notes have an aggregate face amount of $500 million and will convert into

equity upon the effectiveness of this offering as described above under Reorganization Conversion of Subordinated Notes. Also included in non-operating expenses are $2.9 million of mark to market adjustments on the performance earn-out recorded in the acquisition of Claren Road.

Net Investment Gains (Losses) of Consolidated Funds

For the six months ended June 30, 2011, net investment gains (losses) of Consolidated Funds was a loss of $277.0 million, as compared to the gain of $314.6 million in the six months ended June 30, 2010. Beginning in 2010, this balance is predominantly driven by our consolidated CLOs and to a lesser extent by the other consolidated funds in our financial statements. The amount reflects the net gain or loss on the fair value adjustment of both the assets and liabilities of our consolidated CLOs. The gain reported for the six months ended June 30, 2010 was due primarily to gains from the appreciation of investments in the other Consolidated Funds of $148.0 million and gains from the change in fair value of the assets and liabilities of the consolidated CLOs of $166.6 million. For this period, the fair value of the consolidated CLOs assets declined less than the fair value of the consolidated CLOs liabilities, resulting in the gain reported. The loss reported for the six months ended June 30, 2011 of $277.0 million was due primarily to the change in fair value of the assets and liabilities of the consolidated CLOs. For this period, the fair value of the consolidated CLOs liabilities appreciated more than the fair value of the consolidated CLOs assets.

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

Net loss attributable to non-controlling interests in consolidated entities was $191.1 million for the six months ended June 30, 2011 compared to the net income attributable to non-controlling interests in consolidated entities of $410.1 million for the six months ended June 30, 2010. These amounts are directly attributable to the net earnings or losses of the Consolidated Funds for each period, which are substantially allocated to our limited partner and CLO investors.

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

Revenues

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

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

Performance Fees. Performance fees recognized in 2010 were $1,482.0 million compared to $496.7 million in 2009. The increase in performance fees was due principally to increases in the fair value of the underlying funds which increased in value a total of approximately 34% during 2010.

The net appreciation in the fair value of the investments was driven by improved asset performance and operating projections of our funds portfolio companies as well as increases in market comparables. Approximately $668.7 million, or 45%, of 2010 performance fees are related to one of our funds in our Corporate Private Equity business.

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

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

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds was $452.6 million in 2010, up from $0.7 million in 2009. This income relates primarily to our CLOs which we were required to begin consolidating in 2010 upon a change in US GAAP.

Expenses

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

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

General, Administrative and Other Expenses. General, administrative and other expenses decreased $59.4 million compared to the year ended December 31, 2009. This decrease was driven by (i) the incurrence in 2009 of a $20 million charge in connection with the resolution of an inquiry by the Office of the Attorney General of the State of New York regarding the use of placement agents by various asset managers, including Carlyle, to solicit New York public pension funds for private equity and hedge fund commitments (the NYAG Settlement), (ii) approximately $4.8 million of expenses in 2009 associated with the shut down of our Latin America real estate fund and (iii) a positive variance of $34 million related to foreign currency remeasurements. In addition, severance and lease termination expenses were approximately $20 million less in 2010 compared to 2009. This decrease in expense was substantially offset by higher professional fees in 2010.

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

Interest and Other Expenses of Consolidated Funds. Beginning on January 1, 2010 we were required to consolidate our CLOs as a result of revisions to the accounting standards governing consolidations. The loans of our Consolidated Funds have recourse only to the assets of the Consolidated Funds. Interest expense and other expenses of Consolidated Funds increased $232.6 million in 2010 from $0.7 million in 2009.

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

Net Investment Gains (Losses) of Consolidated Funds

For the year ended December 31, 2010, net investment gains (losses) of Consolidated Funds was a loss of $245.4 million, an increase of $211.6 million compared to the loss of $33.8 million for the year ended December 31, 2009. The Consolidated Funds include our CLOs beginning in 2010 as a result of revisions to the accounting standards governing consolidations. The loss reported for the year ended December 31, 2010 was due primarily to gains from the appreciation of investments in the other Consolidated Funds of $172.3 million, offset by losses from the change in fair value of the assets and liabilities of the consolidated CLOs of $417.7 million. For this period, the fair value of the consolidated CLOs liabilities appreciated more than the fair value of the consolidated CLOs assets. The loss of $33.8 million for the year ended December 31, 2009 was due to losses from the depreciation of the fair value of investments in the other Consolidated Funds.

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

Net loss attributable to non-controlling interests in consolidated entities was $66.2 million for the year ended December 31, 2010 compared to $30.5 million for the year ended December 31, 2009. This increase was directly attributable to the net loss of the Consolidated Funds, which is substantially allocated to our CLO investors.

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

Revenues

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

Fund Management Fees. Fund management fees were $788.1 million for the year ended December 31, 2009, a decrease of $23.3 million from $811.4 million for the year ended December 31, 2008. Fund management fees decreased in the year ended December 31, 2009 due to a $12.2 million reduction in management fees and a decrease in transaction and advisory fees of $11.1 million. Management fees for the year ended December 31, 2009 decreased due to less capital raised in the year ended December 31, 2009 than in 2008, including final capital closings in 2008 in funds which began raising capital in 2007. Transaction and advisory fees, net of rebate offsets, decreased

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$11.1 million, primarily driven by decreased investment activity for the year ended December 31, 2009 as compared to the same period in 2008.

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

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

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

Expenses

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

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

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

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

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

Loss on CCC Liquidation. For the year ended December 31, 2009 expenses were also below those for 2008 due to the $147.0 million loss on the liquidation of CCC in 2008.

Net Investment (Losses) Gains of Consolidated Funds.

The Consolidated Funds incurred a net investment loss of $33.8 million for the year ended December 31, 2009, compared to a net investment gain of $162.5 million for the year ended December 31, 2008. Because only a small portion of our investment funds are consolidated, the performance of the Consolidated Funds is not necessarily consistent with or representative of the combined performance trends of all of our funds.

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

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

Non-GAAP Financial Measures

The following table sets forth information in the format used by management when making resource deployment decisions and in assessing performance of our segments. These non-GAAP financial measures are presented for the six months ended June 30, 2011 and 2010 and the three years ended December 31, 2010, 2009 and 2008. The table below shows our total segment Economic Net Income which is composed of the sum of Fee Related Earnings, Net Performance Fees and Investment Income. This analysis excludes the effect of consolidated funds, amortization of intangible assets and acquisition related expenses, treats compensation attributable to senior Carlyle professionals as compensation expense, assumes that the subordinated notes were converted to equity as described in Reorganization Conversion of Subordinated Notes, and adjusts for other nonrecurring or unusual items and corporate actions. See Note 14 to the combined and consolidated financial statements included elsewhere in this prospectus.

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$ 436.5	$ 381.4	$ 763.5	$ 755.2	$ 767.4
Portfolio advisory fees, net	24.3	9.0	19.8	18.2	18.4
Transaction fees, net	22.9	11.8	30.2	14.7	25.6
Total fund level fee revenues	483.7	402.2	813.5	788.1	811.4
Performance fees					
Realized	501.3	88.1	274.2	11.0	98.8
Unrealized	729.4	23.5	1,204.1	479.7	(948.8)
Total performance fees	1,230.7	111.6	1,478.3	490.7	(850.0)

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Investment income (loss)					
Realized	35.4	(0.4)	10.4	(1.7)	17.7
Unrealized	33.0	28.7	61.2	9.4	(84.7)
Total investment income (loss)	68.4	28.3	71.6	7.7	(67.0)
Interest and other income	13.5	9.5	22.4	27.3	38.2
Total revenues	1,796.3	551.6	2,385.8	1,313.8	(67.4)
Segment Expenses					
Direct compensation and benefits					
Direct base compensation	205.1	171.5	350.1	340.4	297.7
Performance fee related					
Realized	234.4	42.8	140.7	3.6	53.5
Unrealized	365.4	10.5	593.8	238.1	(522.0)
Total direct compensation and benefits	804.9	224.8	1,084.6	582.1	(170.8)
General, administrative and other indirect expenses	188.4	127.4	269.4	284.8	316.9
Interest expense	32.8	9.0	17.8	30.6	46.1
Total expenses	1,026.1	361.2	1,371.8	897.5	192.2
Economic Net Income (Loss)	**$ 770.2**	**$ 190.4**	**$ 1,014.0**	**$ 416.3**	**$ (259.6)**
Fee Related Earnings	$ 70.9	$ 103.8	$ 198.6	$ 159.6	$ 188.9
Net Performance Fees	$ 630.9	$ 58.3	$ 743.8	$ 249.0	$ (381.5)
Investment Income (Loss)	$ 68.4	$ 28.3	$ 71.6	$ 7.7	$ (67.0)
Distributable Earnings	$ 373.2	$ 148.7	$ 342.5	$ 165.3	$ 251.9

The following table is a reconciliation of income (loss) before provision for taxes to economic net income, of economic net income to fee related earnings, and of fee related earnings to distributable earnings.

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

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

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

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

Segment Analysis

Discussed below is our ENI for our segments for the periods presented. We will begin reporting on our Fund of Funds Solutions segment in the quarter ending September 30, 2011. See Recent Transactions and Unaudited Pro Forma Financial Information. Our segment information is reflected in the manner utilized by our senior management to make operating decisions, assess performance and allocate resources.

For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates our Consolidated Funds. As a result, segment revenues from management fees, performance fees and investment income are greater than those presented on a consolidated GAAP basis because fund management fees recognized in certain segments are received from Consolidated Funds and are eliminated in consolidation when presented on a consolidated GAAP basis. Furthermore, expenses are lower than related amounts presented on a consolidated GAAP basis due to the exclusion of fund expenses that are paid by the Consolidated Funds. Finally, ENI includes a compensation charge for senior Carlyle professionals, which is reflected in both the base compensation expense and in performance fee related compensation. As such, compensation and benefits expense is higher in ENI than in our historical GAAP results where all compensation earned by senior Carlyle professionals is accounted for as distributions from equity.

Corporate Private Equity

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

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$ 259.6	$ 271.3	$ 537.6	$ 536.0	$ 522.8
Portfolio advisory fees, net	22.2	7.0	14.9	15.9	14.0
Transaction fees, net	22.6	4.9	21.5	12.0	19.9
Total fund level fee revenues	304.4	283.2	574.0	563.9	556.7
Performance fees					
Realized	357.7	86.4	267.3	3.5	54.3
Unrealized	608.2	36.9	996.3	491.8	(742.6)
Total performance fees	965.9	123.3	1,263.6	495.3	(688.3)
Investment income (loss)					
Realized	27.0	(4.1)	4.2	(2.7)	18.6
Unrealized	9.2	22.3	40.6	9.5	(13.8)
Total investment income (loss)	36.2	18.2	44.8	6.8	4.8
Interest and other income	7.8	6.2	14.8	10.8	19.3
Total revenues	1,314.3	430.9	1,897.2	1,076.8	(107.5)
Segment Expenses					
Direct compensation and benefits					
Direct base compensation	126.4	113.5	237.6	227.4	195.0
Performance fee related					
Realized	179.4	42.0	136.0	0.6	33.3
Unrealized	339.1	3.2	524.8	260.6	(417.9)
Total direct compensation and benefits	644.9	158.7	898.4	488.6	(189.6)
General, administrative and other indirect expenses	111.8	82.4	168.1	168.0	188.1
Interest expense	20.2	5.8	11.4	19.8	32.9
Total expenses	776.9	246.9	1,077.9	676.4	31.4
Economic Net Income (Loss)	**$ 537.4**	**$ 184.0**	**$ 819.3**	**$ 400.4**	**$ (138.9)**
Fee Related Earnings	$ 53.8	$ 87.7	$ 171.7	$ 159.5	$ 160.0

Net Performance Fees	$ 447.4	$ 78.1	$ 602.8	$ 234.1	$ (303.7)
Investment Income	$ 36.2	$ 18.2	$ 44.8	$ 6.8	$ 4.8
Distributable Earnings	$ 259.1	$ 128.0	$ 307.2	$ 159.7	$ 199.6

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

Economic Net Income. ENI was $537.4 million for the six months ended June 30, 2011 reflecting a 192% increase over ENI of $184.0 million in the first six months of 2010 for this business. The increase in ENI in 2011 was driven by a $369.3 million increase in net performance fees over the

2010 period offset in part by interest expense and our continued investment in infrastructure and back office support which resulted in a $33.9 million decrease in fee related earnings.

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

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

Total fee revenues were $304.4 million in the six months ended June 30, 2011 representing an increase of $21.2 million, or 7%, over the comparable period in 2010. This increase reflects a $17.7 million increase in net transaction fees and an increase in net portfolio advisory fees of $15.2 million offset by a decrease in fund management fees of $11.7 million. The increase in net transaction fees resulted from higher investment activity in the first six months of 2011 compared to the same period in 2010. The decrease in fund management fees reflects lower fees from our third European buyout fund as well as the natural decrease in management fees that occurs on funds outside of their investment period as they sell investments. Funds during their investment period earn management fees based upon committed capital whereas funds outside of their investment period earn management fees based upon remaining invested capital.

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

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

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

Net Performance Fees. Total performance fees increased $842.6 million in the first six months of 2011 over the comparable period in 2010. The $965.9 million in performance fee revenue in the six months ended June 30, 2011 was primarily driven by increases in unrealized performance fees in two U.S. buyout funds, Carlyle Partners IV, L.P. and Carlyle Partners V, L.P., as a result of total appreciation in the remaining value of assets of approximately 23%. Comparatively, the $123.3 million of performance fees earned in the first six months of 2010 was primarily driven by increases in net asset values in our Asia Buyout portfolio. During the first six months of 2010, realized carried interest was $86.4 million, reflective of a less active market at that time. During the first six months of 2011, net performance fees retained by the firm were $447.4 million or 46% of total performance fees and $369.3 million over the net performance fees in the comparable period in 2010.

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

$27.0 million compared to a loss of $4.1 million in the 2010 period.

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

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

Distributable Earnings. Distributable earnings nearly doubled to $307.2 million in 2010 from $159.7 million in 2009. The 2010 distributable earnings growth was driven primarily by an increase in realized net performance fees of $128.4 million and an increase in fee related earnings of $12.2 million.

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

Total fee revenues were $574.0 million in 2010 representing an increase of $10.1 million, or 2%, over 2009. This increase was driven almost entirely by net transaction fees which increased 79% or $9.5 million over 2009 reflecting the higher investment activity in 2010 as compared to 2009. Fund management fees and portfolio advisory fees were largely unchanged from 2009.

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

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

Net Performance Fees. In 2010, net performance fees retained by the firm were 48% as compared to 47% in 2009. Net performance fees increased $368.7 million, or 157%, in 2010 over 2009. During 2010, investments in our Corporate Private Equity funds appreciated approximately 46% reflecting both improved performance and outlook, as well as higher market comparables. Most significantly, during 2010, Carlyle Partners IV LP, a buyout fund focused on the United States, surpassed its carry threshold hurdles and we recognized $668.7 million of performance fees in 2010, representing 53% of the performance fee revenue for this business segment. Realized performance fees of $267.3 million in 2010 were substantially higher than the $3.5 million earned in 2009.

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

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

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

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

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

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

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

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

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

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

Fee-earning AUM is presented below for each period together with the components of change during each respective period. AUM and available capital are presented at each period end and limited partner capital deployed during each period is also shown for this segment.

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

	As of June 30,		As of December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Corporate Private Equity					
Fee-earning AUM based on capital commitments	$ 29,417	$ 27,738	$ 28,386	$ 27,884	$ 27,097
Fee-earning AUM based on invested capital	9,711	11,122	10,209	12,251	12,834
Fee-earning AUM based on other(1)	295	299	305	248	266
Total Fee-earning AUM	$ 39,423	$ 39,159	$ 38,900	$ 40,383	$ 40,197

	As of June 30,		As of December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Corporate Private Equity					
Fee-Earning AUM					
Balance, Beginning of Period	$ 38,900	$ 40,383	$ 40,383	$ 40,197	$ 36,581
Inflows, including Commitments	473	601	1,504	907	4,863
Outflows, including Distributions	(860)	(1,066)	(2,441)	(826)	(1,178)
Foreign exchange and other(2)	910	(759)	(546)	105	(69)
Balance, End of Period	$ 39,423	$ 39,159	$ 38,900	$ 40,383	$ 40,197
AUM, End of Period	$ 55,227	$ 51,008	$ 56,290	$ 48,476	$ 44,847
Available Capital, End of Period	$ 15,016	$ 20,702	$ 15,124	$ 21,387	$ 22,958
Limited Partner Capital Deployed	$ 4,237	$ 876	$ 4,916	$ 1,774	$ 4,641

(1) Includes funds based on lower of cost or fair value of invested capital.

(2) Includes the fair value change for certain funds that are calculated on the lower of cost or fair value of invested capital and gross asset value.

Fund Performance Metrics

Fund performance information for our investment funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2011, which we refer to as our significant funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. See Risk Factors Risks Related to Our Business Operations The historical returns attributable to our funds, including those presented in this prospectus, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.

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

	As of June 30, 2011							
			Total Investments			Realized/Partially Realized Investments(5)		
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)
	(Reported in Local Currency, in Millions)							
Corporate Private Equity Fully Invested Funds(6)								
CP II	10/1994	$ 1,331.1	$ 1,362.4	$ 4,049.5	3.0x	$ 1,347.5	$ 4,032.2	3.0x
CP III	2/2000	$ 3,912.7	$ 4,031.7	$ 9,975.8	2.5x	$ 3,851.7	$ 9,807.7	2.5x
CP IV	12/2004	$ 7,850.0	$ 7,612.6	$ 13,401.5	1.8x	$ 2,941.3	$ 6,922.2	2.4x
CEP I	12/1997	1,003.6	972.0	2,119.5	2.2x	972.0	2,119.5	2.2x
CEP II	9/2003	1,805.4	2,039.8	3,702.3	1.8x	864.8	2,489.5	2.9x
CAP I	12/1998	$ 750.0	$ 627.7	$ 2,605.0	4.2x	$ 627.7	$ 2,605.0	4.2x
CAP II	2/2006	$ 1,810.0	$ 1,599.1	$ 2,520.1	1.6x	$ 305.1	$ 1,097.0	3.6x
CJP I	10/2001	¥ 50,000.0	¥ 47,291.4	¥ 113,602.8	2.4x	¥ 30,009.4	¥ 104,486.3	3.5x
All Other Funds(7)	Various		$ 2,931.6	$ 4,485.5	1.5x	$ 2,050.8	$ 3,431.8	1.7x
Co-investments and Other(8)	Various		$ 6,045.9	$ 15,721.9	2.6x	$ 3,838.1	$ 12,784.2	3.3x
Total Fully Invested Funds			$ 29,129.2	$ 62,540.6	2.1x	$ 17,976.1	$ 48,603.2	2.7x
Funds in the Investment Period(6)								
CP V	5/2007	$ 13,719.7	$ 8,361.7	$ 11,759.3	1.4x			
CEP III	12/2006	5,294.9	3,230.3	3,379.2	1.0x			
CAP III	5/2008	$ 2,551.6	$ 1,113.4	$ 1,354.8	1.2x			
CJP II	7/2006	¥ 165,600.0	¥ 112,039.7	¥ 103,343.2	0.9x			
CGSFP	9/2008	$ 1,100.2	$ 661.9	$ 909.4	1.4x			
CAGP IV	6/2008	$ 1,041.4	$ 267.8	$ 389.2	1.5x			
All Other Funds(9)	Various		$ 1,101.4	$ 1,392.7	1.3x			
Total Funds in the Investment Period			$ 17,538.7	$ 21,944.6	1.3x			

TOTAL CORPORATE PRIVATE EQUITY(10)	$ 46,667.9	$ 84,485.2	1.8x	$ 19,739.9	$ 51,039.4	2.6x

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

(1) The data presented herein that provides inception to date performance results of our segments relates to the period following the formation of the first fund within each segment. For our Corporate Private Equity segment our first fund was formed in 1990.

(2) Represents the original cost of all capital called for investments since inception of the fund.

(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest. Please see note 4 to the combined and consolidated financial statements for the year ended December 31, 2010 and the six months ended June 30, 2011 appearing elsewhere in this prospectus for further information regarding management s determination of fair value.

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

(5) Investments are considered partially realized when distributions are a substantial majority of invested capital. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Corporate Private Equity.

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

(7) Includes the following funds: CP I, CMG, CVP I, CVP II, CEVP, CETP, CAVP I, CAVP II, CAGP III and Mexico.

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

(9) Includes the following funds: MENA, CSABF, CUSGF III, CETP II, CBPF and CEOF.

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

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

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

(1) The data presented herein that provides inception to date performance results of our segments relates to the period following the formation of the first fund within each segment. For our Corporate Private Equity segment, our first fund was formed in 1990.

(2) Gross Internal Rate of Return (IRR) represents the annualized IRR for the period indicated on limited partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and

carried interest.

(3) Net IRR represents the annualized IRR for the period indicated on limited partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(4) Investments are considered partially realized when distributions are a substantial majority of invested capital. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Corporate Private Equity.

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

(6) Includes the following funds: CP I, CMG, CVP I, CVP II, CEVP, CETP, CAVP I, CAVP II, CAGP III and Mexico.

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

(8) Includes the following funds: MENA, CUSGF III, CETP II, CSABF, CBPF and CEOF.

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

Real Assets

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

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

Investment Income (Loss)	$	4.7	$	(1.1)	$	5.1	$	0.9	$	(9.4)
Distributable Earnings	$	43.5	$	11.4	$	12.7	$	6.9	$	32.3

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

Economic Net Income. ENI was $127.7 million in the six months ended June 30, 2011, an increase of $148.7 million from a loss of $21.0 million in the comparable period in 2010. The improvement in ENI was primarily driven by an increase in net performance fees of $156.7 million.

The increase in investment income of $5.8 million was offset by a decrease in fee related earnings of $13.8 million in the six months ended June 30, 2011 as compared to the same 2010 period.

Distributable Earnings. Distributable earnings increased $32.1 million to $43.5 million in the six months ended June 30, 2011 from $11.4 million in the comparable period in 2010. The increase relates to a $46.3 million increase in realized net performance fees offset by a decrease in fee related earnings of $13.8 million in the six months ended June 30, 2011 as compared to the same 2010 period.

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

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

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

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

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

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

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

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

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

Economic Net Income. ENI was $90.7 million, an improvement of nearly 437% from $16.9 million in 2009 for this business. The improvement in ENI was primarily driven by the performance fees earned from our energy portfolio resulting in a $57.9 million increase in net

performance fees. Fee related earnings and investment income respectively contributed $11.7 million and $4.2 million to the improvement in ENI over 2009.

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

Fee Related Earnings. Fee related earnings increased $11.7 million in 2010 over 2009 to a total of $14.7 million.

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

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

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

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

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

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

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

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

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

Fee Related Earnings. Fee related earnings decreased $11.0 million to $3.0 million in 2009 from $14.0 million in 2008. The decrease in fee related earnings was driven by the reduction in fee related

revenues as fee related expenses remained relatively constant between years with a net decrease of $3.8 million in 2009.

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

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

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

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

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

Fee-earning AUM is presented below for each period together with the components of change during each respective period. AUM and available capital are presented at each period end and limited partner capital deployed during each period is also shown for this segment.

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

	As of June 30,		As of December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Real Assets					
Fee-earning AUM based on capital commitments	$ 12,286	$ 16,276	$ 14,155	$ 16,750	$ 17,176
Fee-earning AUM based on invested capital(1)	10,305	6,352	8,782	5,796	5,581
Total Fee-earning AUM(2)	$ 22,591	$ 22,628	$ 22,937	$ 22,546	$ 22,757

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Real Assets					
Fee-Earning AUM					
Balance, Beginning of Period	$ 22,937	$ 22,546	$ 22,546	$ 22,757	$ 19,982
Inflows, including Commitments	1,345	813	1,375	542	4,482
Outflows, including Distributions	(1,937)	(178)	(788)	(811)	(2,182)
Foreign exchange	246	(553)	(196)	58	475
Balance, End of Period	$ 22,591	$ 22,628	$ 22,937	$ 22,546	$ 22,757
AUM, End of Period	$ 31,512	$ 27,708	$ 29,905	$ 27,607	$ 27,128
Available Capital, End of Period	$ 8,966	$ 9,437	$ 8,269	$ 11,166	$ 12,818
Limited Partner Capital Deployed	$ 1,095	$ 1,466	$ 3,837	$ 2,376	$ 6,166

(1) Includes amounts committed to or reserved for investments for certain funds.

(2) Carlyle/Riverstone Global Energy and Power, L.P., Carlyle/Riverstone Global Energy and Power II, L.P. Carlyle/Riverstone Global Energy and Power III, L.P., Riverstone/Carlyle Global Energy and Power IV, L.P., Carlyle/Riverstone Renewable Energy Infrastructure, L.P. and Riverstone/Carlyle Renewable Energy Infrastructure II, L.P. (collectively, the Energy Funds), are managed through joint venture arrangements of Carlyle with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Energy Funds. With the exception of Riverstone/Carlyle Global Energy and Power IV, L.P. and Riverstone/Carlyle Renewable Energy Infrastructure II, L.P., where Carlyle has a minority representation on the funds management committees, management of each of the Energy Funds is vested in committees with equal representation by Carlyle and Riverstone, and the consent of representatives of both Carlyle and Riverstone are required for investment decisions. As of June 30, 2011, the Energy Funds had, in the aggregate, approximately $18 billion in AUM and $13 billion in fee-earning AUM.

Fund Performance Metrics

Fund performance information for our investment funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2011, which we refer to as our significant funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. See Risk Factors Risks Related to Our Business Operations The historical returns attributable to our funds, including those presented in this prospectus, should not be considered as indicative of the future results of our funds or of our future results or of any returns

expected on an investment in our common units.

The following tables reflect the performance of our significant funds in our Real Assets business. Please see Business Our Family of Funds for a legend of the fund acronyms listed below.

			As of June 30, 2011					
			Total Investments			Realized/Partially Realized Investments(5)		
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)
			(Reported in Local Currency, in Millions)					
Real Assets Fully Invested Funds(6)								
CRP III	11/2000	$ 564.1	$ 522.5	$ 1,261.0	2.4x	$ 451.3	$ 1,179.7	2.6x
CRP IV	12/2004	$ 950.0	$ 1,185.9	$ 1,035.3	0.9x	$ 325.1	$ 463.3	1.4x
CRP V	11/2006	$ 3,000.0	$ 2,892.8	$ 3,389.9	1.2x	$ 1,223.9	$ 1,531.0	1.3x
CEREP I	3/2002	426.6	517.0	799.0	1.5x	441.1	792.9	1.8x
CEREP II	4/2005	762.7	827.1	551.5	0.7x	261.7	225.4	0.9x
Energy II	7/2002	$ 1,100.0	$ 1,311.9	$ 3,443.9	2.6x	$ 681.7	$ 2,584.5	3.8x
Energy III	10/2005	$ 3,800.0	$ 3,438.7	$ 6,233.4	1.8x	$ 1,030.0	$ 2,253.7	2.2x
All Other Funds(7)	Various		$ 1,720.6	$ 1,894.9	1.1x	$ 794.7	$ 1,451.5	1.8x
Co-investments and Other(8)	Various		$ 3,773.0	$ 6,624.8	1.8x	$ 1,372.7	$ 3,598.0	2.6x
Total Fully Invested Funds			**$ 16,779.7**	**$ 25,826.6**	**1.5x**	**$ 6,890.7**	**$ 14,526.8**	**2.1x**
Funds in the Investment Period(6)								
CRP VI	9/2010	$ 1,577.8	$ 126.1	$ 116.4	0.9x			
CIP	9/2006	$ 1,143.7	$ 519.4	$ 582.4	1.1x			
CEREP III	5/2007	2,229.5	1,157.0	1,197.9	1.0x			
Energy IV	12/2007	$ 5,979.1	$ 4,010.3	$ 6,174.6	1.5x			
Renew II	3/2008	$ 3,417.5	$ 1,802.0	$ 2,248.3	1.2x			
All Other Funds(9)	Various		$ 291.8	$ 278.6	1.0x			
Total Funds in the Investment Period			**$ 8,414.5**	**$ 11,124.1**	**1.3x**			
TOTAL REAL ASSETS(10)			**$ 25,194.2**	**$ 36,950.7**	**1.5x**	**$ 7,552.8**	**$ 15,454.0**	**2.0x**

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

(1) The data presented herein that provides inception to date performance results of our segments relates to the period following the formation of the first fund within each segment. For our Real Assets segment, our first fund was formed in 1997.

(2) Represents the original cost of all capital called for investments since inception of the fund.

(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest. Please see Note 4 to the combined and consolidated financial statements for the year ended December 31, 2010 and the six months ended June 30, 2011 appearing elsewhere in this prospectus for further information regarding management s determination of fair value.

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

(5) Investments are considered partially realized when distributions are a substantial majority of invested capital. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Real Assets.

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

(7) Includes the following funds: CRP I, CRP II, CAREP I, ENERGY I and RENEW I.

(8) Includes Co-Investments, prefund investments and certain other stand-alone investments arranged by us.

(9) Includes the following fund: CAREP II.

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

	Fund Inception Date(1)	Committed Capital As of June 30, 2011	Gross IRR(2)	Net IRR(3)	Realized/ Partially Realized Gross IRR(4)
			Inception to June 30, 2011		
		(Reported in Local Currency, in Millions)			
Real Assets					
Fully Invested Funds(5)					
CRP III	11/2000	$ 564.1	44%	30%	50%
CRP IV	12/2004	$ 950.0	(5)%	(10)%	27%
CRP V	11/2006	$ 3,000.0	7%	1%	11%
CEREP I	3/2002	426.6	15%	9%	20%
CEREP II	4/2005	762.7	(18)%	(19)%	(13)%
Energy II	7/2002	$ 1,100.0	82%	56%	111%
Energy III	10/2005	$ 3,800.0	18%	13%	26%
All Other Funds(6)	Various		6%	(1)%	19%
Co-investments and Other(7)	Various		24%	19%	31%
Total Fully Invested Funds			**18%**	**12%**	**31%**
Funds in the Investment Period(5)					
CRP VI(8)	9/2010	$ 1,577.8	n/m	n/m	
CIP	9/2006	$ 1,143.7	5%	(2)%	
CEREP III	5/2007	2,229.5	2%	(6)%	
Energy IV	12/2007	$ 5,979.1	31%	21%	
Renew II	3/2008	$ 3,417.5	14%	8%	
All Other Funds(9)	Various		(2)%	(8)%	
Total Funds in the Investment Period			**18%**	**9%**	
TOTAL REAL ASSETS(10)			**18%**	**11%**	**31%**

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

(1) The data presented herein that provides inception to date performance results of our segments relates to the period following the formation of the first fund within each segment. For our Real Assets segment, our first fund was formed in 1997.

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

(3) Net IRR represents the annualized IRR for the period indicated on limited partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(4) Investments are considered partially realized when distributions are a substantial majority of invested capital. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Real Assets.

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

(6) Includes the following funds: CRP I, CRP II, CAREP I, ENERGY I and RENEW I.

(7) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us.

(8) Gross IRR and Net IRR for CRP VI are not meaningful as the investment period commenced in September 2010.

(9) Includes the following fund: CAREP II.

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

Global Market Strategies

The following table presents our results of operations for our Global Market Strategies segment:

	Six Months Ended June 30,		Year Ended December 31,		
	2011	**2010**	**2010**	**2009**	**2008**
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$ 99.2	$ 38.8	$ 81.9	$ 68.8	$ 87.6
Portfolio advisory fees, net	1.4	1.1	2.3	0.7	0.9
Transaction fees, net			0.1	0.9	
Total fund level fee revenues	100.6	39.9	84.3	70.4	88.5
Performance fees					
Realized	91.6	1.7	9.8	1.6	15.7
Unrealized	41.3	20.8	135.1	1.5	(13.5)
Total performance fees	132.9	22.5	144.9	3.1	2.2
Investment income (loss)					
Realized	7.9	2.8	4.8	0.2	(6.7)
Unrealized	19.6	8.4	16.9	(0.2)	(55.7)
Total investment income (loss)	27.5	11.2	21.7		(62.4)
Interest and other income	3.0	1.6	2.7	2.2	2.2
Total revenues	264.0	75.2	253.6	75.7	30.5
Segment Expenses					
Direct compensation and benefits					
Direct base compensation	39.8	20.6	40.1	38.8	34.0
Performance fee related					
Realized	49.3	0.8	4.2	0.2	3.9
Unrealized	26.4	11.1	70.6	1.0	(6.6)
Total direct compensation and benefits	115.5	32.5	114.9	40.0	31.3
General, administrative and other indirect expenses	36.8	14.1	32.1	32.6	38.5
Interest expense	6.6	1.2	2.6	4.1	3.3
Total expenses	158.9	47.8	149.6	76.7	73.1
Economic Net Income (Loss)	**$ 105.1**	**$ 27.4**	**$ 104.0**	**$ (1.0)**	**$ (42.6)**
Fee Related Earnings	$ 20.4	$ 5.6	$ 12.2	$ (2.9)	$ 14.9
Net Performance Fees	$ 57.2	$ 10.6	$ 70.1	$ 1.9	$ 4.9

Investment Income (Loss)	$ 27.5	$ 11.2	$ 21.7	$	$ (62.4)
Distributable Earnings	$ 70.6	$ 9.3	$ 22.6	$ (1.3)	$ 20.0

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

Economic Net Income. ENI was $105.1 million in the six months ended June 30, 2011, an increase of $77.7 million from $27.4 million in the comparable period in 2010. The improvement in

ENI was primarily driven by an increase in net performance fees of $46.6 million and investment income of $16.3 million and fee related earnings of $14.8 million in the six months ended June 30, 2011 as compared to the same 2010 period, primarily due to the acquisition of Claren Road on December 31, 2010 and CLO contracts from Stanfield and Mizuho in the second half of 2010.

Distributable Earnings. Distributable earnings increased $61.3 million to $70.6 million in the six months ended June 30, 2011 from $9.3 million in the comparable period in 2010. The increase relates primarily to realized net performance fees which increased $41.4 million in the six months ended June 30, 2011 as compared to the same 2010 period.

Fee Related Earnings. Fee related earnings increased $14.8 million in the first six months of 2011 as compared to the same period in 2010 to $20.4 million.

Total fee revenues were $100.6 million in the six months ended June 30, 2011, an increase of $60.7 million from the comparable period in 2010. The increase was due to the acquisition of Claren Road at December 31, 2010 and CLO contracts from Stanfield and Mizuho in the second half of 2010.

Direct base compensation increased $19.2 million in the six months ended June 30, 2011 as compared to the same 2010 period, which primarily relates to the acquisition of Claren Road on December 31, 2010 and the hiring of other professionals in the Global Market Strategies business. General, administrative and other indirect operating expenses increased $22.7 million to $36.8 million in the first six months of 2011 compared to the same period in 2010, also reflecting the acquisition of Claren Road on December 31, 2010.

Interest expense increased $5.4 million, or 450%, in the first six months of 2011 over the comparable period in 2010. This increase was primarily attributable to interest expense recorded in the first six months of 2011 on our subordinated notes payable to Mubadala, which we issued in connection with a December 2010 transaction. This borrowing will convert into equity in connection with our planned offering. See Reorganization Conversion of Subordinated Notes. The increase was also due to higher borrowings under our refinanced term loan and indebtedness incurred in connection with the acquisition of Claren Road.

Interest and other income was $3.0 million in the six months ended June 30, 2011, as compared to $1.6 million in the same period in 2010.

Net Performance Fees. Net performance fees for Global Market Strategies increased $46.6 million to $57.2 million in the six months ended June 30, 2011, as compared to $10.6 million in the same period in 2010.

Total performance fees in the first six months of 2011 were $132.9 million, of which $91.6 million was realized carried interest generated primarily from our US structured credit funds and our distressed funds. Approximately $58.6 million of unrealized performance fees are incentive fees related to Claren Road which we expect to realize at year end.

Investment Income (Loss). Investment income was $27.5 million in the six months ended June 30, 2011 compared to $11.2 million in the same period in 2010. The 2011 income reflects the increase in values across the portfolio.

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

Economic Net Income. ENI was $104.0 million, a substantial improvement from the loss of $1.0 million recognized in 2009. The improvement in ENI reflects the return and stabilization in the credit markets from the credit crisis.

Distributable Earnings. Distributable earnings increased $23.9 million to $22.6 million in 2010 from $(1.3) million in 2009. The increase in distributable earnings was driven by the $15.1 million increase in fee related earnings, $4.2 million increase in realized net performance fees and a $4.6 million increase in realized investment income.

Fee Related Earnings. Fee related earnings increased $15.1 million in 2010 over the loss of $2.9 million in 2009 to a total of $12.2 million.

Total fee revenues were $84.3 million in 2010, representing a 20% increase over 2009. Approximately $13.1 million of the $13.9 million increase was driven by an increase in fund management fees with portfolio advisory fees making up the balance of the increase. Of the $13.1 million increase in fund management fees approximately $10.4 million was due to the resumption of subordinated fees on our CLOs and the balance is a result of the acquisition of CLO management contracts from Stanfield and Mizuho in August and November 2010. The increase in portfolio advisory fees was largely from portfolio companies in our distressed business.

Direct base compensation expense increased $1.3 million in 2010 compared to 2009, reflecting costs of the new management team we brought on board to manage this business. General, administrative and other operating expenses of $32.1 million in 2010 were relatively consistent with 2009.

Interest expense decreased $1.5 million, or 37%, over the comparable period in 2009. This decrease was primarily due to lower outstanding borrowings during most of 2010 until we refinanced our term loan in November 2010 and borrowed $494 million of subordinated debt in December 2010.

Net Performance Fees. Net performance fees for Global Market Strategies increased $68.2 million to $70.1 million in 2010. We retained net performance fees of approximately 48% of total performance fees in 2010.

Performance fees in 2010 were $144.9 million, of which $135.1 million was unrealized. Our two closed-end distressed funds contributed approximately $110.9 million and the balance came from our U.S. structured credit products. Investments in our distressed funds appreciated in excess of 40% during 2010 which drove our performance fees.

Investment Income (Loss). Investment income was $21.7 million in 2010 compared to $0.0 million in 2009. The 2010 income reflects the increase in values across the portfolio.

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

Economic Net Income. ENI was a loss of $1.0 million in 2009 reflecting an improvement from the $42.6 million loss in 2008. The 2008 ENI loss was primarily related to unrealized investment losses. Absent the unrealized investment losses in 2009 and 2008, ENI would have been $(0.8) million and $13.1 million, respectively, primarily reflecting the $17.8 million decrease in fee related earnings.

Distributable Earnings. Distributable earnings decreased $21.3 million to $(1.3) million in 2009 from $20.0 million in 2008. The decrease in distributable earnings was primarily the result of the $17.8 million decrease in fee related earnings.

Fee Related Earnings. Fee related earnings decreased $17.8 million in 2009 to a loss of $2.9 million.

Total fee revenues were $70.4 million, a decrease of $18.1 million or 20% from 2008. Fund management fees accounted for all of the revenue decrease with an $18.8 million erosion or 21% from 2008. This decrease in management fees was offset in part by modest increases in portfolio advisory and transaction fees totaling $0.7 million from 2008 to 2009. The fund management fee decrease was driven by decreased fees from the structured credit products due mostly to the absence of subordinated fees.

Direct base compensation expense increased $4.8 million in 2009. General, administrative and other operating expenses decreased $5.9 million in 2009 as compared to 2008. Interest expense increased $0.8 million in 2009 as compared to 2008. In total the increase in direct base compensation

expense and interest expense was offset by the reduction in general, administrative, and other operating expenses.

Net Performance Fees. Net performance fees for Global Market Strategies were $1.9 million in 2009 down from $4.9 million in 2008, both years reflecting the effects of the credit crisis. Performance fees in 2009 were $3.1 million, and approximately half were unrealized.

Investment Income (Loss). Investment income was $0.0 million in 2009, which was substantially better than the 2008 loss, most of which was unrealized.

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

Fee-earning AUM is presented below for each period together with the components of change during each respective period. AUM and available capital are presented at each period end and limited partner capital deployed during each period is also shown for this segment.

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

	As of June 30,		As of December 31,		
Global Market Strategies	**2011**	**2010**	**2010**	**2009**	**2008**
	(Dollars in millions)				
Fee-earning AUM based on capital commitments	$ 804	$ 1,826	$ 1,974	$ 1,826	$ 1,826
Fee-earning AUM based on invested capital	1,294	360	315	409	433
Fee-earning AUM based on collateral balances, at par	10,902	8,209	11,377	9,379	9,693
Fee-earning AUM based on net asset value	4,908	258	4,782	298	117
Fee-earning AUM based on other(1)	511	515	511	570	1,303
Total Fee-earning AUM	$ 18,419	$ 11,168	$ 18,959	$ 12,482	$ 13,372

(1) Includes funds based on notional value.

	Six Months Ended June 30,		Year Ended December 31,		
	2011	**2010**	**2010**	**2009**	**2008**
	(Dollars in millions)				
Global Market Strategies Fee-Earning AUM					
Balance, Beginning of Period	$ 18,959	$ 12,482	$ 12,482	$ 13,372	$ 8,295
Inflows, including Commitments	1,115	15	164	81	6,278
Acquisitions			9,604		

Outflows, including Distributions	(1,981)	(369)	(2,637)	(1,069)	(804)
Foreign exchange and other	326	(960)	(654)	98	(397)
Balance, End of Period	$ 18,419	$ 11,168	$ 18,959	$ 12,482	$ 13,372
AUM, End of Period	$ 20,504	$ 12,053	$ 20,586	$ 13,273	$ 13,904
Available Capital, End of Period(1)	$ 1,279	$ 573	$ 925	$ 700	$ 1,092
Limited Partner Capital Deployed	$ 391	$ 421	$ 637	$ 459	$ 691

(1) Our structured credit and hedge funds invest immediately upon receipt of capital from investors. Therefore, the amount of available capital for this segment is substantially less than the amount available in our other segments.

Fund Performance Metrics

Fund performance information for certain of our Global Market Strategies Funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. See Risk Factors Risks Related to Our Business Operations The historical returns attributable to our funds including those presented in this prospectus should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.

The following tables reflect the performance of certain funds in our Global Market Strategies business. Please see Business Our Family of Funds for a legend of the fund acronyms listed below.

	As of June 30, 2011			**Inception to June 30, 2011(1)**	
	Cumulative Invested Capital(2)	**Total Fair Value(3)**	**MOIC(4)**	**Gross IRR(5)**	**Net IRR(6)**
	(Dollars in millions)				
CSP II	$ 1,352.3	$ 2,119.6	1.6x	22%	15%
Total Distressed & Corporate Opportunities(7)	$ 1,563.3	$ 2,626.1	1.7x	28%	19%
Total Corporate Mezzanine(8)	$ 747.4	$ 796.6	1.1x	3%	(1)%

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

(1) The data presented herein that provides inception to June 30, 2011 performance results for strategies within the Global Markets Strategies segment relates to the period following the formation of the first fund within such strategy. For both the Distressed & Corporate Opportunities and the Corporate Mezzanine strategies, our first fund was formed in 2004. The inception date for CSP II was June 2007.

(2) Represents the original cost of all capital called for investments since inception of the fund. For Distressed and Corporate Opportunities, cumulative invested capital 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. For Distressed and Corporate Opportunities, cumulative invested capital 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. Please see Note 4 to the combined and consolidated financial statements for the year ended December 31, 2010 and the six months ended June 30, 2011 appearing elsewhere in this prospectus for further information regarding management s determination of fair value.

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

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

(6) Net IRR represents the annualized IRR for the period indicated on limited partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(7) Includes the following funds: CSP I and CSP II.

(8) Includes the following funds: CMP I and CMP II.

The following table reflects the performance of the Claren Road Master Fund, which had AUM of approximately $4.3 billion as of June 30, 2011:

	1 Year(2)	3-Year(2)	5-Year(2)	Inception(3)
Net Annualized Return(1)				
Claren Road Master Fund	5%	12%	12%	12%
Barclays Aggregate Bond Index	7%	6%	6%	6%
Volatility(4)				
Claren Road Master Fund Standard Deviation (Annualized)	5%	5%	4%	4%
Barclays Aggregate Bond Index Standard Deviation (Annualized)	3%	4%	4%	4%
Sharpe Ratio (1M LIBOR)(5)				
Claren Road Master Fund	0.90	2.43	2.33	2.44
Barclays Aggregate Bond Index	2.15	1.15	0.85	0.92

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

(1) Net annualized return is presented for fee-paying investors only on a total return basis, net of all fees and expenses.

(2) As of December 31, 2010.

(3) The Claren Road Master Fund was established in January 2006. Performance is from inception through June 30, 2011.

(4) Volatility is the annualized standard deviation of monthly net investment returns.

(5) The Sharpe Ratio compares the historical excess return on an investment over the risk free rate of return with its historical annualized volatility.

Liquidity and Capital Resources

We require limited capital resources to support the working capital and operating needs of our business. Historically, our management fees have largely covered our operating costs and we have distributed all realized performance fees after related compensation to senior Carlyle professionals. Historically, approximately 95% of all capital commitments to our funds have been provided by our fund investors, with the remaining amount typically funded by our senior Carlyle professionals and employees. Upon the completion of the offering, we intend to have Carlyle commit to fund approximately 2% of the capital commitments to our future carry funds. We expect our senior Carlyle professionals and employees to continue to make significant capital contributions to our funds based on their existing commitments, and to make capital commitments to future funds consistent with the level of their historical commitments. We also intend to make investments in our open-end funds and our CLO vehicles.

Proceeds from our existing indebtedness have been used to: (1) finance our global expansion and acquisitions, (2) cover losses incurred in connection with the liquidation of CCC, (3) fund the capital investments of Carlyle in our funds, (4) make distributions to senior Carlyle professionals and (5) finance short term loans to our funds. While our funds generally will use their own credit facilities to bridge capital calls from our limited partner investors, we have on occasion made such loans to seed investments for new or first-time funds that do not yet have their own credit facilities or to bridge the raising of external co-investment. In addition, we have funded working capital on behalf of our funds and portfolio companies.

Cash Flows

Our combined and consolidated statements of cash flows are complicated due to the effect of our Consolidated Funds and CLOs. In order to more clearly present the cash flows of our operating entities, the significant captions and amounts from our combined and consolidated statements of cash flows, excluding the effect of our Consolidated Funds and CLOs (see Note 16 to our combined

and consolidated financial statements included elsewhere in this prospectus), are summarized and discussed below.

	Six Months Ended June 30,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(Dollars in millions)				
Statement of Cash Flows Data					
Net cash provided by (used in) operating activities	$ 521.7	$ 41.5	$ 433.3	$ 402.8	$ (35.4)
Net cash used in investing activities	(33.2)	(12.7)	(185.6)	(27.5)	(15.5)
Net cash used in financing activities	(626.4)	(71.9)	(117.7)	(570.7)	(376.7)
Effect of foreign exchange rate change	6.3	(7.9)	(1.2)	2.7	(6.6)
Net change in cash and cash equivalents	$ (131.6)	$ (51.0)	$ 128.8	$ (192.7)	$ (434.2)

Net Cash Provided by (Used in) Operating Activities. Net cash provided by operating activities is primarily driven by our earnings in the respective periods after adjusting for non-cash performance fees and related non-cash compensation that are included in earnings. Cash flows from operating activities do not reflect any amounts paid or distributed to senior Carlyle professionals as these amounts are included as a use of cash for distributions in financing activities. As a public company, we will record cash compensation expense to senior Carlyle professionals which will have the effect of reducing cash provided by operating activities and cash used in financing activities. Cash used to purchase investments as well as the proceeds from the sale of such investments are also reflected in our operating activities as investments are a normal part of our operating activities. Over time investment proceeds may be greater than investment purchases. During the six months ended June 30, 2011, proceeds were $264.2 million while purchases were $84.5 million. However, in the year ended December 31, 2010, investment purchases were $114.8 million as compared to proceeds of $46.9 million.

Net Cash Used in Investing Activities. Our investing activities generally reflect cash used for acquisitions, fixed assets and software for internal use and investments in restricted cash and securities. The acquisition of Claren Road and the purchase of the CLO management contracts from Stanfield and Mizuho resulted in the net use of cash of $164.1 million during 2010. Purchases of fixed assets were $17.8 million, $21.2 million, $27.5 million and $36.1 million, in the six months ended June 30, 2011 and years ended December 31, 2010, December 31, 2009 and December 31, 2008, respectively.

Net Cash Used in Financing Activities. Financing activities are a net use of cash in each of the historical periods presented. As noted above, financing activities include distributions to senior Carlyle professionals of $787.8 million, $215.6 million and $253.9 million in years ended December 31, 2010, 2009 and 2008, respectively, and $657.0 million and $91.1 million in the six months ended June 30, 2011 and 2010, respectively. During 2010, our borrowing proceeds exceeded our principal payment reductions by $582.1 million reflecting the $494 million of net proceeds from our subordinated notes from Mubadala and from net proceeds obtained when we amended and extended the terms of our term loan in 2010.

Our Sources of Cash and Liquidity Needs

In the future, we expect that our primary liquidity needs will be to:

provide capital to facilitate the growth of our existing business lines;

provide capital to facilitate our expansion into new, complementary business lines, including acquisitions;

pay operating expenses, including compensation and other obligations as they arise;

fund capital expenditures;

repay borrowings and related interest costs and expenses;

pay income taxes;

make distributions to Carlyle Holdings unit holders; and

fund the capital investments of Carlyle in our funds.

We generally use our working capital and cash flows to invest in growth initiatives, service our debt, fund the working capital needs of our investment funds and pay distributions to our equity owners. We have multiple sources of liquidity to meet our capital needs, including cash on hand, annual cash flows, accumulated earnings and funds from our senior credit facility, including a term loan facility and a revolving credit facility, and we believe these sources will be sufficient to fund our capital needs for at least the next 12 months.

Since our inception through June 30, 2011, we and our senior Carlyle professionals, senior advisors and other professionals have invested or committed to invest in excess of $4 billion in or alongside our funds. The current invested capital and unfunded commitment of Carlyle and our senior Carlyle professionals, senior advisors and other professionals to our investment funds as of June 30, 2011, consisted of the following:

Asset Class	Current Equity Invested	Unfunded Commitment	Total Current Equity Invested and Unfunded Commitment
		(Dollars in millions)	
Corporate Private Equity	$ 1,323.6	$ 1,050.5	$ 2,374.1
Real Assets	506.7	267.4	774.1
Global Market Strategies	438.7	77.8	516.5
Total	$ 2,269.0	$ 1,395.7	$ 3,664.7

A substantial majority of these investments have been funded by, and a substantial majority of the remaining commitments are expected to be funded by, senior Carlyle professionals, senior advisors and other professionals through our internal co-investment program.

Another source of liquidity we may use to meet our capital needs is the realized carried interest and incentive fee revenue generated by our investment funds. Carried interest is realized when an underlying investment is profitably disposed of and the fund s cumulative returns are in excess of the preferred return. Incentive fees earned on hedge fund structures are realized at the end of each fund s measurement period. Incentive fees earned on our CLO vehicles are paid upon the dissolution of such vehicles.

Our accrued performance fees by segment as of June 30, 2011, gross and net of accrued giveback obligations, are set forth below:

Asset Class	Accrued Performance Fees	Accrued Giveback Obligation	Net Accrued Performance Fees
		(Dollars in millions)	
Corporate Private Equity	$ 2,264.6	$ 33.9	$ 2,230.7
Real Assets	298.1	49.2	248.9
Global Market Strategies	167.2	1.2	166.0
Total	$ 2,729.9	$ 84.3	$ 2,645.6

Our Balance Sheet and Indebtedness

Total assets were $17.1 billion at December 31, 2010, an increase of $14.6 billion from December 31, 2009. The increase in total assets was primarily attributable to the consolidation of our CLOs, which are variable interest entities under U.S. GAAP and were required to be consolidated on January 1, 2010 as a result of revisions to accounting standards governing consolidations and to a lesser extent to the acquisition of Claren Road on December 31, 2010. Assets of Consolidated Funds were approximately $13.0 billion at December 31, 2010 representing an increase of $12.7 billion over December 31, 2009. Total liabilities were $14.2 billion at December 31, 2010, an increase of $12.4 billion from December 31, 2009. Liabilities of Consolidated Funds (including CLOs) comprised $11.0 billion of the increase. The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the assets of the Consolidated Funds are not available to meet our liquidity requirements and similarly the liabilities of the Consolidated Funds are non-recourse to us.

Total assets increased to $17.7 billion at June 30, 2011, an increase of $627.6 million over December 31, 2010. Assets of Consolidated Funds contributed to $212.3 million of the increase in total assets. The remaining increase of $415.3 million in our assets relates primarily to an increase in accrued carry reflecting the higher valuations of our fund portfolios.

Our balance sheet without the effect of the Consolidated Funds can be seen in Note 16 to our combined and consolidated financial statements included elsewhere in this prospectus. At June 30, 2011, our total assets were $4.6 billion, including cash and cash equivalents of $485.3 million and investments of approximately $3.3 billion. Investments include accrued performance fees of approximately $2.8 billion at June 30, 2011 which is the amount of carried interest that we would have received had we sold all of our funds investments at their reported fair values at that date.

Loans Payable. Loans payable on our balance sheet at June 30, 2011 reflects $500.0 million outstanding under our Senior Secured Credit Facility and $80.5 million of Claren Road acquisition related indebtedness.

Senior Secured Credit Facility. In 2007, we entered into an $875.0 million Senior Secured Credit Facility with financial institutions under which we could borrow up to $725.0 million in a term loan and $150.0 million in a revolving credit facility. Subsequent to the bankruptcy of one of the financial institutions that was a party to the credit facility, the borrowing availability under the revolving credit facility was effectively reduced to $115.7 million. Both the term loan facility and revolving credit facility were scheduled to mature on August 20, 2013.

In November 2010, we modified the Senior Secured Credit Facility and repaid the $370.3 million outstanding principal amount. The amended facility includes $500.0 million in a term loan and $150.0 million in a revolving credit facility. Availability of this revolving credit facility is restricted by the amount of our guarantee related to our co-investment loan program for eligible employees investing in our sponsored funds (approximately $16.6 million at June 30, 2011). Both the term loan and the revolving credit facility mature on November 29, 2015. Principal amounts outstanding under the term loan facility ($500.0 million at June 30, 2011 and December 31, 2010) accrue interest at LIBOR plus 2.25% per annum (2.44% and 2.51% at June 30, 2011 and December 31, 2010, respectively) with interest payable monthly. Outstanding principal amounts are payable quarterly beginning in September 2013. See Contractual Obligations for additional information.

In March 2008, we entered into an interest rate swap to fix the interest rate on $239.3 million of the $725.0 million in term loan facility borrowings at 5.319%. This instrument has been designated as a cash flow hedge and remains in place after the amendment of the Senior Secured Credit Facility. The interest rate swap, which expires August 20, 2013, continues to be designated as a cash flow hedge.

The term loan facility is secured by fund management fees and carried interest allocable to senior Carlyle professionals from certain investment funds and requires us to comply with certain

financial and other covenants, which include maintaining management fee earning assets (as such term is defined in the Senior Secured Credit Facility) of $43.6 billion. Pre-payment under the term loan facility may be required if our leverage ratio of outstanding indebtedness to net income, as defined in the agreement, rises above certain thresholds. We were in compliance with all covenants in the credit facility as of June 30, 2011.

In connection with the acquisitions of AlpInvest in July 2011, we borrowed on the revolving credit facility. The amount outstanding on the revolving credit facility at August 31, 2011 is $125.0 million, and such borrowings accrue interest at LIBOR plus 2.25% per annum.

Claren Road Loan. As part of the Claren Road acquisition, we entered into a loan agreement for $47.5 million. The loan matures on December 31, 2015 and interest is payable semi-annually, commencing June 30, 2011 at an adjustable annual rate, currently 6.0%. Also in connection with the Claren Road acquisition, Claren Road entered into a loan agreement with a financial institution for $50.0 million. The loan matures on January 3, 2017 and interest is payable quarterly, commencing June 30, 2011 at an annual rate of 8.0%. Outstanding principal amounts are payable quarterly beginning April 29, 2011 and vary based on annual gross revenue as defined in the loan agreement. Beginning April 3, 2013 additional quarterly principal payments will commence equal to the lesser of (a) $2.0 million and (b) the then unpaid principal amount of the loan. We include the indebtedness of Claren Road on our combined and consolidated balance sheets due to our 55% ownership of and control over Claren Road.

Subordinated Notes Payable to Mubadala. In December 2010, we received net cash proceeds of $494.0 million from Mubadala in exchange for $500.0 million in subordinated notes, equity interests in Carlyle and certain additional rights. Interest on the subordinated notes is payable semi-annually, commencing June 30, 2011 at an annual rate of 7.25% per annum to the extent paid in cash or 7.5% per annum to the extent paid by issuing payment-in-kind notes (PIK Notes). Interest payable on the first interest payment date is payable in cash. For any subsequent interest period, we may elect to pay up to 50% of the interest payment due by issuing PIK Notes on the same terms and conditions as the originally issued notes. Further, we may pay up to 50% of the interest payment due on any PIK Notes by issuing additional PIK Notes. We have elected to pay all interest payable for the interest payment period ending December 31, 2011 entirely in cash. We elected the fair value option to measure the subordinated notes at fair value. At June 30, 2011 and December 31, 2010, the fair value of the subordinated notes is $511.7 million and $494.0 million, respectively. The primary reasons for electing the fair value option are to (i) reflect economic events in earnings on a timely basis and (ii) address simplification and cost-benefit considerations. Changes in the fair value of this instrument of $17.7 million for the six months ended June 30, 2011 were recognized in earnings and included in other non-operating expenses in the combined and consolidated statements of operations included elsewhere in this prospectus.

As noted above, immediately prior to the contribution of the Parent Entities to Carlyle Holdings, the subordinated notes will be converted into additional equity interests in the Parent Entities. The amount of additional equity interests in the Parent Entities which Mubadala will receive upon conversion of the notes will be determined based on the initial public offering price of the common units in this offering. More specifically, Mubadala will receive upon conversion of the notes that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings, entitle Mubadala to a number of Carlyle Holdings partnership units that is equal to the quotient of $500 million (plus any accrued and unpaid interest on the notes) divided by the product of .925 multiplied by the initial public offering price per common unit in this offering. Based on an assumed initial offering price of $ per common unit (the midpoint of the range indicated on the front cover of this prospectus), Mubadala will be entitled upon conversion of the notes to that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings, entitle Mubadala to Carlyle Holdings partnership units. A $1.00 increase in the assumed initial offering price per common unit would decrease the number of Carlyle Holdings partnership units to which Mubadala

is entitled by partnership units. A $1.00 decrease in the assumed initial public offering price per common unit would increase the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. See Pricing Sensitivity Analysis.

Obligations of CLOs. Loans payable of the Consolidated Funds represent amounts due to holders of debt securities issued by the CLOs. We are not liable for any loans payable of the CLOs. Several of the CLOs issued preferred shares representing the most subordinated interest, however these tranches are mandatorily redeemable upon the maturity dates of the senior secured loans payable, and as a result have been classified as liabilities under U.S. GAAP, and are included in loans payable of Consolidated Funds in our combined and consolidated balance sheets.

As of June 30, 2011, the following borrowings were outstanding at our CLOs, including preferred shares classified as liabilities.

	Borrowing Outstanding	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
	(Dollars in millions)		
Senior secured notes	$ 10,410.4	1.26%	9.23
Subordinated notes, income notes and preferred shares	675.2	n/a(1)	9.02
Combination notes	11.5	n/a(2)	11.72
Total	$ 11,097.1		

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

(2) The combination notes do not have contractual interest rates and have recourse only to U.S. Treasury securities and OATS specifically held to collateralize such combination notes.

The fair value of senior secured notes, subordinated notes, income notes and preferred shares, and combination notes of our CLOs as of June 30, 2011 was $9.7 billion, $730.8 million, and $9.5 million, respectively.

Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consists of cash and cash equivalents, corporate loans, corporate bonds and other securities. Included in loans payable of the CLOs are loan revolvers (the APEX Revolvers) which the CLOs entered into with financial institutions on their respective closing dates. The APEX Revolvers provide credit enhancement to the securities issued by the CLOs by allowing the CLOs to draw down on the revolvers in order to offset a certain level of principal losses upon any default of the investment assets held by that CLO. The APEX Revolvers allow for a maximum borrowing of $38.3 million as of June 30, 2011 and bear weighted interest at LIBOR plus 0.37% per annum. Amounts borrowed under the APEX Revolvers are repaid based on cash flows available subject to priority of payments under each CLO s governing documents. As of June 30, 2011, the principal amount borrowed under the APEX Revolvers was $1.8 million.

In addition, certain CLOs entered into liquidity facility agreements with various liquidity facility providers on or about the various closing dates in order to fund payments of interest when there are insufficient funds available. The proceeds from such draw-downs are available for payments of interest at each interest payment date and the acquisition or exercise of an option or warrant comprised in any collateral enhancement obligation. The liquidity facilities, in aggregate, allow for a maximum borrowing of $31.7 million and bear weighted average interest at EURIBOR plus 0.44% per annum. Amounts borrowed under the liquidity facilities are repaid based on cash flows available subject to priority of payments under each CLO s governing documents. There were no borrowings outstanding under this liquidity facility as of June 30, 2011.

Unconsolidated Entities

Our Corporate Private Equity funds have not historically utilized substantial leverage at the fund level other than short-term borrowings under certain fund level lines of credit which are used to fund liquidity needs in the interim between the date of an investment and the receipt of capital from the investing fund s investors. These funds do, however, make direct or indirect investments in companies that utilize leverage in their capital structure. The degree of leverage employed varies among portfolio companies.

Certain of our real estate funds have entered into lines of credits secured by their investors unpaid capital commitments. Due to the relatively large number of investments made by these funds, the lines of credit are primarily employed to reduce the overall number of capital calls. In certain instances, however, they may be used for other investment related activities, including serving as bridge financing for investments.

Off-balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning limited or general partner interests in consolidated and non-consolidated funds, entering into derivative transactions, entering into operating leases and entering into guarantee arrangements. We also have ongoing capital commitment arrangements with certain of our consolidated and non-consolidated funds. We do not have any other off-balance sheet arrangements that would require us to fund losses or guarantee target returns to investors in any of our other investment funds.

See Note 10 to the combined and consolidated financial statements included elsewhere in this prospectus for further disclosure regarding our off-balance sheet arrangements.

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of June 30, 2011 on a consolidated basis and on a basis excluding the obligations of the Consolidated Funds:

Contractual Obligations	**July 1, 2011 to December 31, 2011**	**2012-2013**	**2014-2015**	**Thereafter**	**Total**
			(Dollars in millions)		
Loans payable(a)	$ 20.5	$ 110.0	$ 450.0	$	$ 580.5
Interest payable(b)	11.8	41.4	28.5		81.7
Operating lease obligations(c)	23.1	66.7	60.6	137.4	287.8
Capital commitments to Carlyle funds(d)	1,395.7				1,395.7
Loans payable of Consolidated Funds(e)	1.7	6.7	103.3	10,987.2	11,098.9
Interest on loans payable of Consolidated Funds(f)	66.3	263.3	261.1	671.1	1,261.8
Unfunded commitments of the CLOs(g)	13.4				13.4
Redemptions payable of Consolidated Funds(h)	52.1	2.8			54.9
Consolidated contractual obligations	1,584.6	490.9	903.5	11,795.7	14,774.7

Loans payable of Consolidated Funds(e)	(1.7)	(6.7)	(103.3)	(10,987.2)	(11,098.9)
Interest on loans payable of Consolidated Funds(f)	(66.3)	(263.3)	(261.1)	(671.1)	(1,261.8)
Unfunded commitments of the CLOs(g)	(13.4)				(13.4)
Redemptions payable of Consolidated Funds(h)	(52.1)	(2.8)			(54.9)
Carlyle Operating Entities contractual obligations(i)	$ 1,451.1	$ 218.1	$ 539.1	$ 137.4	$ 2,345.7

(a) These obligations exclude the subordinated notes payable to Mubadala, which will be converted into additional equity interests in the Parent Entities upon the consummation of this offering as described under Our Balance Sheet and Indebtedness Subordinated Notes Payable to Mubadala and assume that no prepayments are made on outstanding loans. These obligations also exclude amounts borrowed on the revolving credit facility subsequent to June 30, 2011, which totaled $125.0 million at August 31, 2011.

(b) These obligations exclude interest on the subordinated notes payable to Mubadala and interest on amounts borrowed on the revolving credit facility subsequent to June 30, 2011. Borrowings on our revolving credit facility accrue interest at LIBOR plus 2.25% per annum (2.47% as of August 31, 2011). Interest payments on the term loan are based on a rate of 5.3% for the hedged portion of the term loan and variable rates ranging from 2.4% to 6.0% for the unhedged portion of the term loan (based on the one-month LIBOR forward rate curve at June 30, 2011 and a 2.25% spread). Interest payments on fixed-rate loans are based on rates ranging from 6.0% to 8.0%. Interest payments assume that no prepayments are made and loans are held until maturity.

(c) We lease office space in various countries around the world and maintain our headquarters in Washington, D.C., where we lease our primary office space under a non-cancelable lease agreement expiring on July 31, 2026. Our office leases in other locations expire in various years from 2011 through 2020. The amounts in this table represent the minimum lease payments required over the term of the lease.

(d) These obligations represent commitments by us to fund a portion of the purchase price paid for each investment made by our funds. These amounts are generally due on demand and are therefore presented in the less than one year category. A substantial majority of these investments is expected to be funded by senior Carlyle professionals and other professionals through our internal co-investment program. Of the remaining $1.4 billion of commitments, approximately $1.3 billion is expected to be funded individually by senior Carlyle professionals, senior advisors and other professionals, with the balance funded directly by the firm.

(e) These obligations represent amounts due to holders of debt securities issued by the consolidated CLO vehicles.

(f) These obligations represent interest to be paid on debt securities issued by the consolidated CLO vehicles. Interest payments assume that no prepayments are made and loans are held until maturity. For debt securities with rights only to the residual value of the CLO and no stated interest, no interest payments were included in this calculation. Interest payments on variable-rate debt securities are based on interest rates in effect as of June 30, 2011, at spreads to market rates pursuant to the debt agreements, and range from 0.5% to 12.7%.

(g) These obligations represent commitments of the CLOs to fund certain investments. These amounts are generally due on demand and are therefore presented in the less than one year category.

(h) Our consolidated hedge funds are subject to quarterly or monthly redemption by investors in these funds. These obligations represent the amount of redemptions where the amount requested in the redemption notice has become fixed and payable.

(i) The amounts shown in this table exclude certain contingent consideration payments that we may pay in connection with the Business Acquisitions (defined below) if certain performance criteria are met. See Note 3 and Note 15 to our combined and consolidated financial statements included elsewhere in this prospectus for additional information.

Guarantees

In 2001, we entered into an agreement with a financial institution pursuant to which we are the guarantor on a credit facility for eligible employees investing in Carlyle-sponsored funds. This credit facility renews on an annual basis, allowing for annual incremental borrowings up to an aggregate of $16.6 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 2% (3.03% at June 30, 2011), reset quarterly. At June 30, 2011, approximately $16.6 million was outstanding under the credit facility and payable by the employees. No material funding under the guarantee has been required, and we believe the likelihood of any material funding under the guarantee to be remote.

Indemnifications

In many of our service contracts, we agree to indemnify the third-party service provider under certain circumstances. The terms of the indemnities vary from contract to contract, and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our condensed combined and consolidated financial statements as of June 30, 2011.

Contingent Obligations (Giveback)

An accrual for potential repayment of previously received performance fees of $84.3 million at June 30, 2011 is shown as accrued giveback obligations on the condensed combined and consolidated balance sheet, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at June 30, 2011. However, the ultimate giveback obligation, if any, does not arise until the end of a fund s life. We have recorded $20.1 million of unbilled receivables from former and current employees and our individual senior Carlyle professionals as of June 30, 2011 related to giveback obligations, which are included in due from

affiliates and other receivables, net in our condensed combined and consolidated balance sheet as of such date.

If, as of June 30, 2011, all of the investments held by our funds were deemed worthless, a possibility that management views as remote, the amount of realized and distributed carried interest subject to potential giveback would be $572.6 million, on an after-tax basis where applicable.

Our senior Carlyle professionals and employees who have received carried interest distributions are severally responsible for funding their proportionate share of any giveback obligations. However, the governing agreements of certain of our funds provide that to the extent a current or former employee from such funds does not fund his or her respective share, then we may have to fund additional amounts beyond what we received in carried interest, although we will generally retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations.

Contingencies

From time to time we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us.

In September 2006 and March 2009, we received requests for certain documents and other information from the Antitrust Division of the DOJ in connection with the DOJ s investigation of alternative asset management firms to determine whether they have engaged in conduct prohibited by U.S. antitrust laws. We have fully cooperated with the DOJ s investigation. There can be no assurance as to the direction this inquiry may take in the future or whether it will have an adverse impact on the private equity industry in some unforeseen way.

On February 14, 2008, a private class-action lawsuit challenging club bids and other alleged anti-competitive business practices was filed in the U.S. District Court for the District of Massachusetts. The complaint alleges, among other things, that certain alternative asset management firms, including Carlyle, violated Section 1 of the Sherman Act by, among other things, forming multi-sponsor consortiums for the purpose of bidding collectively in certain going private transactions, which the plaintiffs allege constitutes a conspiracy in restraint of trade. While Carlyle believes the lawsuit is without merit and is contesting it vigorously, it is difficult to determine what impact, if any, this litigation (and any future related litigation), together with any increased governmental scrutiny or regulatory initiatives, will have on the private equity industry generally or on Carlyle.

Along with many other companies and individuals in the financial sector, Carlyle and one of our funds, Carlyle Mezzanine Partners, are named as defendants in *Foy v. Austin Capital,* pending in New Mexico state court, which purports to be a *qui tam* suit on behalf of the State of New Mexico. The suit alleges that investment decisions by New Mexico public investment funds were improperly influenced by campaign contributions and payments to politically connected placement agents. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including Carlyle and Carlyle Mezzanine Partners on the ground that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has brought two civil actions against certain of those defendants, not including the Carlyle defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions. We are currently unable to anticipate when the litigation will conclude, or what impact the litigation may have on us.

In July 2009, a former shareholder of Carlyle Capital Corporation Limited (CCC), claiming to have lost $20.0 million, filed a claim against CCC, Carlyle and certain of our affiliates and one of our officers alleging violations of Massachusetts blue sky law provisions and related claims involving material misrepresentations and omissions allegedly made during and after the marketing of CCC.

In March 2010, the United States District Court for the District of Massachusetts dismissed the plaintiff s complaint on the grounds that it should have been filed in Delaware instead of Massachusetts, and the plaintiff subsequently filed a notice of appeal to the United States Court of Appeals for the First Circuit. The plaintiff has lost its appeal to the First Circuit and has filed a renewed claim in Delaware state court. Defendants are vigorously contesting all claims alleged by the plaintiff. Another CCC investor has instituted legal proceedings on similar grounds in Kuwait against Carlyle seeking to recover losses incurred in connection with an investment in CCC. We believe the claims are without merit and will vigorously contest all such allegations.

The Guernsey liquidators who took control of CCC in March 2008 have filed suit against Carlyle, certain of its affiliates and the former directors of CCC, seeking $1.0 billion in damages. They allege that Carlyle and the CCC board of directors were negligent, grossly negligent or willfully mismanaged the CCC investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. Plaintiffs further allege (among other things) that the directors and Carlyle put the interests of Carlyle ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing Carlyle s reputation and its brand over the best interests of CCC. We believe the claims are without merit and will vigorously contest all allegations. We recognized a loss of $152.3 million in 2008 in connection with the winding up of CCC.

In June and August 2011, two putative shareholder class actions were filed in the United States District Court for the District of Columbia against Carlyle, certain of its affiliates and former directors of CCC alleging that the fund offering materials and various public disclosures were materially misleading or omitted material information. We believe these claims are without merit and will vigorously contest all claims.

Critical Accounting Policies

Principles of Consolidation. Our policy is to consolidate those entities in which we have control over significant operating, financing or investing decisions of the entity. All significant inter-entity transactions and balances have been eliminated.

For entities that are determined to be variable interest entities (VIEs), we consolidate those entities where we are deemed to be the primary beneficiary. Where VIEs have not qualified for the deferral of the revised consolidation guidance as described in Note 2 to our consolidated financial statements, an enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a variable interest entity that most significantly impact s the entity s economic financial performance, and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The revised consolidation guidance requires analysis to (a) determine whether an entity in which Carlyle holds a variable interest is a VIE, and (b) whether Carlyle s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires judgment. Our involvement with entities that have been subject to the revised consolidation guidance has generally been limited to our CLOs and the recent acquisitions of Claren Road in December 2010 and AlpInvest and ESG in July 2011.

Where VIEs have qualified for the deferral of the revised consolidation guidance, the analysis is based on previously existing consolidation guidance pursuant to U.S. GAAP. Generally, with the exception of the CLOs, our funds qualify for the deferral of the revised consolidation rules under which the primary beneficiary is the entity that absorbs a majority of the expected losses of the VIE or a majority of the expected residual returns of the VIE, or both. We determine whether we are the primary beneficiary at the time we first become involved with a VIE and subsequently reconsider that we are the primary beneficiary based on certain events. The evaluation of whether a fund is a VIE is subject to the requirements of ASC 810-10, originally issued as FASB Interpretation No. 46(R),

and the determination of whether we should consolidate such VIE requires judgment. These judgments include whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support; evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity; determining whether two or more parties equity interests should be aggregated; determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity; evaluating the nature of relationships and activities of the parties involved in determining which party within a related-party group is most closely associated with a VIE; and estimating cash flows in evaluating which member within the equity group absorbs a majority of the expected losses and hence would be deemed the primary beneficiary.

For all Carlyle funds and co-investment entities (collectively the funds) that are not determined to be VIEs, we consolidate those funds where, as the sole general partner, we have not overcome the presumption of control pursuant to U.S. GAAP.

Consolidation and Deconsolidation of Carlyle Funds and Certain Co-investment Entities. Most Carlyle funds provide a dissolution right upon a simple majority vote of the non-Carlyle affiliated limited partners such that the presumption of control by us is overcome. Accordingly, these funds are not consolidated in our combined and consolidated financial statements. Certain Carlyle-sponsored funds near the end of their partnership term do not provide the same dissolution right. These funds consist mainly of Carlyle Partners II, Carlyle Realty Partners I and II, and Carlyle Venture Partners I and their related entities, and these are consolidated in our combined and consolidated financial statements. The assets of the Consolidated Funds are classified principally within investments of Consolidated Funds. The assets and liabilities of the Consolidated Funds are generally within separate legal entities. Therefore, the liabilities of the Consolidated Funds are non-recourse to us and our general creditors.

Performance Fees. Performance fees consist principally of the preferential allocation of profits to which we are entitled from certain of our funds (commonly known as carried interest). We are generally entitled to a 20% allocation (or 1.8% to 10% in the case of most of our fund of funds vehicles) of income as a carried interest after returning the invested capital, the allocation of preferred returns and return of certain fund costs (subject to catch-up provisions). Carried interest is recognized upon appreciation of the funds investment values above certain return hurdles set forth in each respective partnership agreement. We recognize revenues attributable to performance fees based on the amount that would be due pursuant to the fund partnership agreement at each period end as if the funds were terminated at that date. Accordingly, the amount recognized as performance fees reflects our share of the fair value gains and losses of the associated funds underlying investments.

We may be required to return realized carried interests in the future if the funds investment values decline below certain levels. When the fair value of a fund s investments fall below certain return hurdles, previously recognized performance fees are reduced, as occurred for certain funds in 2009 and 2008. In all cases, each fund is considered separately in that regard and for a given fund, performance fees can never be negative over the life of a fund. If upon a hypothetical liquidation of a fund s investments at the current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established for the potential giveback obligation. Senior Carlyle professionals and employees who have received distributions of carried interest which are ultimately returned are contractually obligated to reimburse us for the amount returned. We record a receivable from current and former employees and our current and former senior Carlyle professionals for their individual portion of any giveback obligation that we establish. These receivables are included in due from affiliates and other receivables, net in our combined and consolidated balance sheets.

In addition to our performance fees from our private equity funds, we are also entitled to receive performance fees from certain of our other global credit alternatives funds when the return on AUM exceeds certain benchmark returns or other performance targets. In such arrangements,

performance fees are recognized when the performance benchmark has been achieved and are included in performance fees in the accompanying combined and consolidated statements of operations.

Performance Fees due to Employees and Advisors. We have allocated a portion of the performance fees due to us to our employees and advisors. These amounts are accounted for as compensation expense in conjunction with the related performance fee revenue and, until paid, recognized as a component of the accrued compensation and benefits liability. Upon any reversal of performance fee revenue, as occurred during the year ended December 31, 2008, the related compensation expense is also reversed.

Income Taxes. No provision has been made for U.S. federal income taxes in our combined and consolidated financial statements since we are a group of pass-through entities for U.S. income tax purposes and our profits and losses are allocated to the senior Carlyle professionals who are individually responsible for reporting such amounts. Based on applicable foreign, state and local tax laws, we record a provision for income taxes for certain entities. We record a provision for state and local income taxes for certain entities based on applicable laws. Tax positions taken by us are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

Upon completion of our Reorganization and related offering, certain of the wholly owned subsidiaries of Carlyle and the Carlyle Holdings partnerships will be subject to federal, state and local corporate income taxes at the entity level and the related tax provision attributable to Carlyle s share of this income will be reflected in the consolidated financial statements. The Reorganization and offering may result in Carlyle recording a significant deferred tax asset based on then enacted tax rates, which will result in future tax deductions. Over time, a substantial portion of this asset will be offset by a liability associated with the tax receivable agreement with our senior Carlyle professionals. The realization of our deferred tax assets will be dependent on the amount of our future taxable income before deductions related to the establishment of the deferred tax asset.

We use the liability method of accounting for deferred income taxes pursuant to U.S. GAAP. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the statutory tax rates expected to be applied in the periods in which those temporary differences are settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change. A valuation allowance is recorded on our net deferred tax assets when it is more likely than not that such assets will not be realized.

Under U.S. GAAP for income taxes, the amount of tax benefit to be recognized is the amount of benefit that is more likely than not to be sustained upon examination. When appropriate, we record a liability for uncertain tax positions, which is included in accounts payable, accrued expenses and other liabilities in our combined and consolidated balance sheets. These balances include interest and penalties associated with uncertain tax positions. We recognize interest accrued and penalties related to unrecognized tax positions in the provision for income taxes. If recognized, the entire amount of unrecognized tax positions would be recorded as a reduction in the provision for income taxes.

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

The three-level hierarchy for fair value measurement is defined as follows:

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

Level II inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Financial instruments which are included in this category include securities traded in other than active markets, derivatives, corporate bonds and loans.

Level III inputs to the valuation methodology are unobservable and significant to overall fair value measurement. The inputs into the determination of fair value require significant management judgment or estimation. The type of financial instruments in this category includes less liquid and restricted securities listed in active markets, securities traded in other than active markets, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to any of our fair value measurements requires judgment and considers factors specific to each relevant investment, non-investment grade residual interests in securitizations, collateralized loan obligations, and certain over-the-counter derivatives where the fair value is based on unobservable inputs.

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

Investments include our ownership interests in the funds and the investments held by the Consolidated Funds. The valuation procedures utilized for investments of the funds vary depending on the nature of the investment. The fair value of investments in publicly traded securities is based on the closing price of the security with adjustments to reflect appropriate discounts if the securities are subject to restrictions. Upon the sale of a security, the realized net gain or loss is computed on a weighted average cost basis.

Non-equity securities, which may include instruments that are not listed on an exchange, will be fair-valued after considering, among other factors, external pricing sources, such as dealer quotes or independent pricing services, recent trading activity or other information that, in our opinion, may not have been reflected in pricing obtained from external sources.

Compensation and Distributions Payable to Carlyle Partners. Compensation attributable to our senior Carlyle professionals has historically been accounted for as distributions from equity rather than as employee compensation. We have historically recognized a distribution from capital and distribution payable to our individual senior Carlyle professionals when services are rendered and carried interest allocations are earned. Any unpaid distributions, which reflect our obligation to those senior Carlyle professionals, are presented as due to senior Carlyle professionals in our combined and consolidated balance sheets. Upon completion of our Reorganization and related

offering, we will account for compensation attributable to our senior Carlyle professionals as expense in our statement of operations. Accordingly, this will have the effect of increasing compensation expense relative to what has historically been recorded in our financial statements.

Equity-based Compensation. Upon completion of our Reorganization and related offering, we will implement equity based compensation arrangements that will require senior Carlyle professionals to vest ownership of their equity interests over future service periods. This will result in compensation charges over future periods under U.S. GAAP. In determining the aggregate fair value of any award grants, we will need to make judgments, among others, as to the: (i) grant date, (ii) estimated forfeiture rates and (iii) in the case of any option awards, assumptions with respect to volatility. Each of these elements, particularly the forfeiture and volatility assumptions used in valuing our equity awards, are subject to significant judgment and variability and the impact of changes in such elements on equity-based compensation expense could be material.

Intangible Assets. Our intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. We have no indefinite-lived intangible assets as of June 30, 2011.

Recent and Pending Accounting Pronouncements

Effective January 1, 2010, the Financial Accounting Standards Board (FASB) amended its consolidation guidance, changing the approaches taken by companies in identifying which entities are VIEs and in determining which party is the primary beneficiary. The amended guidance also requires continuous assessment of the reporting entity s involvement with such VIEs and enhances the disclosure requirements for a reporting entity s involvement with VIEs. The guidance provides a limited scope deferral for a reporting entity s interest in an entity that meets all of the following conditions: (a) the entity has all the attributes of an investment company as defined under AICPA Audit and Accounting Guide, Investment Companies, or does not have all the attributes of an investment company but is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the AICPA Audit and Accounting Guide, Investment Companies, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity and (c) the entity is not a securitization entity, asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The reporting entity is required to perform a consolidation analysis for entities that qualify for the deferral in accordance with previously issued guidance on variable interest entities. Our involvement with its funds is such that all three of the above conditions are met with the exception of certain CLOs which fail condition (c) above. The incremental impact of the revised consolidation rules resulted in the consolidation of certain CLOs managed by us. The CLOs manage approximately $11.9 billion of total assets as of December 31, 2010. The incremental impact of the revised consolidation guidance resulted in the consolidation of CLOs managed by us on January 1, 2010 which increased total assets and total liabilities in the combined and consolidated balance sheets by $9.1 billion and $8.4 billion, respectively. The difference in fair value of assets and liabilities on January 1, 2010 of $0.7 billion was recorded in equity appropriated for consolidated funds. In accordance with the standard, prior periods have not been restated to reflect the consolidation of these CLOs.

In January 2010, the FASB issued guidance on improving disclosures about fair value measurements. The guidance requires additional disclosure on transfers in and out of Levels I and II fair value measurements in the fair value hierarchy and the reasons for such transfers. In addition, for fair value measurements using significant unobservable inputs (Level III), the reconciliation of beginning and ending balances shall be presented on a gross basis, with separate disclosure of gross purchases, sales, issuances and settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to disaggregate disclosures

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by each class of assets and liabilities. In addition, an entity is required to provide further disclosures on valuation techniques and inputs used to measure fair value for fair value measurements that fall in either Level II or Level III. As the guidance is limited to enhanced disclosures, adoption did not have a material impact on our condensed combined and consolidated financial statements.

In May 2011, the FASB amended its guidance for fair value measurements and disclosures to converge U.S. GAAP and International Financial Reporting Standards (IFRS). The amended guidance, included in ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP, is effective for us for our annual reporting period beginning after December 15, 2011. The amended guidance is generally clarifying in nature, but does change certain existing measurement principles in ASC 820 and requires additional disclosure about fair value measurements and unobservable inputs. We have not completed our assessment of the impact of this amended guidance, but do not expect the adoption to have a material impact on our consolidated financial statements.

Quantitative and Qualitative Disclosures about Market Risk

Our primary exposure to market risk is related to our role as general partner or investment advisor to our investment funds and the sensitivities to movements in the fair value of their investments, including the effect on management fees, performance fees and investment income.

Although our investment funds share many common themes, each of our alternative asset management asset classes runs its own investment and risk management processes, subject to our overall risk tolerance and philosophy. The investment process of our investment funds involves a comprehensive due diligence approach, including review of reputation of shareholders and management, company size and sensitivity of cash flow generation, business sector and competitive risks, portfolio fit, exit risks and other key factors highlighted by the deal team. Key investment decisions are subject to approval by both the fund-level managing directors, as well as the investment committee, which is generally comprised of one or more of the three founding partners, one sector head, one or more senior advisors and senior investment professionals associated with that particular fund. Once an investment in a portfolio company has been made, our fund teams closely monitor the performance of the portfolio company, generally through frequent contact with management and the receipt of financial and management reports.

Effect on Fund Management Fees

Management fees will only be directly affected by short-term changes in market conditions to the extent they are based on NAV or represent permanent impairments of value. These management fees will be increased (or reduced) in direct proportion to the effect of changes in the market value of our investments in the related funds. The proportion of our management fees that are based on NAV is dependent on the number and types of investment funds in existence and the current stage of each fund s life cycle. For the year ended December 31, 2010 less than 1% of our fund management fees were based on the NAV of the applicable funds.

Exchange Rate Risk

Our investment funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. Non-U.S. dollar denominated assets and liabilities are translated at year-end rates of exchange, and the combined and consolidated statements of operations accounts are translated at rates of exchange in effect throughout the year. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. We estimate that as of June 30, 2011, if the U.S. dollar strengthened 10% against all foreign currencies, the impact on our consolidated results of operations for the six months then ended would be as follows: (a) fund management fees would decrease by

$11.6 million, (b) performance fees would decrease by $7.6 million and (c) investment income would decrease by $1.1 million.

Interest Rate Risk

We have obligations under our term loan facility that accrue interest at variable rates. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows. We entered into an interest rate swap in March 2008 to fix the interest rate on $239.3 million of the $725.0 million term loan facility borrowings at 5.319%. Based on our debt obligations payable and our interest rate swaps as of June 30, 2011, we estimate that interest expense relating to variable rates would increase by $3.5 million on an annual basis, in the event interest rates were to increase by one percentage point.

Credit Risk

Certain of our investment funds hold derivative instruments that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. We minimize our risk exposure by limiting the counterparties with which we enter into contracts to banks and investment banks who meet established credit and capital guidelines. We do not expect any counterparty to default on its obligations and therefore do not expect to incur any loss due to counterparty default.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information contained in this prospectus is subject to completion due to the fact that information related to our Reorganization and this offering is not currently determinable. We intend to complete this pro forma financial information, including amounts related to the pro forma adjustments set forth in the accompanying unaudited condensed combined and consolidated pro forma statements of operations and unaudited condensed combined and consolidated pro forma balance sheet, at such time that we update this prospectus and such information is available.

The following unaudited condensed combined and consolidated pro forma statements of operations for the six months ended June 30, 2011 and the year ended December 31, 2010, and the unaudited condensed combined and consolidated pro forma balance sheet as of June 30, 2011 are based upon the historical financial statements included elsewhere in this prospectus and the historical financial statements of the Business Acquisitions (defined below). These pro forma financial statements present our consolidated results of operations and financial position giving pro forma effect to the Business Acquisitions, the Reorganization and Offering Transactions described under Organizational Structure and the other transactions described below as if such transactions had been completed as of January 1, 2010 with respect to the unaudited condensed combined and consolidated pro forma statements of operations for the year ended December 31, 2010 and for the six months ended June 30, 2011, and as of June 30, 2011 with respect to the unaudited condensed combined and consolidated pro forma balance sheet. The pro forma adjustments are based on available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of these transactions on the historical combined and consolidated financial information of Carlyle Group. The adjustments are described in the notes to the unaudited condensed combined and consolidated pro forma statements of operations and the unaudited condensed combined and consolidated pro forma balance sheet.

Carlyle Group is considered our predecessor for accounting purposes, and its combined and consolidated financial statements will be our historical financial statements following the completion of the Reorganization and this offering. Because the existing owners of the Parent Entities control the entities that comprise Carlyle Group before and after the Reorganization, we will account for the transaction among these owners interests in our business, as part of the Reorganization, as a transfer of interests under common control. Accordingly, we will carry forward unchanged the value of these owners interests in the assets and liabilities recognized in Carlyle Group s combined and consolidated financial statements into our consolidated financial statements.

The pro forma adjustments in the *Business Acquisitions* column give effect to the following transactions:

The acquisition by Carlyle Group in December 2010 of 55% of Claren Road, a long/short credit hedge fund manager. Because this transaction was completed on December 31, 2010, the impact is fully reflected in the historical Carlyle Group combined and consolidated financial statements as of June 30, 2011 and for the six months then ended, and therefore, no adjustments are necessary to the unaudited pro forma financial information as of June 30, 2011 and for the six months ended June 30, 2011.

The acquisition by Carlyle Group in July 2011 of a 60% equity interest in AlpInvest, one of the world s largest investors in private equity which advises a global private equity and mezzanine fund of funds program and related co-investment and secondary activities.

The acquisition by Carlyle Group in July 2011 of a 55% interest in ESG, an emerging markets equities and macroeconomic strategies investment manager.

The acquisitions of Claren Road, AlpInvest, and ESG are collectively hereinafter referred to as the Business Acquisitions. The pro forma adjustments for the Business Acquisitions are based on the historical financial statements of the Business Acquisitions presented under U.S. GAAP and include assumptions that we believe are reasonable. The pro forma adjustments do not reflect any operating efficiencies or cost savings that we may achieve, any additional expenses that may be incurred with respect to operating the combined company, or the costs of integration that the combined company may incur. The pro forma adjustments give effect to events that are (i) directly attributable to the Business Acquisitions, (ii) factually supportable, and (iii) with respect to the pro forma statements of operations, expected to have a continuing impact on the combined results of the companies.

The pro forma adjustments in the *Reorganization and Other Adjustments* column principally give effect to the Reorganization and Offering Transactions described under Organizational Structure, including:

the effect of one or more cash distributions that our Parent Entities will make to their owners of previously undistributed earnings and accumulated cash totaling $;

the issuance of additional equity interests in the Parent Entities to Mubadala upon the exchange of the subordinated notes, as determined based upon the initial public offering price of the common units in this offering, which will subsequently be contributed to Carlyle Holdings in exchange for Carlyle Holdings partnership units;

the restructuring of beneficial interests in investments in or alongside our funds that were funded by certain existing and former owners of the Parent Entities indirectly through the Parent Entities, such that the Parent Entities will (i) purchase a portion of the beneficial interests at fair value, and (ii) restructure the remainder of the beneficial interests so that they are either held directly by the beneficial owners or reflected as non-controlling interests in our financial statements;

the restructuring of certain carried interest rights allocated to former owners so that such carried interest rights will be reflected as non-controlling interests in our financial statements;

the reallocation of carried interest to senior Carlyle professionals and other individuals who manage our carry funds, such that the allocation to these individuals will be approximately 45% of all carried interest on a blended average basis, with the exception of the Riverstone funds, where Carlyle will retain essentially all of the carry to which we are entitled to under our joint venture arrangements with Riverstone;

an adjustment to reflect compensation attributable to our senior Carlyle professionals as compensation expense rather than as distributions from equity, as well as an adjustment to reclassify the liability for amounts owed to our senior Carlyle professionals from due to Carlyle partners to accrued compensation and benefits;

an adjustment to reflect compensation expense related to the issuance and vesting of Carlyle Holdings partnership units as part of the Carlyle Holdings formation and compensation expense related to the grant and vesting of deferred restricted common units of The Carlyle Group L.P.;

a provision for corporate income taxes on the income of The Carlyle Group L.P. s wholly-owned subsidiaries that will be taxable for U.S. income tax purposes, which we refer to as the corporate taxpayers;

the issuance of common units in this offering at an assumed initial public offering price of $ per common unit, less estimated underwriting discounts and the payment of offering expenses by Carlyle Holdings;

the purchase by The Carlyle Group L.P. s wholly-owned subsidiaries of newly-issued Carlyle Holdings partnership units for cash with the proceeds from this offering;

the application by Carlyle Holdings of a portion of the proceeds from this offering to repay outstanding indebtedness, as described in Use of Proceeds; and

an adjustment to non-controlling interests in consolidated entities representing the Carlyle Holdings partnership units held by our existing owners after this offering.

As a public company, our costs for such items as insurance, accounting, and legal advice may increase. We will also incur costs which we have not previously incurred for director fees, additional investor relations expenses, compliance costs, and various other costs associated with being a public company. We have not included any pro forma adjustments relating to these costs.

The unaudited condensed pro forma financial information should be read together with Organizational Structure, Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical financial statements and related notes included elsewhere in this prospectus.

The unaudited condensed combined and consolidated pro forma financial information is included for informational purposes only and does not purport to reflect the results of operations or financial position of Carlyle Group that would have occurred had the transactions described above occurred on the dates indicated or had we operated as a public entity during the periods presented or for any future period or date. The unaudited condensed combined and consolidated pro forma financial information should not be relied upon as being indicative of our future or actual results of operations or financial condition had the Business Acquisitions, Reorganization and Offering Transactions described under Organizational Structure and the other transactions described above occurred on the dates assumed. The unaudited condensed combined and consolidated pro forma financial information also does not project our results of operations or financial position for any future period or date.

Unaudited Condensed Combined and Consolidated Pro Forma Balance Sheet
As of June 30, 2011

	Carlyle Group Combined Historical	Business Acquisitions(1)	Carlyle Group Including the Business Acquisitions	Reorganization and Other Adjustments(2)	Carlyle Holdings Pro Forma	Adjustments for Non-controlling Interests(3)	The Carlyle Group L.P. Consolidated Pro Forma
	(Dollars in millions)						
Assets							
Cash and cash equivalents	$ 485.3	$ 60.9	$ 546.2	(a)	$		$
Cash and cash equivalents held at Consolidated Funds	659.7	12.1	671.8				
Restricted cash	31.9	0.5	32.4				
Restricted cash and securities of Consolidated Funds	98.3		98.3				
Investments	3,183.2	241.6	3,424.8	(b)			
Investments of Consolidated Funds	12,191.6	8,588.3	20,779.9				
Due from affiliates and other receivables, net	280.8	6.7	287.5				
Due from affiliates and other receivables of Consolidated Funds, net	231.9	123.7	355.6				
Fixed assets, net	45.4	1.2	46.6				
Deposits and other	43.5	8.5	52.0				
Intangible assets, net	423.2	170.8	594.0				
Deferred tax assets	15.4		15.4	(c)			
Total assets	$ 17,690.2	$ 9,214.3	$ 26,904.5		$		$
Liabilities and equity							
Loans payable	$ 580.5	$ 116.6	$ 697.1	(d)			
Subordinated loan payable to affiliate	511.7		511.7	(e)			
Loans payable of Consolidated Funds	10,427.1		10,427.1				
	654.4	202.9	857.3	(f)			

Accounts payable, accrued compensation and other accrued liabilities				(g)			
Due to Carlyle partners	1,244.0	118.0	1,362.0	(f) (g)			
Due to affiliates	26.6		26.6				
Deferred revenue	143.3		143.3				
Deferred tax liabilities		63.6	63.6				
Other liabilities of Consolidated Funds	796.7	99.1	895.8				
Accrued giveback obligations	84.3		84.3				
Total liabilities	14,468.6	600.2	15,068.8				
Commitments and contingencies							
Redeemable non-controlling interests in consolidated entities	1,011.2	360.1	1,371.3				
Members equity	1,241.9	7.0	1,248.9	(a) (b) (c) (d) (e) (g) (h)		(a)	
Accumulated other comprehensive loss	(40.9)		(40.9)				
Total members equity	1,201.0	7.0	1,208.0				
Equity appropriated for Consolidated Funds	645.4		645.4				
Non-controlling interests in consolidated entities	364.0	8,247.0	8,611.0	(b) (h)		(a)	
Total equity	2,210.4	8,254.0	10,464.4				
Total liabilities and equity	$ 17,690.2	$ 9,214.3	$ 26,904.5		$		$

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Notes to Unaudited Condensed Combined and Consolidated Pro Forma Balance Sheet as of June 30, 2011

1. Business Acquisitions

On July 1, 2011, Carlyle Group acquired a 60% interest in AlpInvest, one of the world s largest investors in private equity. The consolidated balance sheet for AlpInvest as of June 30, 2011 is derived from its audited balance sheet included elsewhere in this Registration Statement. The consolidated income statements for AlpInvest for the six months ended June 30, 2011 and the year ended December 31, 2010 are derived from its unaudited financial statements not included in this Registration Statement.

On July 1, 2011, Carlyle Group acquired 55% of ESG, an emerging markets equities and macroeconomic strategies investment manager. The consolidated financial statements of ESG as of June 30, 2011 and for the six months ended June 30, 2011 and for the year ended December 31, 2010 are derived from its unaudited financial statements not included in this Registration Statement.

Carlyle Group consolidates the financial position and results of operations of the Business Acquisitions effective on the date of the closing of each Business Acquisition, and has accounted for the Business Acquisitions as business combinations.

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

The following table summarizes the pro forma impact to the Carlyle Group historical consolidated balance sheet from the Business Acquisitions. For purposes of determining the adjustments to the unaudited condensed combined and consolidated pro forma balance sheet as of June 30, 2011, the AlpInvest and ESG acquisitions are assumed to have occurred on that date.

	AlpInvest Consolidated Historical	ESG Consolidated Historical	Pro Forma Acquisition Adjustments(a)	Total Business Acquisitions
	(Dollars in millions)			
Assets				
Cash and cash equivalents	$ 150.6	$ 6.7	$ (96.4)(b)	$ 60.9
Cash and cash equivalents held at Consolidated Funds	3.2	8.9		12.1
Restricted cash	0.5			0.5
Restricted cash and securities of Consolidated Funds				
Investments	216.6	25.0		241.6
Investments of Consolidated Funds	8,226.4	361.9		8,588.3
Due from affiliates and other receivables, net	0.4	4.6	1.7 (c)	6.7
Due from affiliates and other receivables of Consolidated Funds, net	96.4	27.3		123.7
Fixed assets, net	1.1	0.1		1.2
Deposits and other	8.5			8.5
Intangible assets, net			170.8 (d)	170.8
Deferred tax assets				
Total assets	$ 8,703.7	$ 434.5	$ 76.1	$ 9,214.3
Liabilities and equity				
Loans payable	$	$	$ 116.6 (e)	$ 116.6
Subordinated loan payable to affiliate				
Loans payable of Consolidated Funds				
Accounts payable, accrued compensation and other accrued liabilities	233.3	11.7	(42.1)(f)	202.9
Due to Carlyle partners			118.0 (g)	118.0
Due to affiliates				
Deferred revenue				
Deferred tax liabilities	44.2		19.4 (h)	63.6
Other liabilities of Consolidated Funds	62.8	36.3		99.1
Accrued giveback obligations				
Total liabilities	340.3	48.0	211.9	600.2
Commitments and contingencies				
		360.1		360.1

Redeemable non-controlling interests in consolidated entities				
Members equity	158.2	26.4	(177.6)(i)	7.0
Accumulated other comprehensive loss				
Total members equity	158.2	26.4	(177.6)	7.0
Equity appropriated for Consolidated Funds				
Non-controlling interests in consolidated entities	8,205.2		41.8 (j)	8,247.0
Total equity	8,363.4	26.4	(135.8)	8,254.0
Total liabilities and equity	$ 8,703.7	$ 434.5	$ 76.1	$ 9,214.3

(a) These adjustments reflect the application of purchase accounting to the acquisitions of AlpInvest and ESG. The acquisition of Claren Road is already reflected in Carlyle Group s combined historical balance sheet as of June 30, 2011. The allocation of the purchase price for the acquisitions of AlpInvest and ESG has been based upon preliminary estimates of the fair value of assets acquired, liabilities assumed, and non-controlling interests. These adjustments are therefore preliminary and have been prepared to illustrate the estimated effect of the acquisitions. A final purchase price allocation of AlpInvest and ESG assets, liabilities, and non-controlling interests will be performed once we have completed our final valuation of the tangible and intangible assets and liabilities that existed at the completion of the acquisitions.

The acquisition-date fair value of the consideration transferred for the AlpInvest and ESG acquisitions, and the estimated fair values of the assets acquired, liabilities assumed, and non-controlling interests at the acquisition date, are as follows:

	AlpInvest	ESG
	(Dollars in millions)	
Acquisition-date fair value of consideration transferred		
Cash	$ 183.8	$ 45.0
Equity interests and other contingent consideration	15.5	67.4
Total	$ 199.3	$ 112.4
Estimated fair value of assets acquired, liabilities assumed, and non-controlling interests		
Cash and receivables	$ 169.0	$ 11.3
Investments	216.6	25.0
Net fixed assets and other assets	9.6	0.1
Finite-lived intangible assets contractual rights	70.6	88.0
Finite-lived intangible assets trademarks	1.4	1.0
Goodwill	9.8	
Assets of Consolidated Funds	8,326.0	398.1
Accounts payable, accrued compensation and other accrued liabilities	(233.3)	(11.7)
Deferred tax liabilities	(60.6)	(3.0)
Liabilities of Consolidated Funds	(62.8)	(36.3)
Non-controlling interests in consolidated entities	(8,247.0)	(360.1)
Total	$ 199.3	$ 112.4

(b) This adjustment reflects cash inflows to Carlyle Group from borrowing 81.0 million ($116.6 million) on the revolving credit facility to finance the AlpInvest acquisition, less the cash outflows of Carlyle Group of $168.0 million (excluding cash from non-controlling interests) and $45.0 million for the AlpInvest and ESG acquisitions, respectively.

(c) This adjustment reflects receivables from employees of AlpInvest totaling $1.7 million that Carlyle Group advanced in connection with the AlpInvest acquisition.

(d) This adjustment reflects the intangible assets and goodwill acquired in the AlpInvest and ESG acquisitions, totaling $81.8 million and $89.0 million, respectively.

(e) This adjustment reflects Carlyle Group s borrowing of 81.0 million ($116.6 million) on the revolving credit facility to finance the AlpInvest acquisition.

(f) This adjustment reflects the liability associated with the estimated fair value of the contingent consideration paid for the AlpInvest and ESG acquisitions, totaling $15.5 million and $60.4 million, respectively. In conjunction with the acquisitions, certain employees of AlpInvest and ESG were admitted as senior Carlyle professionals.

Accordingly, this adjustment also includes a reduction to reclassify balances owed to these individuals as to due to Carlyle partners. This reduction totals $118.0 million and relates to compensation, contingent consideration and other liabilities payable to those individuals (see note (g)).

(g) This adjustment reflects a reclassification of compensation and benefit accruals associated with AlpInvest and ESG employees who were admitted as senior Carlyle professionals (see note (f)).

(h) This adjustment reflects the deferred tax liabilities recognized in the AlpInvest and ESG acquisitions, totaling $16.4 million and $3.0 million, respectively.

(i) This adjustments reflects an increase to members equity of $7.0 million related to the ESG acquisition, offset by decreases to members equity of $158.2 million and $26.4 million for AlpInvest and ESG, respectively, to record the purchase accounting for those acquisitions.

(j) This adjustment reflects the non-controlling interests in AlpInvest not acquired by Carlyle Group in the acquisition of $24.3 million and the 40% non-controlling ownership in AlpInvest totaling $17.5 million.

On December 31, 2010, Carlyle Group acquired 55% of Claren Road, a long/short credit hedge fund manager. The purchase consideration was comprised of $157.8 million in cash and promissory notes in the amount of $97.5 million. Also included in the consideration were contingently issuable equity interests in Carlyle Group equivalent to $51.3 million as of the closing date. Carlyle Group may also pay additional contingent consideration up to $255.2 million over a period of ten years based on the achievement of certain performance criteria. The acquisition-date fair value of the consideration transferred totaled $447.6 million, consisting of the following (dollars in millions):

Cash	$ 157.8
Promissory notes	97.5
Contingently issuable equity interest in Carlyle Group	51.3
Contingent and other consideration	141.0
Total	$ 447.6

The consolidated statement of operations for Claren Road for the year ended December 31, 2010 is derived from its audited financial statements not included in this Registration Statement. Because this transaction was completed on December 31, 2010, the impact is fully reflected in the historical Carlyle Group combined and consolidated financial statements as of June 30, 2011 and for the six months then ended, and therefore, no adjustments are necessary to the unaudited pro forma financial information as of June 30, 2011 and for the six months ended June 30, 2011.

2. Reorganization and Other Adjustments

(a) Reflects net proceeds of $ million from this offering through the issuance of common units at an assumed initial public offering price of $ per common unit (the midpoint of the range indicated on the front cover of this prospectus), less estimated underwriting discounts of $ million, with a corresponding increase to members equity. The net cash proceeds reflect a reduction of $ million for expenses of the offering that Carlyle Holdings will bear or reimburse to The Carlyle Group L.P. See note 3(a).

(b) Reflects the restructuring of certain beneficial interests in investments in or alongside our funds that were funded by certain existing and formers owners of the Parent Entities indirectly through the Parent Entities. As part of the Reorganization, (i) the Parent Entities purchased approximately $ million of these beneficial interests at fair value, (ii) approximately $ million of these beneficial interests at June 30, 2011 were restructured so that they are held directly by the beneficial owners, and (iii) approximately $ million of these beneficial interests at June 30, 2011 were restructured so that they are reflected as non-controlling interests in our consolidated financial statements.

For the beneficial interests purchased by the Parent Entities, a pro forma adjustment has been recorded to reduce cash and reduce members equity (for interests that were funded through the Parent Entities) or reduce non-controlling interests in consolidated entities (for interests in subsidiaries of the Parent Entities that were not funded through the Parent Entities). For the restructured beneficial interests that are now held directly by the beneficial owners, a pro forma adjustment has been recorded to eliminate the balances from investments and members equity, as such interests have been distributed from the Parent Entities to the beneficial owners. For the restructured beneficial interests that remain

invested indirectly through the Parent Entities but are owned by the beneficial owners, a pro forma adjustment has been recorded to reclassify the balances from members equity to non-controlling interests in consolidated entities.

(c) Reflects an adjustment to record deferred tax assets for the excess of the tax basis over the book basis of Carlyle Holdings I GP Inc. s investment in Carlyle Holdings I L.P. to the extent that such differences are expected to reverse in the foreseeable future.

(d) Reflects the effect of one or more distributions to our existing owners of cash representing undistributed earnings and accumulated cash generated by the Parent Entities prior to the date of the offering in an aggregate amount of $ million.

(e) Reflects the issuance of $ of equity interests in the Parent Entities in exchange for the $500 million subordinated loan payable to affiliate. The amount of additional equity interests in the Parent Entities which Mubadala will receive upon exchange of the notes will be determined based on the initial public offering price of the common units in this offering. More specifically, Mubadala will receive upon exchange of the notes that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings, entitle Mubadala to a number of Carlyle Holdings partnership units that is equal to the quotient of $500 million (plus any accrued and unpaid interest on the notes) divided by the product of .925 multiplied by the initial public offering price per common unit in this offering. Based on an assumed initial offering price of $ per common unit (the midpoint of the range indicated on the front cover of this prospectus), the assumed equity interests in the Parent Entities issued in this transaction is $ million. The equity interests in the Parent Entities issued in this exchange will subsequently be contributed to Carlyle Holdings in exchange for Carlyle Holdings partnership units. The difference between the value of the Carlyle Holdings partnership units issued of $ million and the carrying value of the subordinated loan payable to affiliate of $511.7 million is reflected as a reduction of members equity of $ million.

(f) Reflects the reclassification of amounts owed to senior Carlyle professionals to accrued compensation and benefits. Prior to the Reorganization and this offering, the entities that comprise Carlyle Group have been partnerships or limited liability companies, and our senior Carlyle professionals were part of the ownership group of those entities. In the historical financial statements, the liability to senior Carlyle professionals for amounts owed to them (primarily compensation and performance fee related compensation) was reported separately from compensation amounts owed to other Carlyle employees. Subsequent to the Reorganization, the liability for compensation amounts owed to senior Carlyle professionals and other Carlyle employees will be aggregated on our balance sheet. This adjustment has been reduced by the reallocation of carried interest in our carry funds between Carlyle Holdings and our senior Carlyle professionals and other individuals who manage our carry funds (see note 2(g) below).

(g) Reflects the reallocation of carried interest to senior Carlyle professionals and other individuals who manage our carry funds, such that the allocation to these individuals will be approximately 45% of all carried interest on a blended average basis, with the exception of the Riverstone funds, where Carlyle will retain essentially all of the carry to which we are entitled to under our joint venture arrangements with Riverstone. Historically, these allocations of carried interest were accounted for as accrued compensation and benefits for carried interest related to our Carlyle employees and as due to Carlyle partners for carried interest related to our senior Carlyle professionals. This adjustment reclassifies the reallocation of carried interest as of June 30, 2011 from the respective liability balances to

members equity, to reflect Carlyle Holdings ownership of this allocation of carried interest. The amounts for this adjustment have been derived from our historical results.

(h) Reflects the restructuring of ownership of certain carried interest rights allocated to former owners of the Parent Entities so that such carried interest rights will be reflected as non-controlling interests. At June 30, 2011, the carrying value of these restructured carried interest rights was $. This adjustment has been recorded to reclassify this balance from members equity to non-controlling interests in consolidated entities.

3. Adjustments for Non-controlling Interests

(a) Our existing owners will contribute to Carlyle Holdings their interests in the Parent Entities and a portion of the equity interests they own in the general partners of our existing investment funds and other entities that have invested in or alongside our funds in exchange for partnership units in Carlyle Holdings. We will operate and control all of the business and affairs of Carlyle Holdings and will consolidate the financial results of Carlyle Holdings and its subsidiaries. The ownership interests of the existing owners in Carlyle Holdings will be reflected as a non-controlling interest in our financial statements. The following table summarizes the pro forma adjustment for non-controlling interests in consolidated entities as of June 30, 2011 (Dollars in millions):

Carlyle Group combined historical members equity	(1)	$
Beneficial interests in Parent Entities purchased by Carlyle Holdings	(2)	
Restructuring of carried interest rights	(3)	
Distributions of undistributed earnings and accumulated cash	(4)	
Acquisition of Carlyle Holdings partnership units by The Carlyle Group L.P.	(5)	
Dilution of interests held by The Carlyle Group L.P.	(6)	
Reimbursement of offering expenses to The Carlyle Group L.P.	(7)	
		$

(1) At the time of the Reorganization, all the outstanding members equity of the entities that comprise Carlyle Group will be exchanged for members equity in Carlyle Holdings. This ownership interest will be classified as non-controlling interests in consolidated entities of The Carlyle Group L.P.

(2) The beneficial interests acquired by Carlyle Holdings that were funded through the Parent Entities reduce Carlyle Group s members equity and accordingly, reduce the balance of non-controlling interests in consolidated entities. See note 2(b).

(3) The restructuring of ownership of certain carried interest rights reduces Carlyle Group s members equity and accordingly, reduce the balance of non-controlling interests in consolidated entities. See note 2(h).

(4) See note 2(d).

(5) Reflects our use of $ of assumed net proceeds from the issuance of the common units in this offering to purchase newly issued Carlyle Holdings partnership units at fair value. Assuming the underwriters do not exercise their option to purchase additional common units from us, we will directly and indirectly own % of

the outstanding Carlyle Holdings partnership units upon the completion of this offering and the balance of the outstanding Carlyle Holdings partnership units will be owned by the existing owners.

We account for this portion of the Reorganization as a change in a parent s ownership interest while retaining control; accordingly, we account for the cost of the interests purchased as a reduction of non-controlling interests in consolidated entities. The cost of interests purchased is $ million.

(6) Reflects an adjustment to record non-controlling interests in consolidated entities relating to the Carlyle Holdings partnership units to be held by our existing owners after this offering; such units represent % of all Carlyle Holdings partnership units outstanding after this offering. Because we will purchase the interests in Carlyle Holdings at a valuation in excess of the proportion of the book value of net assets acquired, we will incur an immediate dilution in carrying value of approximately $ million. This dilution is reflected within members equity as a reallocation from members equity to non-controlling interests in consolidated entities. See Organizational Structure Offering Transactions and Use of Proceeds.

In connection with the Reorganization, we will enter into an exchange agreement with the limited partners of the Carlyle Holdings partnerships. Under the exchange agreement, subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions, each holder of Carlyle Holdings partnership units (and certain transferees thereof), other than the subsidiaries of The Carlyle Group L.P., may up to four times a year, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange these partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Under the exchange agreement, to effect an exchange a holder of partnership units in Carlyle Holdings must simultaneously exchange one partnership unit in each of the Carlyle Holdings partnerships. No such exchanges have been assumed in the calculation of the pro forma adjustment for non-controlling interests.

(7) See note 2(a).

Unaudited Condensed Combined and Consolidated Pro Forma Statement of Operations
For the Six Months Ended June 30, 2011

	Carlyle Group Combined Historical	Business Acquisitions(1)	Carlyle Group Including the Business Acquisitions	Reorganization and Other Adjustments(2)	Carlyle Holdings Pro Forma	Adjustments for Non-controlling Interests(3)	The Carlyle Group L.P. Consolidated Pro Forma
	(Dollars in millions, except per unit data)						
Revenues							
Fund management fees	$ 447.2	$ 46.7	$ 493.9		$		$
Performance fees							
Realized	494.9	18.2	513.1				
Unrealized	725.5	59.7	785.2				
Total performance fees	1,220.4	77.9	1,298.3				
Investment income							
Realized	42.8		42.8	(a)			
Unrealized	19.2	0.4	19.6	(a)			
Total investment income	62.0	0.4	62.4				
Interest and other income	13.1	2.3	15.4				
Interest and other income of Consolidated Funds	330.4	71.9	402.3				
Total revenues	2,073.1	199.2	2,272.3				

Expenses				
Compensation and benefits				
Base compensation	175.3	28.2	203.5	(b)
				(c)
Performance fee related				
Realized	84.8	7.9	92.7	(b)
Unrealized	57.8	34.0	91.8	(b)
Total compensation and benefits	317.9	70.1	388.0	
General, administrative and other expenses	107.1	14.9	122.0	
Depreciation and amortization	37.2	10.4	47.6	
Interest	32.8	3.4	36.2	(d)
Interest and other expenses of Consolidated Funds	190.9	43.9	234.8	
Other non-operating expenses	20.6		20.6	(d)
Total expenses	706.5	142.7	849.2	
Other income (loss)				
Net investment gains (losses) of Consolidated Funds	(277.0)	560.7	283.7	
Income before provision for income taxes	1,089.6	617.2	1,706.8	
Provision for income taxes	12.8	15.8	28.6	(e)

Net income		1,076.8		601.4		1,678.2						
Net income (loss) attributable to non-controlling interests in consolidated entities		(191.1)		567.3		376.2						
									(a)			
									(b)			
									(c)			
									(d)			
Net income attributable to Carlyle Group	$	1,267.9	$	34.1	$	1,302.0	$		(a)	$		
									(b)			
									(c)			
									(d)			
Net income per common unit												
Basic										$		(4a)
Diluted										$		(4a)
Weighted average common units outstanding												
Basic												(4a)
Diluted												(4a)

Unaudited Condensed Combined and Consolidated Pro Forma Statement of Operations
For the Year Ended December 31, 2010

	Carlyle Group Combined Historical	Business Acquisitions(1)	Carlyle Group Including the Business Acquisitions	Reorganization and Other Adjustments(2)	Carlyle Holdings Pro Forma	Adjustments for Non-controlling Interests(3)	The Carlyle Group L.P. Consolidated Pro Forma
	(Dollars in millions, except per unit data)						
Revenues							
Fund management fees	$ 770.3	$ 145.8	$ 916.1		$		$
Performance fees							
Realized	266.4	71.6	338.0				
Unrealized	1,215.6	(0.3)	1,215.3				
Total performance fees	1,482.0	71.3	1,553.3				
Investment income							
Realized	11.9	3.9	15.8	(a)			
Unrealized	60.7	0.7	61.4	(a)			
Total investment income	72.6	4.6	77.2				
Interest and other income	21.4	5.6	27.0				
Interest and other income of Consolidated Funds	452.6	257.9	710.5				
Total revenues	2,798.9	485.2	3,284.1				
Expenses							
Compensation and benefits							

Base compensation	265.2	85.7	350.9	(b) (c)
Performance fee related				
Realized	46.6	30.0	76.6	(b)
Unrealized	117.2	3.5	120.7	(b)
Total compensation and benefits	429.0	119.2	548.2	
General, administrative and other expenses	152.7	26.9	179.6	
Depreciation and amortization	24.5	61.3	85.8	
Interest	17.8	10.4	28.2	(d)
Interest and other expenses of Consolidated Funds	233.3	136.6	369.9	
Other non-operating expenses				
Loss from early extinguishment of debt, net of related expenses	2.5		2.5	
Equity issued for affiliate debt financing	214.0		214.0	(d)
Total expenses	1,073.8	354.4	1,428.2	
Other income (loss)				
Net investment gains (losses) of Consolidated Funds	(245.4)	1,848.0	1,602.6	
Income before provision for income taxes	1,479.7	1,978.8	3,458.5	
Provision for income taxes	20.3	17.3	37.6	(e)
Net income	1,459.4	1,961.5	3,420.9	
Net income (loss) attributable to non-controlling interests in consolidated entities	(66.2)	1,935.5	1,869.3	

(a)
(b)
(c)
(d)

Net income attributable to Carlyle Group	$	1,525.6	$	26.0	$	1,551.6	$		(a) (b) (c) (d)	$	
Net income per common unit											
Basic										$	(4a)
Diluted										$	(4a)
Weighted average common units outstanding											
Basic											(4a)
Diluted											(4a)

Notes to Unaudited Condensed Combined and Consolidated Pro Forma Statements of Operations

1. Business Acquisitions

The following tables summarize the pro forma impact to the Carlyle Group historical consolidated statements of operations from the Business Acquisitions for the periods presented. For purposes of determining the impact to the unaudited condensed combined and consolidated pro forma statements of operations, the Acquisitions are assumed to have occurred on January 1, 2010. Carlyle Group s acquisition of Claren Road was completed on December 31, 2010. Accordingly, Claren Road s consolidated results of operations for the six months ended June 30, 2011 are fully reflected in the Carlyle Group combined historical statement of operations for the six months ended June 30, 2011, and therefore, no pro forma adjustments are necessary.

For the Six Months Ended June 30, 2011

	AlpInvest Consolidated Historical	ESG Consolidated Historical	Pro Forma Acquisition Adjustments	Total Business Acquisitions
	(Dollars in millions)			
Revenues				
Fund management fees	$ 37.9	$ 8.8	$	$ 46.7
Performance fees				
Realized	18.1	0.1		18.2
Unrealized	40.4	19.3		59.7
Total performance fees	58.5	19.4		77.9
Investment income				
Realized				
Unrealized		0.4		0.4
Total investment income		0.4		0.4
Interest and other income	1.5	0.2	0.6 (a)	2.3
Interest and other income of Consolidated Funds	69.6	2.3		71.9
Total revenues	167.5	31.1	0.6	199.2
Expenses				
Compensation and benefits				
Base compensation	26.0	4.6	(2.4)(b)	28.2
Performance fee related				
Realized	12.0	0.1	(4.2)(b)	7.9
Unrealized	43.8	2.4	(12.2)(b)	34.0
Total compensation and benefits	81.8	7.1	(18.8)	70.1
General, administrative and other expenses	9.1	5.8		14.9
Depreciation and amortization	0.4		10.0 (c)	10.4
Interest	1.5		1.9 (d)	3.4
Interest and other expenses of Consolidated Funds	36.6	7.3		43.9

Other non-operating expenses				
Total expenses	129.4	20.2	(6.9)	142.7
Other income (loss)				
Net investment gains of Consolidated Funds	525.5	35.2		560.7
Income before provision for income taxes	563.6	46.1	7.5	617.2
Provision for income taxes	16.4	0.4	(1.0)(e)	15.8
Net income	547.2	45.7	8.5	601.4
Net income attributable to non-controlling interests in consolidated entities	529.5	22.6	15.2 (f)	567.3
Net income attributable to Carlyle Group (or controlling interest)	$ 17.7	$ 23.1	$ (6.7)	$ 34.1

For the Year Ended December 31, 2010

	Claren Road Consolidated Historical	AlpInvest Consolidated Historical	ESG Consolidated Historical	Pro Forma Acquisition Adjustments	Total Business Acquisitions
	(Dollars in millions)				
Revenues					
Fund management fees	$ 50.7	$ 80.1	$ 15.0	$	$ 145.8
Performance fees					
Realized	20.2	32.0	19.4		71.6
Unrealized		(0.3)			(0.3)
Total performance fees	20.2	31.7	19.4		71.3
Investment income					
Realized	3.8	0.1			3.9
Unrealized			0.7		0.7
Total investment income	3.8	0.1	0.7		4.6
Interest and other income		4.0	0.4	1.2(a)	5.6
Interest and other income of Consolidated Funds	40.1	213.8	4.0		257.9
Total revenues	114.8	329.7	39.5	1.2	485.2
Expenses					
Compensation and benefits					
Base compensation	35.3	55.6	4.9	(10.1)(b)	85.7
Performance fee related					
Realized	19.9	14.9	3.0	(7.8)(b)	30.0
Unrealized		3.7		(0.2)(b)	3.5
Total compensation and benefits	55.2	74.2	7.9	(18.1)	119.2
General, administrative and other expenses	5.7	18.2	3.0		26.9
Depreciation and amortization	0.5	1.4	0.1	59.3(c)	61.3
Interest		0.5		9.9(d)	10.4
Interest and other expenses of Consolidated Funds	48.3	79.2	9.1		136.6
Other non-operating expenses					
Total expenses	109.7	173.5	20.1	51.1	354.4
Other income (loss)					
Net investment gains of Consolidated Funds	58.8	1,752.7	36.5		1,848.0

Income before provision for income taxes	63.9	1,908.9	55.9	(49.9)	1,978.8
Provision for income taxes	0.6	18.1	0.7	(2.1)(e)	17.3
Net income	63.3	1,890.8	55.2	(47.8)	1,961.5
Net income attributable to non-controlling interests in consolidated entities	35.7	1,855.8	25.0	19.0(f)	1,935.5
Net income attributable to Carlyle Group (or controlling interest)	$ 27.6	$ 35.0	$ 30.2	$ (66.8)	$ 26.0

(a) This adjustment reflects interest income on loans issued by Carlyle Group in conjunction with the Claren Road and AlpInvest acquisitions of $13.5 million and $1.7 million, respectively, at their contractual annual interest rates of 8% and 7%, respectively.

(b) In conjunction with the Business Acquisitions, certain employees were admitted as senior Carlyle professionals. The entities that comprise Carlyle Group are partnerships or limited liability companies. Accordingly, all payments to our senior Carlyle professionals have been accounted for as distributions from members equity rather than as compensation expenses in the historical Carlyle Group financial statements. Accordingly, this adjustment reduces the historical compensation expenses of the Business Acquisitions for the amounts associated with those employees who are senior Carlyle professionals. Following this offering, we intend to account for compensation payments to our senior Carlyle professionals as compensation expenses. The amounts in this pro forma acquisition adjustment are included in that compensation pro forma adjustment (See note 2(b)).

(c) This adjustment reflects the amortization expense associated with intangible assets acquired from the Business Acquisitions. The acquisition of Claren Road included approximately $393.6 million of intangible assets with an estimated useful life of ten years. Amortization of the Claren Road intangible assets of $39.4 million has been included in the pro forma adjustment for the year ended December 31, 2010.

The acquisition of AlpInvest included approximately $72.0 million of intangible assets with an estimated useful life of ten years. Amortization of the AlpInvest intangible assets of $7.2 million for the year ended December 31, 2010 and $3.6 million for the six months ended June 30, 2011 have been included in the pro forma adjustment.

The acquisition of ESG included approximately $89.0 million of intangible assets with an estimated useful life of seven years. Amortization of the ESG intangible assets of $12.7 million for the year ended December 31, 2010 and $6.4 million for the six months ended June 30, 2011 have been included in the pro forma adjustment.

(d) This adjustment reflects interest expense on Carlyle Group s borrowing of 81.0 million ($116.6 million) on the revolving credit facility to finance the AlpInvest acquisition. The variable interest rate applied to the borrowing during the periods presented ranged from 2.72% to 3.57%.

(e) This adjustment reflects the amortization of the deferred tax liabilities associated with the AlpInvest and ESG acquisitions. Amortization of the AlpInvest deferred tax liabilities was $0.8 million and $1.6 million for the six months ended June 30, 2011 and year ended December 31, 2010, respectively. Amortization of the ESG deferred tax liabilities was $0.2 million and $0.5 million for the six months ended June 30, 2011 and year ended December 31, 2010, respectively.

(f) This adjustment reflects the allocation of the pro-forma net income for the periods presented to the non-controlling interests associated with the Business Acquisitions.

2. Reorganization and Other Adjustments

(a) This adjustment reflects the restructuring of certain beneficial interests in investments in or alongside our funds that were funded by certain existing and formers owners of the Parent Entities indirectly through the Parent Entities. As part of the Reorganization, certain investments were restructured so that they are held directly by the beneficial owners. This adjustment eliminates the historical investment income associated with the investments as they are no longer investments of Carlyle Holdings. This amount was derived based on historical financial results.

(b) This adjustment reflects changes to compensation and benefits expenses associated with (1) historical payments to our senior Carlyle professionals attributable to compensation and benefits, (2) compensation effects related to issuances of unvested Carlyle Holdings partnership units as part of the Carlyle Holdings formation, and (3) the reallocation of carried interest in our carry funds that are currently held by our senior Carlyle professionals and other Carlyle employees. The effects of these items on our unaudited condensed

combined and consolidated pro forma statements of operations for the six months ended June 30, 2011 and the year ended December 31, 2010 are as follows:

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
	(Dollars in millions)	
Compensation and benefits attributable to senior Carlyle professionals(1)	$	$
Performance fee related compensation attributable to senior Carlyle professionals(1)		
Issuances of unvested Carlyle Holdings partnership units to our senior Carlyle professionals and selected other employees(2)		
Performance fee related compensation expense adjustment due to carried interest reallocation(3)		
Total	$	$

(1) Reflects an adjustment to record base salary, annual bonus, and benefit expenses attributable to our senior Carlyle professionals as compensation expense. Additionally, performance fee related compensation attributable to our senior Carlyle professionals is included in this pro forma adjustment. Prior to the Reorganization and this offering, the entities that comprise Carlyle Group have been partnerships or limited liability companies. Accordingly, all payments to our senior Carlyle professionals generally have been accounted for as distributions from members equity rather than as compensation expenses. Following this offering, we intend to account for compensation payments to our senior Carlyle professionals as compensation expenses. Amounts have been derived based upon our historical results and do not reflect the assumed acquisition by Carlyle Holdings of the additional allocations of carried interest in our carry funds that are currently held by our senior Carlyle professionals (see (3) below).

(2) As part of the Reorganization, our existing owners will receive Carlyle Holdings partnership units, of which will be vested and will be unvested.

We intend to reflect the unvested Carlyle Holdings partnership units as compensation expense in accordance with Accounting Standards Codification Topic 718, *Compensation Stock Compensation* (ASC 718). The unvested Carlyle Holdings partnership units will be charged to expense as the Carlyle Holdings partnership units vest over the service period on a straight-line basis. See Certain Relationships and Related Person Transactions Carlyle Holdings Partnership Agreements. Amounts have been derived assuming a fair value of $ per partnership unit (based on the assumed initial public offering price per common unit in this offering, determined as the midpoint of the range indicated on the front cover of this prospectus), multiplied by the number of unvested units, expensed over the assumed service period, which ranges from to years. Additionally, the calculation of the expense assumes a forfeiture rate of up to %. This expense is derived from awards with a total service period of five years or less of $ million and a total service period of greater than five years of $ million.

(3)

As part of the Reorganization, there will be a reallocation of carried interest to senior Carlyle professionals and other individuals who manage our carry funds, such that the allocation to these individuals will be approximately 45% of all carried interest on a blended average basis, with the exception of the Riverstone funds, where Carlyle will retain essentially all of the carry to which we are entitled to under our joint venture arrangements with Riverstone. Historically, these allocations of carried interest were accounted for as performance fee compensation expense for our Carlyle employees and as distributions from members equity for our senior Carlyle professionals. This adjustment reduces the performance fee related compensation expense associated with the reallocation of carried interest. The amounts have been derived from our historical results.

(c) Reflects an increase to base compensation expense associated with grants of unvested deferred restricted common units at the time of this offering. At the time of the offering, we intend to grant deferred restricted common units of The Carlyle Group L.P. to our employees. The fair value of the units will be charged to compensation expense over the vesting period. Amounts have been derived assuming an offering price of $ per unit, multiplied by the number of unvested units, expensed over the assumed service period, which ranges from to years. Additionally, the calculation of the expense assumes forfeiture rates based upon historical turnover rates and a per unit discount ranging from $ to $ since these unvested units do not have participation rights. This expense is derived from awards with a total service period of five years or less of $ million and a total service period of greater than five years of $ million.

(d) Reflects the elimination of all interest expense, debt issuance costs and fair value adjustments associated with the subordinated loan payable to affiliate and the elimination of a portion of the interest expense associated with our loans payable. Immediately prior to the contribution of the Parent Entities to Carlyle Holdings, as described under Reorganization, the notes will be

exchanged into additional equity interests of the Parent Entities. The equity interests in the Parent Entities issued in this exchange will subsequently be contributed to Carlyle Holdings in exchange for Carlyle Holdings partnership units. As the notes will be exchanged for Carlyle Holdings equity in conjunction with the Reorganization, interest expense of $ million for the six months ended June 30, 2011 and $ million for the year ended December 31, 2010, debt issuance costs of $214.0 million for the year ended December 31, 2010, and fair value adjustments of $ million for the six months ended June 30, 2011 and $0 for the year ended December 31, 2010 have been eliminated from the condensed combined and consolidated pro forma statements of operations. This adjustment also reflects a reduction of interest expense of $ million for the six months ended June 30, 2011 and $ million for the year ended December 31, 2010 associated with the assumed repayment of $ million of loans payable from the proceeds of this offering. See Use of Proceeds. The conversion of the subordinated loan will result in a charge to income of approximately $ million (based on an assumed initial offering price of $ per common unit, the midpoint of the range indicated on the front cover of this prospectus) computed as the difference between the value of the Carlyle Holdings partnership units issued and the carrying value of the subordinated loan payable to affiliate. This charge is not included in the accompanying condensed combined and consolidated pro forma statement of operations.

(e) We have historically operated as a group of partnerships for U.S. federal income tax purposes and, for certain entities located outside the United States, corporate entities for foreign income tax purposes. Because most of the entities in our consolidated group are pass-through entities for U.S. federal income tax purposes, our profits and losses are generally allocated to the partners who are individually responsible for reporting such amounts and we are not taxed at the entity level. Based on applicable foreign, state, and local tax laws, we record a provision for income taxes for certain entities. Accordingly, the income tax provisions shown on Carlyle Group s historical combined and consolidated statements of operations of $20.3 million for the year ended December 31, 2010 and $12.8 million for the six months ended June 30, 2011 primarily consisted of the District of Columbia and foreign corporate income taxes.

Following the transactions described under Organizational Structure and this offering, the Carlyle Holdings partnerships and their subsidiaries will continue to operate as partnerships for U.S. federal income tax purposes and, for certain entities located outside the United States, corporate entities for foreign income tax purposes. Accordingly, several entities will continue to be subject to the District of Columbia franchise tax and the New York City unincorporated business income tax (UBT) and non-U.S. entities will continue to be subject to corporate income taxes in jurisdictions in which they operate in. In addition, certain newly formed wholly-owned subsidiaries of The Carlyle Group L.P. will be subject to entity-level corporate income taxes. As a result of our new corporate structure, we will record an additional provision for corporate income taxes that will reflect our current and deferred income tax liability relating to the taxable earnings allocated to such entities.

The table below reflects our calculation of the pro forma income tax provision for the periods presented and the corresponding assumptions:

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
	(Dollars in millions)	
Income before provision for income taxes Carlyle Holdings pro forma	$	$
Less: income before provision for income taxes attributable to non-taxable subsidiaries(1)		
Income before provision for income taxes attributable to Carlyle Holdings I L.P.		
Permanent items excluded from taxable income(2)		
Income before provision for income taxes, after permanent items		
Adjusted percentage allocable to Carlyle Holdings I GP Inc.		
Income before provision for income taxes attributable to Carlyle Holdings I GP Inc.		
Federal tax expense at statutory rate (35%)		
State and local income tax expense (net of federal benefit)(3)		
Total provision for income taxes	$	$

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

(1) Income was attributed to these entities based on income or losses of the subsidiaries of the entities. Please see Material U.S. Federal Tax Considerations for a discussion of the different tax requirements of the subsidiaries of The Carlyle Group L.P.

(2) The net income before taxes attributed to entities subject to corporate tax was adjusted to add back expenses which are not deductible for corporate income tax purposes. Such expenses relate primarily to compensation charges recognized for book purposes that will not be deductible for tax, principally charges associated with the senior Carlyle professionals unvested Carlyle Holdings partnership units and certain employee compensation charges.

(3) State and local tax expense was determined at a blended rate of %.

The amount of the adjustment reflects the difference between the actual tax provision for the historical organizational structure and the estimated tax provision that would have resulted had the transactions described under Organizational Structure and this offering been effected on January 1, 2010. This adjustment consisted of $ million of foreign and

$ million of state and federal income taxes.

3. Adjustments for Non-controlling interests

(a) Reflects the historical basis of partnership interests in subsidiaries of the Parent Entities that the existing owners are retaining. Certain departed senior Carlyle professionals will retain their interests in our carried interest entities. This amount was derived based on historical financial results as well as the ownership of the individuals.

(b) Reflects the restructuring of certain beneficial interests in investments in or alongside our funds that were funded by certain existing and formers owners of the Parent Entities indirectly through the Parent Entities. This adjustment also reflects the restructuring of ownership of certain carried interest rights allocated to former owners of the Parent Entities. As part of the Reorganization, these interests were restructured so that they are reflected as non-controlling interests in our consolidated financial statements. This adjustment

reclassifies the income attributable to the restructured interests to income attributable to non-controlling interests in consolidated entities from income attributable to Carlyle Group. The amounts for this adjustment have been derived from our historical results.

(c) Reflects the purchase by the Parent Entities of certain beneficial interests in investments in or alongside our funds that were funded by certain existing and formers owners of the Parent Entities indirectly through the Parent Entities. This adjustment reclassifies the income attributable to the purchased interests to income attributable to Carlyle Group from income attributable to non-controlling interests in consolidated entities. The amounts for this adjustment have been derived from our historical results.

(d) In order to reflect the Reorganization and offering transaction as if they occurred on January 1, 2010, an adjustment has been made to reflect the inclusion of non-controlling interests in consolidated entities representing Carlyle Holdings partnership units that are held by the existing owners after this offering. Such Carlyle Holdings partnership units represent % of all Carlyle Holdings partnership units outstanding immediately following this offering.

In connection with the Reorganization, we will enter into an exchange agreement with the limited partners of the Carlyle Holdings partnerships. Under the exchange agreement, subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions, each holder of Carlyle Holdings partnership units (and certain transferees thereof), other than the subsidiaries of The Carlyle Group L.P., may up to four times a year, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange these partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Under the exchange agreement, to effect an exchange a holder of partnership units in Carlyle Holdings must simultaneously exchange one partnership unit in each of the Carlyle Holdings partnerships. No such exchanges have been assumed for the periods presented in the calculation of the pro forma adjustment for non-controlling interests presented herein.

The following table reflects the calculation of the adjustment to net income attributable to non-controlling interests for the periods presented:

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
	(Dollars in millions)	
Net income Carlyle Holdings pro forma	$	$
Less: net income attributable to non-controlling interests in consolidated entities		
Net income attributable to Carlyle Holdings		
Percentage allocable to existing owners		
Net income attributable to non-controlling interests held by the existing owners	$	$

4. Calculation of Earnings per Common Unit

(a) For purposes of calculating the pro forma net income per common unit, the number of common units of The Carlyle Group L.P. outstanding are calculated as follows:

	Six Months Ended June 30, 2011	Year Ended December 31, 2010
Units from which proceeds will be used to purchase interests in Carlyle Holdings		
Units issued in exchange for the subordinated loan payable to affiliate		
Units from which proceeds will be used to repay outstanding loans payable		
The Carlyle Group L.P. deferred restricted common units which vest one year subsequent to the completion of the offering		
Total pro forma common units of The Carlyle Group L.P. outstanding		

We have excluded common units of The Carlyle Group L.P. from the calculations above because the proceeds from the sale of these units will be used for general corporate purposes and to provide capital for future growth and expansion.

The weighted-average common units outstanding are calculated as follows:

	Six Months Ended June 30, 2011		Year Ended December 31, 2010	
	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. common units outstanding				
Unvested deferred restricted common units				
Carlyle Holdings partnership units				
Weighted-average common units outstanding				

In connection with the Reorganization, we will enter into an exchange agreement with the limited partners of the Carlyle Holdings partnerships. Under the exchange agreement, subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions, each holder of Carlyle Holdings partnership units (and certain transferees thereof), other than the subsidiaries of The Carlyle Group L.P., may up to four times a year, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange these partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Under the exchange agreement, to effect an exchange a holder of partnership units in Carlyle Holdings must simultaneously

exchange one partnership unit in each of the Carlyle Holdings partnerships. In computing the dilutive effect, if any, that the exchange of Carlyle Holdings partnership units would have on earnings per common unit, we considered that net income available to holders of common units would increase due to the elimination of non-controlling interests in consolidated entities associated with the Carlyle Holdings partnership units (including any tax impact). We apply the treasury stock method to determine the dilutive weighted-average common units represented by our unvested deferred restricted common units.

The pro forma basic and diluted net income per common unit are calculated as follows:

	Six Months Ended June 30, 2011		Year Ended December 31, 2010	
	Basic	Diluted	Basic	Diluted
	(Dollars in millions, except per unit data)			
Pro forma net income attributable to The Carlyle Group L.P.	$	$	$	$
Weighted average common units outstanding				
Pro forma net income per common unit	$	$	$	$

BUSINESS

Overview

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

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

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

Excellence in Investing. Our primary goal is to invest wisely and create value for our fund investors. We strive to generate superior investment returns by combining deep industry expertise, a global network of local investment teams who can leverage extensive firm-wide resources and a consistent and disciplined investment process.

Commitment to our Fund Investors. Our fund investors come first. This commitment is a core component of our firm culture and informs every aspect of our business. We believe this philosophy is in the long-term best interests of Carlyle and its owners, including our prospective common unitholders.

Investment in the Firm. We have invested, and intend to continue to invest, significant resources in hiring and retaining a deep talent pool of investment professionals and in building the infrastructure of the firm, including our expansive local office network and our comprehensive investor support team, which provides finance, legal and compliance and tax services in addition to other services.

Expansion of our Platform. We innovate continuously to expand our investment capabilities through the creation or acquisition of new asset-, sector- and regional-focused strategies in order to provide our fund investors a variety of investment options.

Unified Culture. We seek to leverage the local market insights and operational capabilities that we have developed across our global platform through a unified culture we call One Carlyle. Our culture emphasizes collaboration and sharing of knowledge and expertise across the firm to create value.

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

Competitive Strengths

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

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

The following chart presents our investment professionals by region as of June 30, 2011 on an as adjusted basis, giving effect to our acquisitions of AlpInvest and ESG on July 1, 2011.

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

The following charts present our AUM by segment and region as of June 30, 2011.

Focus on Innovation. We have been at the forefront of many recognized trends within our industry, including the diversification of investment products and asset classes, geographic expansion and raising strategic capital from institutional investors. Within 10 years of the launch of our first fund in 1990 to pursue buyout opportunities in the United States, we had expanded our buyout operations to Asia and Europe and added funds focused on U.S. real estate, global energy and power, structured credit, and venture and growth capital opportunities in Asia, Europe and the United States. Over the next 10 years, we developed an increasing number of new, diverse products, including funds focused on distressed opportunities, infrastructure, global financial services, mezzanine investments and real estate across Asia and Europe. We have continued to innovate in 2010 and 2011 with the establishment of the first foreign-funded domestic RMB equity investment partnership enterprise in China, the first investment vehicle under the new funds regime of the Dubai International Financial Centre and the formation of our energy mezzanine and U.S. equity opportunities funds. More recently, we established our Fund of Funds Solutions business with our July 2011 acquisition of a 60% equity interest in AlpInvest, expanded our Global Market Strategies business with our July 2011 acquisition of an approximately 55% equity interest in ESG and opened two new offices in Sub-Saharan Africa. We believe our focus on innovation will enable us to continue to identify and capitalize on new opportunities in high-growth geographies and sectors.

Proven Ability to Consistently Attract Capital from a High-Quality, Loyal Investor Base. Since inception, we have raised more than $112 billion in capital (excluding acquisitions). We have successfully and repeatedly raised long-term, non-redeemable capital commitments to new and successor funds, with a broad and diverse base of over 1,400 carry fund investors from 73 countries. Despite the recent challenges in the fundraising markets, from December 31, 2007 through June 30, 2011, we had closings for 26 funds with commitments totaling approximately $28 billion. We have a demonstrated history of attracting investors to multiple funds, with approximately 91% of commitments to our active carry funds (by dollar amount) coming from investors who are committed to more than one active carry fund, and 58% of commitments to our active carry funds (by dollar amount) coming from investors who are committed to more than five active carry funds (each as of June 30, 2011). We have a dedicated in-house fund investor relations function, which we refer to as our LP relations group, which includes 19 geographically focused investor relations professionals and 24 product and client segment specialists and support staff operating on a global basis. Since the early 1990s, we have conducted our investor reporting and investor relations functions in-house to develop and maintain strong and interactive channels of communication with our fund investors and gain constant and timely insights into their needs and investment objectives. We believe that our constant dialogue with our fund investors and our commitment to providing them with the highest quality service inspires loyalty and aids our efforts to continue to attract investors across our investment platform.

Demonstrated Record of Investment Performance. We have demonstrated a strong and consistent investment track record, producing attractive returns for our fund investors across segments, sectors and geographies, and across economic cycles. The following table summarizes the aggregate investment performance of our Corporate Private Equity and Real Assets segments. Due to the diversified nature of the strategies in our Global Market Strategies segment, we have included summarized investment performance for the largest carry fund and largest hedge fund in this segment. For additional information, including performance information of other Global Market Strategies funds, see Management s Discussion and Analysis of Financial Condition and Results of Operations Segment Analysis Corporate Private Equity Fund Performance Metrics, Real Assets Fund Performance Metrics and Global Market Strategies Fund Performance Metrics.

	As of June 30, 2011			**Inception to June 30, 2011**		
	Cumulative Invested Capital(2)	**MOIC(3)**	**Realized/ Partially Realized MOIC(3)(4)**	**Gross IRR(5)**	**Net IRR(6)**	**Realized/ Partially Realized Gross IRR(4)(5)**
	(Dollars in billions)					
Corporate Private Equity(1)	$ 46.7	1.8x	2.6x	27%	19%	31%
Real Assets(1)	$ 25.2	1.5x	2.0x	18%	11%	31%

	As of June 30, 2011	**Inception to June 30, 2011**		
	Total AUM	**Gross IRR(5)**	**Net IRR(6)**	**Net Annualized Return(7)**
	(Dollars in billions)			
Global Market Strategies				
CSP II (carry fund)	$ 2.0	22%	15%	n/a
Claren Road Master Fund (hedge fund)	$ 4.3	n/a	n/a	12%

The returns presented herein represent those of the applicable Carlyle funds and not those of The Carlyle Group L.P. See Risk Factors Risks Related to Our Business Operations The historical returns attributable to our funds, including those presented in this prospectus, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.

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

(2) Represents the original cost of all capital called for investments since inception.

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

(4) Investments are considered partially realized when distributions are a substantial majority of invested capital.

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

(6) Net IRR represents the annualized IRR for the period indicated on limited partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest.

(7) Net Annualized Return is presented for fee-paying investors on a total return basis, net of all fees and expenses.

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

The following charts present the cumulative and annual invested capital by and total annual distributions from our carry funds from 2003 through June 30, 2011 (Dollars in billions).

Cumulative and Annual Investments(1) **Cumulative and Annual Distributions(1)**

(1) Funds with a functional currency other than U.S. dollars have been converted at the average rate for each period indicated.

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

Commitment to Responsible Global Citizenship. We believe that being a good corporate citizen is part of good business practice and creates long-term value for our fund investors. We have worked to apply the Private Equity Growth Capital Council s Guidelines for Responsible Investment, which we helped to develop in 2008, demonstrating our commitment to environmental, social and governance standards in our investment activities. In addition, we were the first global alternative asset management firm to release a corporate citizenship report, which catalogues and describes our corporate citizenship efforts, including our responsible investment policy and practices and those of our portfolio companies. We have been a strong supporter of the Robert Toigo Foundation and have also established a working relationship with the Environmental Defense Fund through which we jointly developed the alternative asset management sector s first environmental management business review process.

Our Strategy for the Future

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

continue to generate attractive investment returns for our fund investors across our multi-fund, multi-product global investment platform, including by increasing the value of our current

portfolio and leveraging the strong capital position of our investment funds to pursue new investment opportunities;

continue to inspire the confidence and loyalty of our more than 1,400 carry fund investors, and further expand our investor base, with a focus on client service and strong investment performance;

continue to grow our AUM by raising follow-on investment funds across our four segments and by broadening our platform into new strategies, through both organic growth and selective acquisitions, where we believe we can provide investors with differentiated products to meet their needs;

further advance our leadership position in core non-U.S. geographic markets, including high-growth emerging markets such as China, Latin America, India, MENA and Sub-Saharan Africa; and

continue to demonstrate principled industry leadership and be a responsible and respected member of the global community by demonstrating our commitment to environmental, social and governance standards in our investment activities.

Business Segments

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

Corporate Private Equity

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

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

Buyout Funds. Our buyout teams advise a diverse group of 16 active funds that invest in transactions that focus either on a particular geography (United States, Europe, Asia, Japan, South America or MENA) or a particular industry (e.g., financial services). In addition, we continually seek to expand and diversify our buyout portfolio into new areas where we see opportunity for future growth. In 2010, we launched a new operation to target opportunities in middle-market private equity in North America across the nine industry sectors of our Corporate Private Equity business. In early 2011, we formed a team to focus on the emerging market of Sub-Saharan Africa. As of June 30, 2011, our buyout funds had, in the aggregate, approximately $51 billion in AUM.

Growth Capital Funds. Our nine active growth capital funds are advised by three regionally-focused teams in the United States, Europe and Asia, with each team generally focused on middle-market and growth companies consistent with specific regional investment considerations. The investment mandate for our growth capital funds is to seek out leading companies with unrealized growth potential. These funds typically do not invest in early stage or venture-type investments. As of June 30, 2011, our growth capital funds had, in the aggregate,

approximately $4 billion in AUM.

The chart below presents the cumulative equity invested since inception by industry for our Corporate Private Equity funds as of June 30, 2011 (dollar amounts in chart in millions).

From inception through June 30, 2011, we have invested approximately $47 billion in 405 transactions. Of that total, we have invested 56% in 205 transactions in North and South America, 25% in 90 transactions in Europe and MENA and 19% in 110 transactions in the Asia-Pacific region. We have fully realized 253 of these investments.

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

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

Real Assets

Our Real Assets segment, established in 1997 with our first U.S. real estate fund, advises our 18 active real estate, infrastructure and energy and renewable resources funds. This business pursues investment opportunities across a diverse array of tangible assets, such as office buildings, apartments, hotels, retail properties, senior-living facilities, pipelines, wind farms, refineries, airports, roads and other similar assets, as well as the companies providing services to them.

The following chart presents the AUM by asset class of our Real Assets segment as of June 30, 2011.

Our Real Assets teams have three primary areas of focus:

Real Estate. Our 11 active real estate funds pursue real estate investment opportunities in Asia, Europe and the United States and generally focus on acquiring single-property opportunities rather than large-cap companies with real estate portfolios. Our team of more than 110 real estate investment professionals has made approximately 453 investments in over 120 cities/metropolitan statistical areas around the world as of June 30, 2011, including office buildings, hotels, retail properties, residential properties, industrial properties and senior living facilities. As of June 30, 2011, our real estate funds had, in the aggregate, approximately $12 billion in AUM.

Infrastructure. Our infrastructure investment team focuses on investments in infrastructure companies and assets. The team comprises 11 investment professionals and works in conjunction with the public sector to find cooperative methods of managing and investing in infrastructure assets. As of June 30, 2011, we advised one infrastructure fund with approximately $1 billion in AUM.

Energy & Renewable Resources. Our energy and renewable resources activities focus on buyouts, growth capital investments and strategic joint ventures in the midstream, upstream, power and oilfield services sectors, as well as the renewable and alternative sectors of the energy industry. We currently conduct these activities through a joint venture with Riverstone, jointly advising six funds with approximately $18 billion in AUM as of June 30, 2011. We and Riverstone have mutually decided not to pursue additional jointly managed funds (although we will continue to advise jointly with Riverstone the six existing energy and renewable resources funds). We are actively exploring new approaches through which to expand our energy capabilities and intend to augment our significant in-house expertise in this sector.

Our Real Assets funds, including Carlyle-advised co-investment vehicles, have through June 30, 2011, invested on a global basis more than $25 billion in a total of 530 investments (including more than 60 portfolio companies). Of that total, we have invested 77% in 395 investments in North and South America, 19% in 101 investments in Europe and 4% in 34 investments in the Asia-Pacific region.

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

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

Global Market Strategies

Our Global Market Strategies segment, established in 1999 with our first high yield fund, advises a group of 43 active funds that pursue investment opportunities across various types of credit, equities and alternative instruments, including bank loans, high yield debt, structured credit products, distressed debt, corporate mezzanine, energy mezzanine opportunities and long/short high-grade and high-yield credit instruments, emerging markets equities, and (with regards to certain macroeconomic strategies) currencies, commodities and interest rate products and their derivatives.

The following chart presents the AUM by asset class of our Global Market Strategies segment as of June 30, 2011 on an as adjusted basis, giving effect to our acquisition of ESG on July 1, 2011.

Primary areas of focus for our Global Market Strategies teams include:

Structured Credit. Our structured credit funds invest primarily in performing senior secured bank loans through structured vehicles and other investment vehicles. In 2010, we acquired CLO management contracts from Mizuho Alternative Investments LLC and Stanfield Capital Partners LLC aggregating approximately $5 billion of AUM. As of June 30, 2011, our structured credit team advised 30 collateral loan funds in the United States and Europe totaling, in the aggregate, approximately $12 billion in AUM.

Distressed and Corporate Opportunities. Our distressed and corporate opportunities funds generally invest in liquid and illiquid securities and obligations, including secured debt, senior and subordinated unsecured debt, convertible debt obligations, preferred stock and public and private equity of financially distressed companies in defensive and asset-rich industries. In certain investments, our funds may seek to restructure pre-reorganization debt claims into controlling positions in the equity of reorganized companies. As of June 30, 2011, our distressed and corporate opportunities team advised two funds, totaling in the aggregate, approximately $2 billion in AUM.

Corporate Mezzanine. Our corporate mezzanine investment team advises funds that invest in middle-market mezzanine investments, typically focusing on leveraged buyouts, recapitalizations, acquisitions and growth financings. As of June 30, 2011, our corporate mezzanine team advised two funds totaling, in the aggregate, approximately $716 million in AUM.

Energy Mezzanine Opportunities. Our energy mezzanine opportunities team was organized in 2010 and advises a fund that invests primarily in privately negotiated mezzanine debt investments in North American energy and power projects and companies. As of June 30, 2011, our energy mezzanine opportunities team advised one fund with approximately $316 million in AUM.

Long/Short Credit. On December 31, 2010, we acquired a 55% stake in Claren Road Asset Management, LLC. As of June 30, 2011, Claren Road advised two long/short credit hedge funds focusing on the global high grade and high yield markets totaling, in the aggregate, approximately $5 billion in AUM.

Emerging Market Equity and Macroeconomic Strategies. On July 1, 2011, we acquired a 55% stake in ESG. ESG advises six emerging markets equities and macroeconomic hedge funds with approximately $1.7 billion of AUM. ESG s emerging markets equities funds invest in publicly-traded equities across a range of developing countries. ESG s macroeconomic funds pursue investment strategies in developed and developing countries, and opportunities resulting from changes in the global economic environment.

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

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

Fund of Funds Solutions

Our Fund of Funds Solutions segment was established on July 1, 2011 when we completed our acquisition of a 60% equity interest in AlpInvest. AlpInvest is one of the world s largest investors in private equity and advises a global private equity fund of funds program and related co-investment and secondary activities. Its anchor clients are two large Dutch pension funds, which were the founders and previous shareholders of the company. We expect to grow our Fund of Funds Solutions group by advising customized separate accounts and potentially co-mingled vehicles for a broader group of investors.

The following chart presents the AUM by asset class of our Fund of Funds Solutions segment as of June 30, 2011, on an as adjusted basis, giving effect to our acquisition of AlpInvest on July 1, 2011.

AlpInvest has three primary areas of focus:

Fund Investments. AlpInvest funds make investment commitments directly to buyout, growth capital, venture and other alternative asset funds advised by other general partners (portfolio funds). As of June 30, 2011, AlpInvest advised 24 fund of funds vehicles totaling, in the aggregate, approximately $32 billion in AUM.

Co-investments. AlpInvest invests alongside other private equity and mezzanine funds in which it has a fund investment throughout Europe, North America and Asia (for example, when an investment opportunity is too large for a particular fund, the adviser of the fund may seek to raise additional co-investment capital from sources such as AlpInvest for that one large transaction). As of June 30, 2011, AlpInvest co-investments programs were conducted through 14 funds totaling, in the aggregate, approximately $7 billion in AUM.

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Secondary Investments. AlpInvest also advises funds that acquire interests in portfolio funds in secondary market transactions. Private equity investors who desire to sell or restructure their pre-existing investment commitments to a fund may negotiate to sell the fund interests to AlpInvest. In this manner, AlpInvest s secondary investments team provides liquidity and restructuring alternatives for third-party private equity investors. As of June 30, 2011, AlpInvest s secondary investments program was conducted through 11 funds totaling, in the aggregate, approximately $6 billion in AUM.

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

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

Although Carlyle and existing management initially have equal representation on the supervisory board of AlpInvest, we have agreed to limit participation in the day-to-day operations of the AlpInvest business by Carlyle personnel other than AlpInvest s existing management team. We will observe substantial restrictions on the ability of Carlyle personnel, other than AlpInvest s existing management team, to access investment information or engage in day-to-day participation in the AlpInvest investment business, including a restriction that AlpInvest investment decisions be made and maintained without involvement by other Carlyle personnel. Accordingly, we will have a reduced ability to identify or respond to investment and other operational issues that may arise within the AlpInvest business relative to other Carlyle operations. See Risk Factors Risks Related to Our Business Operations Our Fund of Funds Solutions business is subject to additional risks.

Investment Approach

Corporate Private Equity

The investment approach of our private equity teams is generally characterized as follows:

Consistent and Disciplined Investment Process. We believe our successful investment track record is the result in part of a consistent and disciplined application of our investment process. Investment opportunities for our Corporate Private Equity funds are initially sourced and evaluated by one or more of our deal teams. Each investment opportunity of our private equity funds must first pass an approval process that involves initial approvals from a fund head (or co-fund heads), interim update meetings that frequently include senior advisors as well as our Chief Investment Officer, William E. Conway, Jr., and a due diligence review. Our due diligence approach typically incorporates meetings with management, company facility visits, discussions with industry analysts and consultants and an in-depth examination of financial results and projections. This transaction review process places a special emphasis on, among other considerations, the reputation of a target company s shareholders and management, the company s size and sensitivity of cash flow generation, the business sector and competitive risks, the portfolio fit, exit risks and other key factors highlighted by the deal team. An investment opportunity must secure final approval from the investment committee of the applicable investment fund. The investment committee approval process involves a detailed overview of the transaction and

investment thesis, business, risk factors and diligence issues, as well as financial models.

Industry-Focused. We have adopted an industry-focused approach to investing. We have particular industry expertise in aerospace, defense and government services, consumer and retail, financial services, healthcare, industrial, technology and business services, telecommunications and media and transportation. As a result, we believe that our in-depth knowledge of specific industries improves our ability to source and create transactions,

conduct effective and more informed due diligence, develop strong relationships with management teams and use contacts and relationships within such industries to identify potential buyers as part of a coherent exit strategy. As the firm has expanded to include teams in Europe, Asia, Japan, South America, Sub-Saharan Africa and MENA, the industry groups have also grown and reach across even more geographies, disciplines and funds.

Variable Deal Sizes. Our teams are staffed not only to effectively pursue large transactions, but also other transactions of varying sizes. We often invest in smaller companies and this has allowed us to obtain greater diversity across our entire portfolio. On an overall basis, we believe that having the resources to complete investments of varying sizes provides our funds with the ability to enhance their investment returns while providing for prudent industry, geographic and size diversification.

Control and Influence Oriented. Our Corporate Private Equity funds, other than our growth funds and our funds focused on emerging markets, typically acquire, either alone or as part of a consortium, control of companies in leveraged buyout transactions. Additionally, we seek to obtain board representation and typically appoint our investment professionals and senior advisors to represent us on the board of a company in which we invest. Where our funds, either alone or as part of a consortium, are not the controlling investor, we typically, subject to applicable regulatory requirements, acquire significant voting and other rights with a view to securing influence over conduct of the business.

Driving Value Creation. Typically, as part of a Corporate Private Equity investment, Carlyle s investment teams will develop and execute a customized, value creation thesis that underpins the projected investment return for the company. The value creation plan is developed during a thorough due diligence effort and draws on the deep resources available across our global platform, specifically relying on:

Industry Sector and Geographic Specialists: Our investment professionals and our specialists dedicated to nine industry sectors, who provide extensive sector-specific knowledge and local market expertise.

Global Platform and One Carlyle Culture: Our global team and global presence that enables us to support international expansion efforts and global supply chain initiatives.

Senior Advisors: Our 25 Senior Advisors, primarily deeply experienced former CEOs, who work with our investment teams during due diligence, provide board-level governance and support and advise our portfolio company CEOs.

Network of Specialist Consultants and Advisors: Our extensive pool of advisors who provide specialist expertise to support specific value creation initiatives.

A value creation thesis typically focuses on a combination of (i) international expansion through organic initiatives and acquisitions; (ii) operational improvements, which often include supply chain efficiencies, lean process improvements and Six Sigma initiatives; (iii) business growth initiatives via new product launches, R&D efforts, as well as acquisitions or new-market entrance; and (iv) supporting and supplementing senior management capabilities with our broad network and organized global CEO forums. Progress against the initial investment thesis is reviewed each quarter by our founders, sector vice-chairmen and other senior investment professionals as part of our quarterly portfolio reviews and quarterly valuation processes.

Pursuing Best Exit Alternatives. In determining when to exit an investment, our private equity teams consider whether a portfolio company has achieved its objectives, the financial returns and the appropriate timing in

industry cycles and company development to strive for the optimal value. Senior members of the fund s investment committee must approve all exit decisions. From inception through June 30, 2011, our Corporate Private Equity funds have

invested approximately $47 billion in 405 transactions, and we have fully realized 253 of these investments.

Real Assets

Our Real Assets business includes investments in the energy and renewable resources sectors and in infrastructure assets, companies and projects as well as our real estate investments. The investment approach of the teams advising the energy and renewable resources and infrastructure funds is similar to that of our Corporate Private Equity funds, with certain additional objectives. For example, our infrastructure investment team pursues partnerships with public and private operators of infrastructure assets which seek to generate stable, long-term returns. With Riverstone, we have often pursued investments in buyout, growth capital and strategic joint ventures with management teams seeking to build companies in the energy and renewable resources sector.

The investment approach of our real estate teams is generally characterized as follows:

Pursue an Opportunistic Strategy. In general, our real estate funds have focused on single asset transactions, using an opportunistic real estate investment strategy. We follow this approach because we believe that pursuing single assets enables us to better underwrite the factors that contribute to the fundamental value of each property; mitigate concentration risk; establish appropriate asset-by-asset capital structures; and maintain governance over major property-level decisions. In addition, direct ownership of assets typically enables us to effectively employ an active asset management approach and reduce financing and operating risk, while increasing the visibility of factors that affect the overall returns of the investment. We evaluate the risk and return factors that are inherent in each specific property situation. We believe we have an in-depth understanding of the key factors affecting real property markets, flows of domestic and cross-border capital and macroeconomic trends, which allow us to identify, analyze and evaluate potential investments quickly and creatively, often in connection with complex transactions.

Seek out Strong Joint Venture Partners or Managers. Where appropriate, we seek out joint venture partners or managers with significant operational expertise. For each joint venture, we design structures and terms that provide situationally appropriate incentives, often including, for example, the subordination of the joint venture partner s equity and profits interest to that of a fund, claw back provisions and/or profits escrow accounts in favor of a fund, and exclusivity. We also typically structure positions with control or veto rights over major decisions.

Source Deals Directly. Our teams endeavor to establish market presence in our target geographies where we have a history of operating in our local markets and benefit from extensive long-term relationships with developers, corporate real estate owners, institutional investors and private owners. Such relationships have resulted in our ability to source investments on a direct negotiated basis. We generally seek to avoid situations in which there are a large number of competitive bidders and prioritize situations that offer the opportunity to negotiate with owners directly in non-bid processes.

Focus on Sector-Specific Strategies. Our real estate funds focus on specific sectors and markets in areas where we believe the fundamentals are sound and dynamic capital markets allow for identification of assets whose value is not fully recognized. The real estate funds we advise have invested according to strategies established in several main sectors: office, hotel, retail, industrial, for-sale residential, apartment and senior living.

Actively Manage our Real Estate Investments. Our real estate investments often require active management to uncover and create value. Accordingly, we have put in place experienced local asset management teams. These teams add value through analysis and execution of capital expenditure programs, development projects, lease

negotiations, operating cost

reduction programs and asset dispositions. The asset management teams work closely with the other real estate professionals to effectively formulate and implement strategic management plans.

Manage the Exit of Investments. We believe that exit management is as important as traditional asset management in order to take full advantage of the typically short windows of opportunity created by temporary imbalances in capital market forces that affect real estate. In determining when to exit an investment, our real estate teams consider whether an investment has fulfilled its strategic plan, the depth of the market and generally prevailing industry conditions.

From inception through June 30, 2011, our Real Assets funds have invested more than $25 billion in 530 transactions, and we have fully realized 207 of these investments.

Global Market Strategies

The investment approach of our Global Market Strategies carry funds is generally characterized as follows:

Source Investment Opportunities. Our Global Market Strategies teams source investment opportunities through our global network and strong relationships with the financial community. The teams source assets from both the primary and secondary markets. All of our closed-end Global Market Strategies funds focus on sourcing investment opportunities that are consistent with their respective return objectives. We typically target portfolio companies that have a demonstrated track record of profitability, market leadership in their respective niche, predictability of cash flow, a definable competitive advantage and products or services that are value added to its customer base.

Conduct Fundamental Due Diligence and Perform Capital Structure Analysis. After an opportunity is identified, our Global Market Strategies teams conduct fundamental due diligence to determine the relative value of the potential investment and capital structure analyses to determine the credit worthiness. Our due diligence approach typically incorporates meetings with management, company facility visits, discussions with industry analysts and consultants and an in-depth examination of financial results and projections. Our structured credit team adheres to strict credit approval processes to ensure that every investment brought into a fund s portfolio is first reviewed by experienced senior investment professionals and then presented to a credit committee, which approves or declines the investment.

Evaluation of Macroeconomic Factors. Our Global Market Strategies teams evaluate technical factors such as supply and demand, the market s expectations surrounding an issuer and the existence of short- and long-term value creation or destruction catalysts. Inherent in all stages of credit evaluation is a determination of the likelihood of potential catalysts emerging, such as corporate reorganizations, recapitalizations, asset sales, changes in a company s liquidity and mergers and acquisitions. Our Global Market Strategies teams constantly evaluate the overall investment climate given their assessment of the economic outlook, changes in industry fundamentals, market changes, redemption risk, financial market liquidity and valuation levels.

Risk Minimization. Our Global Market Strategies teams seek to make investments in capital structures to enable companies to both expand and weather downturns and/or below-plan performance. Our Global Market Strategies teams seek to structure investments with strong financial covenants, frequent reporting requirements and board representation if possible. Through board observation rights or a board seat, our Global Market Strategies teams have historically provided a consultative, interactive approach to equity sponsors and management partners as part of the overall portfolio management process.

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The investment approach of our Global Market Strategies hedge funds is generally characterized as follows:

Premium on Liquidity. Our hedge funds generally run liquid portfolios that place an emphasis on maintaining tradable assets in their respective funds. Additionally, they generally employ long and short positions and construct their portfolios to produce returns absent broad market movements.

Unique, Actionable Idea Generation. The public markets are thoroughly analyzed by the numerous competitors in asset management. However, due to technical factors or general investor sentiment, securities can become over or undervalued quickly relative to their intrinsic value. Our hedge fund managers separate their research teams into industry and geography specific analysts in order to develop in-depth coverage on companies and sectors to generate proprietary research with actionable alpha-generating ideas as prices evolve.

Strong Risk Management Oversight. A well-controlled risk profile is an important part of our Global Market Strategies investment methodology. Our risk officers constantly assess the portfolios of our hedge funds in light of market movements. In addition, Global Market Strategies has a separate team which has developed a rigorous risk management system whereby we analyze the concentration risk, liquidity risk, historical scenario risk analysis, counterparty risk and value at risk of our various funds on a daily basis.

Fund of Funds Solutions

The investment approach of AlpInvest s teams is generally characterized as follows:

Depth of Investment Expertise. AlpInvest has dedicated teams for each area of focus, allowing it to attract and retain talent with the required skill-set for each strategy. AlpInvest professionals have trading, operational, portfolio and risk management expertise. From a top-down perspective, AlpInvest investment professionals seek to position the Fund of Funds Solutions funds to capitalize on market opportunities through focused research and allocation of resources. From a bottom-up perspective, they seek to build deep relationships with underlying fund managers that are strengthened by the investment professionals relevant experience in the broader financial markets. AlpInvest investment professionals hold advisory board positions in the vast majority of the active funds in which it has invested.

Discipline. AlpInvest professionals focus on diversification, risk management and downside protection. Its processes include the analysis and interpretation of macro-developments in the global economy and the assessment of a wide variety of issues which can influence the emphasis placed on sectors, geographies and asset classes when constructing investment portfolios. Each investment with an underlying fund manager or company is subject to a rigorous investment analysis and decision process that includes in-depth due diligence and market analysis, considering both financial and non-financial issues. After making an investment commitment, the investment portfolios are subject to regular reviews comprising both quantitative and qualitative performance.

Innovation. AlpInvest professionals seek to leverage the intellectual capital within its organization and strategy-focused investment teams to take advantage of synergies that exist within other areas of the firm to identify emerging trends, market anomalies and new investment technologies to facilitate the formation of new strategies, as well as to set the direction for exiting strategies. This market intelligence provides them with an additional feedback channel for the development of new investment products.

Corporate Social Responsibility (CSR). AlpInvest has adopted the UN Global Compact as a CSR framework to evaluate fund managers and portfolio companies. AlpInvest has fully integrated CSR into its investment process and actively engages with fund managers and other stakeholders in the private equity markets to promote sustainability and improved

corporate governance. In addition, the firm seeks opportunities to invest in sustainability solutions.

Our Family of Funds

The following chart presents the name (acronym), total capital commitments (in the case of our carry and structured credit funds, and fund of funds vehicles), assets under management (in the case of our hedge funds) and vintage year of the active funds in each of our segments, as of June 30, 2011, on an as adjusted basis, giving effect to our acquisitions of AlpInvest and ESG.

Capital Raising and Investor Services

Since inception, we have raised more than $112 billion in capital (excluding acquisitions). We have successfully and repeatedly raised long-term, non-redeemable capital commitments to new and successor private funds. Despite the recent challenges in the fundraising markets, from December 31, 2007 through June 30, 2011 we had closings for 26 funds with commitments totaling approximately $28 billion.

Our diverse and sophisticated investor base includes more than 1,400 existing carry fund investors located in 73 countries. Included among our many longstanding fund investors are pension funds, sovereign wealth funds, insurance companies and high net worth individuals in the United States and around the world, including significant institutional investors in Asia and the Middle East. We have also been a leader in the industry by forging strategic relationships with large institutional investors such as CalPERS, which completed a minority investment in our business in

2001, and Mubadala, which made minority investments in our business in 2007 and 2010. Both CalPERS and Mubadala have also historically been significant investors in our funds. We have also devoted substantial resources to creating comprehensive and timely investor reports, which is increasingly important to our investor base.

We work for our fund investors and continuously seek to strengthen and expand our relationships with our fund investors. We have a dedicated in-house LP relations group, which includes 19 geographically focused investor relations professionals with extensive investor relations and fundraising experience, supported by 24 product and client segment specialists and support staff operating on a global basis and drawing upon a worldwide network of relationships. We strive to secure a first-mover advantage with key investors, often by establishing a local presence and providing a broad and diverse range of investment options.

Our LP relations professionals are in constant dialogue with our fund investors, which enables us to monitor client preferences and tailor future fund offerings to meet investor demand. As of June 30, 2011, approximately 91% of commitments to our active carry funds (by dollar amount) were from investors who are committed to more than one active carry fund, and 58% of commitments to our active carry funds (by dollar amount) were from investors who are committed to more than five active carry funds. Of the approximately 9% of commitments to our active carry funds from investors that are not committed to more than one active carry fund, the majority (approximately 67%, by dollar amount) of these commitments are in the newest generation of funds. We believe the loyalty of our investor base, as evidenced by our substantial number of multi-fund investors, enhances our ability to raise successor funds in existing strategies.

The chart below shows the percentage of capital committed by investors to our active carry funds, in billions, segmented by the number of active carry funds in which the investors are committed. For example, as of December 31, 2006, 22% of our capital was provided by investors who had committed capital to more than 10 active carry funds; as of June 30, 2011, that percentage had grown to 33% of our committed capital to active carry funds. As of December 31, 2006, 50% of the capital of our active carry funds was provided by investors who were committed to six or more carry funds; as of June 30, 2011, that percentage had grown to 58% of the committed capital of our active carry funds. Our larger investors (those with $100 million or more of aggregate capital commitments to our active carry funds) are, on average, invested in approximately eight active carry funds.

% of Capital Commitments from Multi-Fund Investors

The charts below present total commitments to our carry funds by geography and source of commitment, each as of June 30, 2011.

We believe that there is a substantial opportunity for growth in investor allocations to the alternative investment sector, as the significant capital invested in the sector during 2006-2008 is returned to investors and as certain categories of alternative investors (such as pension funds) seek higher investment returns to close the gap between their assets and projected liabilities. We believe we are well positioned to capitalize on this sector growth, due to the breadth of our investor relationships, the diversity of our product offerings and our track record of investment performance.

We have a team of over 400 investor services professionals worldwide. The investor services group performs a range of functions to support our investment teams and our LP relations group, including informing investors on an ongoing basis about the performance of Carlyle investments. This group provides an important control function, ensures that transactions are structured pursuant to the partnership agreements and assists in regulatory compliance requirements globally. Our investor services professionals assist with investor reporting and enable investors to easily monitor the performance of their investments. The investor services group also works closely with each fund s lifecycle, from fund formation and investments to portfolio monitoring and fund liquidation. We maintain an internal legal and compliance team, which includes 18 professionals and a government relations group with a presence around the globe, which includes 14 professionals. We intend to continue to build and invest in our legal, regulatory and compliance functions to enable our investment teams to better serve our investors.

Structure and Operation of Our Investment Funds

We conduct the sponsorship and management of our carry funds and other investment vehicles primarily through a partnership structure in which limited partnerships organized by us accept commitments and/or funds for investment from institutional investors and high net worth individuals. Each investment fund that is a limited partnership, or partnership fund, has a general partner that is responsible for the management and administration of the fund s affairs and makes all policy and investment decisions relating to the conduct of the investment fund s business. The limited partners of the partnership funds take no part in the conduct or control of the business of such funds, have no right or authority to act for or bind such funds and have no influence over the voting or disposition of the securities or other assets held by such funds, although such limited partners often have the right to remove the general partner or cause an early liquidation by simple majority vote, as discussed below. In the case of our separately managed accounts, the investor, rather than us, may control the asset or investment vehicle that holds or has custody of the investments we advise the vehicle to make.

Each investment fund and in the case of our separately managed accounts, the client, engages an investment adviser. Carlyle Investment Management L.L.C. (CIM) serves as an investment adviser for most of our funds and is registered under the Advisers Act. Our investment advisers or one of their affiliates are entitled to a management fee from each investment fund for which they serve as investment advisers. For a discussion of the management fees to which our investment advisers are entitled across our various types of investment funds, please see Incentive Arrangements / Fee Structure below.

The investment funds themselves do not register as investment companies under the 1940 Act, in reliance on Section 3(c)(7) or Section 7(d) thereof or, typically in the case of funds formed prior to 1997, Section 3(c)(1) thereof. Section 3(c)(7) of the 1940 Act exempts from the 1940 Act s registration requirements investment funds privately placed in the United States whose securities are owned exclusively by persons who, at the time of acquisition of such securities, are qualified purchasers as defined under the 1940 Act. Section 3(c)(1) of the 1940 Act exempts from the 1940 Act s registration requirements privately placed investment funds whose securities are beneficially owned by not more than 100 persons. In addition, under certain current interpretations of the SEC, Section 7(d) of the 1940 Act exempts from registration any non-U.S. investment fund all of whose outstanding securities are beneficially owned either by non-U.S. residents or by U.S. residents that are qualified purchasers and purchase their interests in a private placement.

The governing agreements of substantially all of our investment funds provide that, subject to certain conditions, third-party investors in those funds have the right to remove the general partner of the fund or to accelerate the liquidation date of the investment fund without cause by a simple vote of a majority in interest (based on capital commitments) of the investors. In addition, the governing agreements of many of our investment funds generally require investors in those funds to vote to continue the investment period by a vote of a simple majority in interest (based on capital commitments) of the investors in the event that certain key persons in our investment funds (for example, Messrs. Conway, D Aniello and Rubenstein in the case of our private equity funds) do not provide the specified time commitment to the fund or our firm or cease to hold a specified percentage of the economic interests in the general partner or the investment adviser.

Our carry funds and fund of funds vehicles are closed-ended funds. In a closed-ended fund structure, once an investor makes an investment, the investor is generally not able to withdraw or redeem its interest, except in very limited circumstances. Furthermore, each limited partnership contains restrictions on an investor s ability to transfer its interest in the fund. In the few open-ended funds we advise, investors are usually locked-up for a period of time after which they may generally redeem their interests on a quarterly basis.

With respect to our carry funds, investors generally agree to fund their commitment over a period of time. For our private equity funds, the commitment period generally runs until the earlier of (i) the sixth anniversary of the initial closing date or the fifth anniversary of the final closing date of the fund; (ii) the date the general partner cancels such obligation due to changes in applicable laws or when at least a significant portion (which may range between 85% and 90%) of the capital commitments to the fund have been invested, committed or reserved for investments; (iii) the date a supermajority in interest (based on capital commitments) of investors vote to terminate the commitment period; or (iv) the failure of certain key persons to devote a specified amount of time to such fund or Carlyle or to hold a specified percentage of the economic interests in the general partner or the investment adviser. Following the termination of the commitment period, an investor generally will be released from any further obligation with respect to its undrawn capital commitment except to the extent necessary to pay partnership expenses and management fees, complete investments with respect to transactions entered into prior to the end of the commitment period and make follow-on investments in existing companies. Generally, an investor s obligation to fund follow-on investments extends for a period of three years following the end of the commitment period, provided that an investor is generally not required to fund more than a certain percentage (generally 15% to 20%) of such investor s capital commitment in

such follow-on investments.

Investors in the latest generation of our real estate funds generally commit to fund their investment for a period of three (Asia), five (Europe) or four (United States) years from the final closing date, provided that the general partner may unilaterally extend such expiration date for one year and may extend it for another year with the consent of a majority of the limited partners or the investment advisory committee for that fund. Investors in the latest generation of our real estate funds are also obligated to continue to make capital contributions with respect to follow-on investments and to repay indebtedness for a period of four years after the original expiration date of the commitment period, as well as to fund partnership expenses and management fees during such extension.

The term of each of the Corporate Private Equity and Real Assets funds generally will end 10 years from the initial closing date, or in some cases, from the final closing date, but such termination date may be earlier in certain limited circumstances or later if extended by the general partner (in many instances with the consent of a majority in interest (based on capital commitments) of the investors or the investment advisory committee) for successive one-year periods, typically up to a maximum of two years.

Incentive Arrangements / Fee Structure

Fund Management Fees. The investment adviser of each of our carry funds generally receives an annual management fee that ranges from 1.0% to 2.0% of the investment fund or vehicle s capital commitments during the investment period. Following the expiration or termination of the investment of such fund the management fees generally step-down to between 0.6% and 2.0% of contributions for unrealized investments. The investment advisor of our fund of funds vehicles receives an annual management fee from such fund of funds vehicles that generally ranges from 0.3% to 1.0% on the fund or vehicle s capital commitments during the first two to five years of the investment period and 0.3% to 1.0% on the lower of cost of the capital invested or fair value of the capital invested thereafter. The investment advisor of our hedge funds receives management fees that range from 1.5% to 2% of NAV per year. The management fees that we receive from our carry funds are payable on a regular basis (typically semi-annually in advance) in the contractually prescribed amounts noted above. The investment adviser of each of our structured credit funds generally receives an annual management fee of 0.4% to 0.5% of assets per annum. With respect to Claren Road, ESG and AlpInvest, we retain a specified percentage of the management fees based on our ownership in the management companies of 55% in the case of Claren Road and ESG and 60% in the case of AlpInvest. The management fees received by our Claren Road and ESG funds have similar characteristics, except that such funds often afford investors increased liquidity through annual, semi-annual or quarterly withdrawal or redemption rights following the expiration of a specified period of time when capital may not be withdrawn (typically between one and three years) and the amount of management fees to which the investment adviser is entitled with respect thereto will proportionately increase as the net asset value of each investor s capital account grows and will proportionately decrease as the net asset value of each investor s capital account decreases.

The general partners or investment advisers to our carry funds receive customary transaction fees upon consummation of many of our funds acquisition transactions, receive monitoring fees from many of their portfolio companies following acquisition, and may from time to time receive other fees in connection with their activities. The ongoing monitoring fees which they receive are generally calculated as a percentage of a specified financial metric of a particular portfolio company. The transaction fees which they receive are generally calculated as a percentage (that generally range up to 1% and may exceed 1% in certain circumstances) of the total enterprise value of the acquired entity. The management fees charged to limited partner investors are reduced by 50% to 100% of such transaction fees and certain other fees that are received by the general partners and their affiliates.

Performance Fees. The general partner of each of our carry funds and fund of funds vehicles also receives carried interest from the carry fund or fund of funds vehicles. Carried interest entitles the general partner to a special residual allocation of profit on third-party capital. In the case of our carry funds, carried interest is generally calculated on a

realized gain basis, and each general

partner is generally entitled to a carried interest equal to 20% (or 1.8% to 10%, in the case of most of our fund of funds vehicles) of the net realized profit (generally taking into account unrealized losses) generated by third-party capital invested in such fund. Net realized profit or loss is not netted between or among funds. Our senior Carlyle professionals and other personnel who work in these operations also own interests in the general partners of our carry funds and we allocate a portion of any carried interest that we earn to these individuals in order to better align their interests with our own and with those of the investors in the funds. For most carry funds, the carried interest is subject to an annual preferred limited partner return of 8% or 9%, subject to a catch-up allocation to the general partner. If, as a result of diminished performance of later investments in the life of a carry fund or fund of funds vehicles, the carry fund or fund of funds vehicles does not achieve investment returns that (in most cases) exceed the preferred return threshold or (in almost all cases) the general partner receives in excess of 20% (or 1.8% to 10%, in the case of most of our fund of funds vehicles) of the net profits on third-party capital over the life of the fund, we will be obligated to repay the amount by which the carried interest that was previously distributed to us exceeds amounts to which we are ultimately entitled. This obligation, which is known as a giveback obligation, operates with respect to a given carry fund s own net investment performance only and is typically capped at the after tax amount of carried interest received by the general partner. Each recipient of carried interest distributions is individually responsible for his or her proportionate share of any giveback obligation; however, we guarantee the full amount of such giveback obligation. Our ability to generate carried interest is an important element of our business and carried interest has historically accounted for a very significant portion of our income.

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

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

As noted above, in connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with existing and potential investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than for prior funds we have advised or funds advised by our competitors. See Risk Factors Risks Related to Our Business Operations Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.

Capital Invested in and Alongside Our Investment Funds

To further align our interests with those of investors in our investment funds, we have invested our own capital and that of our senior Carlyle professionals in and alongside the investment funds

we sponsor and advise. In addition, certain affiliates of our senior Carlyle professionals (including friends and family members) are permitted, subject to certain restrictions, to invest alongside the investment funds we sponsor and advise. A portion of the proceeds from this offering will be used to fund our general partner capital commitments to our investment funds. Minimum general partner capital commitments to our investment funds are determined separately with respect to each investment fund. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for more information regarding our minimum general partner capital commitments to our funds. Our general partner capital commitments are funded with cash and not with carried interest or through a management fee waiver program.

Investors in many of our carry funds and fund of funds vehicles also generally receive the opportunity to make additional co-investments with the investment funds. Co-investments are investments arranged by us that are made by our limited partner investors (and some other investors in some instances) in portfolio companies or other assets, generally on substantially the same terms and conditions as those acquired by the applicable fund. In certain cases, such co-investments may involve additional fees or carried interest. Carlyle and its employees and officers have the right to co-invest with each of the investment funds on a deal-by-deal basis, typically in an amount up to 5% of the investment opportunity (on top of our base commitment). Many of these co-investments are made on an unpromoted basis meaning we do not earn management fees or carried interest in respect of such investments.

Corporate Citizenship

We are committed to the principle that building a better business means investing responsibly. In September 2008, Carlyle developed a set of responsible investment guidelines that consider the environmental, social and governance implications of certain investments we make. These guidelines were integral to shaping the corporate social responsibility guidelines later adopted by the members of the Private Equity Growth Capital Council. We have worked to integrate these guidelines into our investment decision-making process for controlling, corporate investments. We are also educating portfolio companies in which we have a controlling interest on the guidelines and encouraging them to review the guidelines at the board level on an annual basis. As part of this process, we released our first corporate citizenship report, which catalogues our corporate citizenship initiatives in detail, including our responsible investment policy and practices and those of some of our portfolio companies.

Building on the investment principles, Carlyle has established a working relationship with the EDF. Through this partnership (and in collaboration with the Payne Firm, an international environmental consulting firm), Carlyle and EDF jointly developed a new due diligence framework for the alternative asset management sector called the EcoValuScreen. This framework goes beyond the traditional focus of risk mitigation during the due diligence process by identifying opportunities for operational enhancements that will lead to better environmental and financial performance during the early stages of the investment process. This process enables Carlyle professionals to more effectively evaluate the operations of a target company, identify the most promising environmental management opportunities and incorporate them into the post-investment management, governance and reporting plans of our portfolio companies.

We are also a member of the British Venture Capital Association and seek to ensure that our U.K.-based portfolio companies are compliant, on a voluntary basis, with the Walker Guidelines for Disclosure and Transparency when such companies become subject to these guidelines. Further, we are also a member of the Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (the BVK), the German private equity and venture capital trade association. We believe that we are compliant with the BVK Guidelines for Disclosure and Transparency and seek to ensure that our German portfolio companies comply with these guidelines when they required to do so.

Information Technology

We are continuously monitoring and refining our information technology systems in order to complement our information and control requirements, including data quality and scalability, risk mitigation, global growth and process and staff efficiency. As part of this ongoing process, we have recently replaced our financial accounting systems, upgraded our global messaging systems, upgraded our fund accounting system and further enhanced our disaster recovery and business continuity readiness. The goal of our business continuity readiness is to ensure that all critical business functions continue in an orderly manner in the event of an emergency. We have redundant systems in place to inform business continuity program team members in the event of emergency conditions, with our work-from-home platform forming part of the strategy should any office become unavailable. A warm disaster recovery data center provides backup services should the firm s primary data center experience a significant service interruption. Out-of-region data backups provide protection should a significant regional incident occur that impacts systems availability.

Competition

As a global alternative asset manager, we compete with a broad array of regional and global organizations for both investors and investment opportunities. Generally, our competition varies across business lines, geographies and financial markets. We believe that our competition for investors is based primarily on investment performance; business relationships; the quality of services provided to investors; reputation and brand recognition; pricing; and the relative attractiveness of the particular opportunity in which a particular fund intends to invest. We believe that competition for investment opportunities varies across business lines, but is generally based on industry expertise and potential for value-add; pricing; terms; and the structure of a proposed investment and certainty of execution.

We generally compete with sponsors of public and private investment funds across all of our segments. Within our Corporate Private Equity segment, we also compete with business development companies and operating companies acting as strategic acquirers. In our Global Market Strategies segment, we compete with hedge funds and other CLO issuers. In our Real Assets segment, we also compete with real estate development companies. In addition to these traditional competitors within the global alternative asset management industry, we have increasingly faced competition from local and regional firms, financial institutions and sovereign wealth funds, in the various countries in which we invest. This trend has been especially apparent in emerging markets, where local firms tend to have more established relationships with the companies in which we are attempting to invest. These competitors often fall into one of the aforementioned categories but in some cases may represent new types of investors, including high net worth individuals, family offices and state-sponsored entities.

Some of the entities that we compete with as an alternative asset manager are substantially larger and have greater financial, technical, marketing and other resources and more personnel than we do. Several of our competitors also have recently raised, or are expected to raise, significant amounts of capital and many of them have investment objectives similar to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us when sourcing investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider range of investments and to bid more aggressively than us for investments. Strategic buyers may also be able to achieve synergistic cost savings or revenue enhancements with respect to a targeted portfolio company, which may provide them with a competitive advantage in bidding for such investments.

Employees

We believe that one of the strengths and principal reasons for our success is the quality and dedication of our people. As of June 30, 2011, on an as adjusted basis, we employed more than 1,100 individuals, including more than 500 investment professionals, located in 34 offices across six continents.

Regulatory and Compliance Matters

United States

Our businesses, as well as the financial services industry generally, are subject to extensive regulation in the United States and elsewhere. The SEC and other regulators around the globe have in recent years significantly increased their regulatory activities with respect to alternative asset management firms. Certain of our businesses are subject to compliance with laws and regulations of U.S. federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges, and any failure to comply with these regulations could expose us to liability and/or reputational damage. Our businesses have operated for many years within a legal framework that requires our being able to monitor and comply with a broad range of legal and regulatory developments that affect our activities. However, additional legislation, changes in rules promulgated by regulators or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability.

Certain of our subsidiaries are registered as investment advisers with the SEC. Registered investment advisers are subject to the requirements and regulations of the Advisers Act. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an advisor and advisory clients and general anti-fraud prohibitions. In addition, our investment advisers are subject to routine periodic examinations by the staff of the SEC. As a result of prior examinations, certain additional policies and procedures have been put into place in response to the SEC s recommendations, but no material changes to our investment advisers operations have been made. Our investment advisers also have not been subject to any regulatory or disciplinary actions by the SEC.

TCG Securities, L.L.C., the affiliate entity through which we conduct marketing and fundraising activities, is registered as a limited purpose broker/dealer with the SEC and the state securities bureaus, and is also a member of the Financial Industry Regulatory Authority (FINRA). Our broker/dealer is subject to regulation and examination by the SEC, as well as by the state securities regulatory agencies. Additionally, FINRA, a self-regulatory organization that is subject to SEC oversight, maintains regulatory authority over all securities firms doing business in the United States, including our broker/dealer, adopts and enforces rules governing the activities of its member firms and conducts cycle examinations and targeted sweep inquiries on issues of immediate concern, among other roles and responsibilities.

Broker/dealers are subject to rules relating to transactions on a particular exchange and/or market, and rules relating to the internal operations of the firms and their dealings with customers including, but not limited to the form or organization of the firm, qualifications of associated persons, officers and directors, net capital and customer protection rules, books and records and financial statements and reporting. In particular, as a result of its registered status, our broker/dealer is subject to the SEC s uniform net capital rule, Rule 15c3-1, which specifies both the minimum level of net capital a broker/dealer must maintain relative to the scope of its business activities and net capital liquidity parameters. The SEC and FINRA require compliance with key financial responsibility rules including maintenance of adequate funds to meet expenses and contractual obligations, as well as early warning rules that

compel notice to the regulators via accelerated

financial reporting anytime a firm s capital falls below the minimum required level. The uniform net capital rule limits the amount of qualifying subordinated debt that is treated as equity to a specific percentage under the debt-to-equity ratio test, and further limits the withdrawal of equity capital, which is subject to specific notice provisions. Finally, compliance with net capital rules may also limit a firm s ability to expand its operations, particularly to those activities that require the use of capital.

United Kingdom

CELF Advisors, L.L.P. and CECP Advisors, L.L.P., two of our subsidiaries, are authorized in the United Kingdom under the Financial Services and Markets Act 2000 (the FSMA) and have permission to engage in a number of corporate finance activities regulated under the FSMA, including advising, dealing as principal or agent and arranging deals in relation to certain types of investments. The FSMA and related rules govern most aspects of investment businesses, including sales, research and trading practices, provision of investment advice, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. The Financial Services Authority is responsible for administering these requirements and our compliance with them. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations, the suspension or expulsion from certain controlled functions within the financial services industry of officers or employees performing such functions or other similar consequences.

Other Jurisdictions

Carlyle MENA Investment Advisors Limited, one of our subsidiaries, is incorporated in the Dubai International Financial Centre (the DIFC) as a Category 3 authorized firm licensed by the Dubai Financial Services Authority (the DFSA) and has authorization to engage in certain financial activities regulated under the DFSA rules, including managing collective investment funds, arranging credit or deals in certain types of investments, advising on certain types of financial products or credit and arranging custody. The DFSA rules govern the financial services and investment businesses undertaken in or from the DIFC, including without limitation sales, research and trading practices, provision of investment advice, fund management and fund administration, provision of advisory services, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record keeping, margin practices and procedures, approval standards for individuals, compliance, anti-money laundering, periodic reporting and settlement procedures. The DFSA is responsible for administering and regulating these requirements and our compliance with them. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of authorizations or registrations, the suspension or expulsion from certain licensed functions within the financial services industry of officers or employees performing such functions or other similar consequences.

Claren Road Asia Limited (CRAL), one of our subsidiaries, is licensed in Hong Kong under the Securities and Futures Ordinance (the SFO) to carry on the regulated activity of asset management (Type 9 licence). The Hong Kong Securities and Futures Commission is responsible for administering requirements relating to the SFO and CRAL s compliance with them. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations and the suspension or expulsion from carrying on regulated activities within the financial services industry of officers or employees performing such functions or other similar consequences.

Carlyle Mauritius Investment Advisor Limited (Carlyle Mauritius) is a private company limited by shares incorporated and resident in the Republic of Mauritius. Carlyle Mauritius was incorporated on January 12, 2009 and

holds a Category 1 Global Business License, the stated

purpose of which is to act as a Mauritian Investment Advisor (Restricted), a license that was issued under Mauritian Securities Act 2005. Carlyle Mauritius is supervised by the Financial Services Commission (Mauritius) (the FSC). Carlyle Mauritius is subject to limited regulatory requirements under the Mauritian Securities Act 2005, Mauritian Financial Services Act 2007 and relevant ancillary regulations, including, ongoing reporting and record keeping requirements, anti-money laundering obligations, obligations to ensure that it and its directors, key officers and representatives are fit and proper and requirements to maintain positive shareholders equity. FSC is responsible for administering these requirements and Carlyle Mauritius s compliance with them. If Carlyle Mauritius contravenes any such requirements, Carlyle Mauritius and/or its officers or representatives may be subject to a fine, reprimand, prohibition order or other regulatory sanctions.

In addition, Carlyle Mauritius holds a Foreign Institutional Investor license from the Securities and Exchange Board of India (the SEBI). The license entitles Carlyle Mauritius, for itself and approved sub-licensees, to engage in limited activities in India as set out in the SEBI Foreign Investor Regulations, 1995, as amended from time to time. Carlyle Mauritius is subject to the oversight and supervision of SEBI in relation to the approved activities. If Carlyle Mauritius contravenes any such requirements, Carlyle Mauritius and/or its officers or representatives may be subject to a fine, reprimand, prohibition order or other regulatory sanctions from SEBI.

Properties

Our principal executive offices are located in leased office space at 1001 Pennsylvania Avenue, NW, Washington, D.C. We also lease the space for our other 33 offices, including our office in Arlington, Virginia, which houses our treasury and finance functions. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our business.

Legal Proceedings

From time to time we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us.

In September 2006 and March 2009, we received requests for certain documents and other information from the Antitrust Division of the DOJ in connection with the DOJ s investigation of global alternative asset management firms to determine whether they have engaged in conduct prohibited by U.S. antitrust laws. We have fully cooperated with the DOJ s investigation. There can be no assurance as to the direction this inquiry may take in the future or whether it will have an adverse impact on the private equity industry in some unforeseen way.

On February 14, 2008, a private class-action lawsuit challenging club bids and other alleged anti-competitive business practices was filed in the U.S. District Court for the District of Massachusetts. The complaint alleges, among other things, that certain global alternative asset management firms, including Carlyle, violated Section 1 of the Sherman Act by, among other things, forming multi-sponsor consortiums for the purpose of bidding collectively in certain going private transactions, which the plaintiffs allege constitutes a conspiracy in restraint of trade. While Carlyle believes the claims are without merit and will vigorously contest all claims, it is difficult to determine what impact, if any, this litigation (and any future related litigation), together with any increased governmental scrutiny or regulatory initiatives, will have on the private equity industry generally or on Carlyle.

Along with many other companies and individuals in the financial sector, Carlyle and one of our funds, Carlyle Mezzanine Partners, are named as defendants in *Foy v. Austin Capital,* pending in New Mexico state court, which purports to be a *qui tam* suit on behalf of the State of New Mexico. The suit alleges that investment decisions by New

Mexico public investment funds were improperly influenced by campaign contributions and payments to politically connected placement agents. In

May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including Carlyle and Carlyle Mezzanine Partners on the ground that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has brought two civil actions against certain of those defendants, not including the Carlyle defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions. We are currently unable to anticipate when the litigation will conclude, or what impact the litigation may have on us.

In July 2009, a former shareholder of Carlyle Capital Corporation Limited (CCC), claiming to have lost $20.0 million, filed a claim against CCC, Carlyle and certain of our affiliates and one of our officers alleging violations of Massachusetts blue sky law provisions and related claims involving material misrepresentations and omissions allegedly made during and after the marketing of CCC. In March 2010, the United States District Court for the District of Massachusetts dismissed the plaintiff s complaint on the grounds that it should have been filed in Delaware instead of Massachusetts, and the plaintiff subsequently filed a notice of appeal to the United States Court of Appeals for the First Circuit. The plaintiff lost its appeal to the First Circuit and has filed a renewed claim in Delaware state court. Defendants are vigorously contesting all claims alleged by the plaintiff. Another CCC investor has instituted legal proceedings on similar grounds in Kuwait against Carlyle seeking to recover losses incurred in connection with an investment in CCC. We believe the claims are without merit and will contest vigorously all claims.

The Guernsey liquidators who took control of CCC in March 2008 have filed suit against Carlyle, certain of our affiliates and the former directors of CCC, seeking $1.0 billion in damages. They allege that Carlyle and the CCC board of directors were negligent, grossly negligent or willfully mismanaged the CCC investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. Plaintiffs further allege (among other things) that the directors and Carlyle put the interests of Carlyle ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing Carlyle s reputation and its brand over the best interests of CCC. We believe the claims are without merit and will vigorously contest all allegations. We recognized a loss of $152.3 million in 2008 in connection with the winding up of CCC.

In June 2011 and August 2011, two putative shareholder class actions were filed in the United States District Court for the District of Columbia against Carlyle, certain of our affiliates and former directors of CCC alleging that the fund offering materials and various public disclosures were materially misleading or omitted material information. We believe the claims are without merit and will vigorously contest all claims.

MANAGEMENT

Directors and Executive Officers

The following table sets forth the names, ages and positions of the directors and executive officers of our general partner, Carlyle Group Management L.L.C.

Name	Age	Position
William E. Conway, Jr.	62	Director of Carlyle Group Management L.L.C., Founder and Co-Chief Executive Officer
Daniel A. D Aniello	64	Director of Carlyle Group Management L.L.C., Founder and Chairman
David M. Rubenstein	62	Director of Carlyle Group Management L.L.C., Founder and Co-Chief Executive Officer
Glenn A. Youngkin	44	Chief Operating Officer
Adena T. Friedman	42	Chief Financial Officer
Jeffrey W. Ferguson	46	General Counsel

William E. Conway, Jr. Mr. Conway is a founder and Co-Chief Executive Officer of Carlyle. He is also the firm s Chief Investment Officer. Prior to forming Carlyle in 1987, Mr. Conway was the Senior Vice President and Chief Financial Officer of MCI Communications Corporation (MCI). Mr. Conway was a Vice President and Treasurer of MCI from 1981 to 1984. Mr. Conway received his B.A. from Dartmouth College and his M.B.A. in finance from the University of Chicago Graduate School of Business. He served as the Chairman of the Board of Nextel Communications, Inc. and United Defense Industries, Inc. Mr. Conway has also served on the Board of Directors of Hertz Global Holdings, Inc. as well as several private companies in which Carlyle had significant interests.

Daniel A. D Aniello. Mr. D Aniello is a founder and Chairman of Carlyle. Prior to forming Carlyle in 1987, Mr. D Aniello was the Vice President for Finance and Development at Marriott Corporation for eight years. Before joining Marriott, Mr. D Aniello was a financial officer at PepsiCo, Inc. and Trans World Airlines. Mr. D Aniello is a 1968 magna cum laude graduate of Syracuse University, where he was a member of Beta Gamma Sigma, and a 1974 graduate of the Harvard Business School, where he was a Teagle Foundation Fellow. Mr. D Aniello is a member of The Council for United States and Italy; the Lumen Institute; the U.S. China CEO and Former Senior Officials Dialogue of the U.S. Chamber of Commerce; the Board of Trustees of the American Enterprise Institute for Public Research; the Board of Trustees of Syracuse University; the Chancellor s Council; and the Corporate Advisory Council to the Martin J. Whitman School of Management. Mr. D Aniello also currently serves and has served as chairman and/or director of several private companies in which Carlyle has or had significant investment interests.

David M. Rubenstein. Mr. Rubenstein is a founder and Co-Chief Executive Officer of Carlyle. Prior to forming Carlyle in 1987, Mr. Rubenstein practiced law in Washington, D.C. with Shaw, Pittman, Potts & Trowbridge LLP (now Pillsbury, Winthrop, Shaw Pittman LLP). From 1977 to 1981 Mr. Rubenstein was Deputy Assistant to the President for Domestic Policy. From 1975 to 1976, he served as Chief Counsel to the U.S. Senate Judiciary Committee s Subcommittee on Constitutional Amendments. From 1973 to 1975, Mr. Rubenstein practiced law in New York with Paul, Weiss, Rifkind, Wharton & Garrison LLP. Mr. Rubenstein is a 1970 magna cum laude graduate of Duke University, where he was elected Phi Beta Kappa. Following Duke, Mr. Rubenstein graduated in 1973 from The University of Chicago Law School. Among other philanthropic endeavors, Mr. Rubenstein is the Chairman of the

John F. Kennedy Center for the Performing Arts, a Regent of the Smithsonian Institution, President of the Economic Club of Washington and on the Boards of Directors or Trustees of Duke University (Vice Chair), Johns Hopkins University, University of Chicago, the Brookings Institution (Vice Chair), the Lincoln Center for the Performing Arts, the Council on Foreign Relations and the Institute for Advanced Study.

Glenn A. Youngkin. Mr. Youngkin is Chief Operating Officer of Carlyle and serves on Carlyle s Management Committee. From October 2010 until March 2011, Mr. Youngkin served as Carlyle s

interim principal financial officer. From 2005 to 2008, Mr. Youngkin was the Global Head of the Industrial Sector investment team. From 2000 to 2005, Mr. Youngkin led Carlyle s buyout activities in the United Kingdom and from 1995 to 2000, he was a member of the U.S. buyout team. Prior to joining Carlyle in 1995, Mr. Youngkin was a management consultant with McKinsey & Company and he also previously worked in the investment banking group at CS First Boston. Mr. Youngkin received a B.S. in mechanical engineering and a B.A. in managerial studies from Rice University and an M.B.A. from the Harvard Business School, where he was a Baker Scholar. Mr. Youngkin currently serves on the Board of Directors of Kinder Morgan Holdings, as well as several other Carlyle portfolio companies. Mr. Youngkin also serves on the Board of Trustees of the Langley School and AlphaUSA and the Board of Directors of the Rice Management Company.

Adena T. Friedman. Ms. Friedman is Chief Financial Officer and has served in such capacity for Carlyle since March 2011. Prior to joining Carlyle, Ms. Friedman served as Executive Vice President of Corporate Strategy of The NASDAQ OMX Group, Inc. since October 2003 and as Chief Financial Officer since August 2009. Ms. Friedman served as Executive Vice President of Global Data Products from January 2002 to August 2009. Ms. Friedman received a B.A. from Williams College and an M.B.A. from Vanderbilt University.

Jeffrey W. Ferguson. Mr. Ferguson is General Counsel and has served in such capacity for Carlyle since 1999. Prior to joining Carlyle, Mr. Ferguson was an associate with the law firm of Latham & Watkins LLP. Mr. Ferguson received a B.A. from the University of Virginia, where he was a member of Phi Beta Kappa. He also received his law degree from the University of Virginia, and is admitted to the bars of the District of Columbia and Virginia.

There are no family relationships among any of the directors or executive officers of our general partner.

Composition of the Board of Directors after this Offering

Prior to the closing of this offering, we expect that additional directors, including directors who are independent in accordance with the criteria established by for independent board members, will be appointed to the board of directors of our general partner, Carlyle Group Management L.L.C., an entity wholly owned by our senior Carlyle professionals. Following these additions, we expect that the board of directors of our general partner will consist of directors, of whom will be independent.

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

The Carlyle Group L.P. is a limited partnership that is advised by our general partner. We intend to avail ourselves of the limited partnership exception from certain governance rules, which eliminates the requirements that we have a majority of independent directors on our board of directors and that we have a compensation committee and a

nominating and corporate governance

committee composed entirely of independent directors. In addition, we will not be required to hold annual meetings of our common unitholders.

Mubadala Board Designee

Pursuant to the terms of the subscription agreement which governs the terms of Mubadala s investment in our business (the Mubadala Subscription Agreement), for so long as Mubadala owns in the aggregate at least 7.5% of the interests in our business, Mubadala may in its sole discretion and subject to any required regulatory approvals, require us to cause one person nominated by Mubadala to be appointed to the board of directors of our general partner.

Director Qualifications

When determining that each of Messrs. Conway, D Aniello and Rubenstein is particularly well-suited to serve on the board of directors of our general partner and that each individual has the experience, qualifications, attributes and skills, taken as a whole, to enable our board of directors to satisfy its oversight responsibilities effectively, we considered the experience and qualifications of each described above under Management Directors and Executive Officers. We also noted that these three individuals are the original founders of our firm. Each of Messrs. Conway, D Aniello and Rubenstein has played an integral role in our firm s successful growth since its founding in 1987 and developed a unique and unparalleled understanding of our business. Finally, we also noted that these three individuals are our largest equity owners and, as a consequence of such alignment of interest with our other equity owners, has additional motivation to diligently fulfill his oversight responsibilities as a member of the board of directors of our general partner.

Committees of the Board of Directors

The board of directors of Carlyle Group Management L.L.C. has established an executive committee. We anticipate that prior to this offering, the board of directors of Carlyle Group Management L.L.C. will establish an audit committee and will adopt a charter for the audit committee that complies with current federal and rules relating to corporate governance matters. We also anticipate that the board of directors of Carlyle Group Management L.L.C. will establish a conflicts committee. The board of directors of our general partner may establish other committees from time to time.

Audit committee. The purpose of the audit committee will be to assist the board of directors of Carlyle Group Management L.L.C. in overseeing and monitoring (1) the quality and integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) our independent registered public accounting firm s qualifications and independence and (4) the performance of our independent registered public accounting firm. The members of the audit committee will meet the independence standards for service on an audit committee of a board of directors pursuant to federal and rules relating to corporate governance matters, including the permitted transition period for newly-reporting issuers.

Conflicts committee. The board of directors of Carlyle Group Management L.L.C. will establish a conflicts committee that will be charged with reviewing specific matters that our general partner s board of directors believes may involve conflicts of interest. The conflicts committee will determine if the resolution of any conflict of interest submitted to it is fair and reasonable to us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us and not a breach by us of any duties we may owe to our common unitholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under Certain Relationships and Related Person Transactions Statement of Policy Regarding Transactions with Related Persons, and may establish guidelines or rules to cover

specific categories of transactions. The members of the conflicts committee will have been determined by the board to meet the independence standards for service on an audit committee of a board of directors pursuant to federal and rules relating to corporate governance matters.

Executive committee. The executive committee of the board of directors of Carlyle Group Management L.L.C. currently consists of Messrs. Conway, D Aniello and Rubenstein. The board of directors has delegated all of the power and authority of the full board of directors to the executive committee to act when the board of directors is not in session.

Compensation Committee Interlocks and Insider Participation

We do not have a compensation committee. Our founders, Messrs. Conway, D Aniello and Rubenstein, have historically made all final determinations regarding executive officer compensation. The board of directors of our general partner has determined that maintaining our current compensation practices following this offering is desirable and intends that these practices will continue. Accordingly, the board of directors of our general partner does not intend to establish a compensation committee. For a description of certain transactions between us and Messrs. Conway, D Aniello and Rubenstein, see Certain Relationships and Related Person Transactions.

Director Compensation

Our general partner, Carlyle Group Management L.L.C., was formed on July 18, 2011. Currently, all of the individuals who serve as directors of our general partner are also named executive officers who do not receive any separate compensation for service on the board of directors or on any committee of the board of directors of our general partner and whose compensation is disclosed in the Summary Compensation Table under Executive Compensation Summary Compensation Table. Accordingly, we have not presented a Director Compensation Table.

Following this offering, our employees who serve as directors of our general partner will receive no separate compensation for service on the board of directors or on committees of the board of directors of our general partner. Each non-employee director will receive an annual retainer of $175,000, $125,000 of which will be payable in cash and $50,000 of which will be payable in the form of an annual deferred restricted unit award. An additional $20,000 cash retainer will be payable annually to the chairman of the audit committee. Non-employee directors who are appointed to serve on the board of directors of our general partner at the time of this offering will also receive $200,000 of deferred restricted units under our Equity Incentive Plan, which will vest in equal annual installments over the following years, subject to the recipient s continued service as a director. In addition, each director will be reimbursed for reasonable out-of-pocket expenses incurred in connection with such service.

Executive Compensation

Compensation Discussion and Analysis

Compensation Philosophy

Our business as an alternative asset management firm is dependent on the services of our named executive officers and other key employees. Among other things, we depend on their ability to find, select and execute investments, oversee and improve portfolio company operations, find and develop relationships with fund investors and other sources of capital and provide other services essential to our success. We cannot compete without their continued employment with us. Therefore, it is important that our key employees are compensated in a manner that motivates them to excel and encourages them to remain with our firm.

Our compensation policy has three primary objectives: (1) establish a clear relationship between performance and compensation, (2) align long-term incentives with our fund investors and common unitholders and (3) comply with applicable laws and regulations.

We believe that the key to achieving these objectives is an organized, unbiased approach that is well understood, responsive to changes in the industry and the general labor market, and, above all, flexible and timely. We seek to pursue these objectives to the extent that our financial situation and other factors permit.

Our senior Carlyle professionals and other key employees invest a significant amount of their own capital in or alongside the funds we advise. These investments are funded with cash and not with deferral of management or incentive fees. In addition, these individuals may be allocated a portion of the carried interest or incentive fees payable in respect of our investment funds. We believe that this approach of seeking to align the interests of our key employees with those of the investors in our funds has been a key contributor to our strong performance and growth. We also believe that continued equity ownership by our named executive officers once we are a public company will result in significant alignment of their interests with those of our common unitholders.

Our chairman, Daniel A. D Aniello and our two co-chief executive officers, William E. Conway, Jr. and David M. Rubenstein, are our founders and co-principal executive officers. We refer to our founders, together with Adena T. Friedman, our chief financial officer, and Glenn A. Youngkin, our chief operating officer, as our named executive officers. Mr. Youngkin served as our interim principal financial officer from October 2010 until March 2011. Effective on March 28, 2011, Adena T. Friedman became our principal financial officer.

With the exception of our employment agreement with Ms. Friedman described below under Employment Agreement with Ms. Friedman, we do not have employment agreements with any of our executive officers. Our founders have entered into non-competition and non-solicitation agreements with us described below under Summary Compensation Table Founders Non-Competition and Non-Solicitation Agreements and are also subject to certain limitations on cash compensation pursuant to commitments made to CalPERS and Mubadala described below under Compensation Elements Annual Cash Bonuses.

Compensation Elements

The primary elements of our compensation program are base salary, annual cash bonuses and long-term incentives, such as the ownership of carried interest. We believe that the elements of compensation for our named executive officers serve the primary objectives of our compensation program. However, we intend to periodically review the compensation of our named executive officers, and we may make changes to the compensation structure relating to one or more named executive officers based on the outcome of such reviews from time to time.

Base Salary. For 2011, each of our named executive officers was paid an annual salary of $. We believe that the base salary of our named executive officers should typically not be the most significant component of total compensation. Our founders determined that this amount was a sufficient minimum base salary for our named executive officers and decided that it should be the same for all named executive officers.

Annual Cash Bonuses. For 2011, our named executive officers were awarded cash bonuses, part of which were paid in December 2011 and the balance of which we expect to be paid in March 2012. The amounts of these bonuses were $ for each of our founders, $ for Ms. Friedman and $ for Mr. Youngkin. The discretionary bonuses to our founders and to Mr. Youngkin were recommended by Mr. D Aniello and were approved by all three of our founders. The subjective factors that contributed to the determination of the bonus amounts included an assessment of the performance of Carlyle and the investments of the funds that we advise, the contributions of the named executive officer to our development and success during 2011 and the named executive officer s tenure at his or her level. The bonus received by Ms. Friedman was made pursuant to our contractual arrangements with her. The amounts of the annual bonuses paid to our founders were limited to $ pursuant to a commitment that we made to CalPERS at the time of their investment in our firm in 2001. CalPERS sought this limitation to ensure that the interests of our founders would be aligned with their own. When Mubadala later invested in our firm in 2007, they sought, and received, the same commitment.

Carried Interest. The general partners of our carry funds typically receive a special residual allocation of income, which we refer to as a carried interest, from our investment funds if investors in such funds achieve a specified threshold return. While the Parent Entities own controlling equity

interests in these fund general partners, our senior Carlyle professionals and other personnel who work in these operations directly own a portion of the carried interest in these entities, in order to better align their interests with our own and with those of the investors in these funds. Following the reorganization described in Ownership Structure, these individuals will own approximately 45% of any carried interest in respect of investments made by our carry funds, with the exception of our energy and renewable resources funds, where we will retain essentially all of the carry to which we are entitled under our joint venture arrangements with Riverstone. Pursuant to commitments we made to CalPERS and Mubadala at the times of those institutions investments in our firm, our founders own all of their equity interests in our firm through their ownership interests in the Parent Entities and, accordingly, do not own carried interest at the fund level, but instead benefit, together with our other equity owners, from the carried interest and other income that is retained by the firm through our founders ownership interests in the Parent Entities. In addition, we generally seek to concentrate the direct ownership of carried interest in respect of each carry fund among those of our professionals who directly work with that fund so as to align their interests with those of our fund investors and of our firm. Accordingly, Ms. Friedman, like our founders, does not receive allocations of direct carried interest ownership at the fund level.

Carried interest, if any, in respect of any particular investment is only paid in cash when the underlying investment is realized. To the extent any giveback obligation is triggered, carried interest previously distributed by the fund would need to be returned to such fund. Our professionals who receive direct allocations of carried interest at the fund level are personally subject to the giveback obligation, pursuant to which they may be required to repay carried interest previously distributed to them, thereby reducing the amount of cash received by such recipients for any such year. Because the amount of carried interest payable is directly tied to the realized performance of the underlying investments, we believe this fosters a strong alignment of interests among the investors in those funds and the professionals who are allocated direct carried interest, and thus will indirectly benefit our unitholders.

The percentage of carried interest owned at the fund level by individual professionals varies by year, by investment fund and, with respect to each carry fund, by investment. Ownership of carried interest is also subject to a range of vesting schedules. Vesting serves as an employment retention mechanism and enhances the alignment of interests between the owner of a carried interest allocation and the firm and the limited partners in our investment funds.

Post-IPO Equity Compensation Expense. As discussed under Organizational Structure, at the time of this offering our existing owners will contribute to the Carlyle Holdings partnerships equity interests in our business in exchange for partnership units of Carlyle Holdings. As described below under Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions, approximately % of the Carlyle Holdings partnership units received by our existing owners who are our employees as a result of the reorganization will not be vested and, with specified exceptions, will be subject to forfeiture if the employee ceases to be employed by us prior to vesting. Accordingly, following this offering, we will recognize expense for financial statement reporting purposes in respect of the unvested Carlyle Holdings partnership units received by our personnel, including the named executive officers. The aggregate grant date fair value of such units for purposes of Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation (ASC Topic 718) will appear in the Stock Awards column of the Summary Compensation Table reporting compensation for the year in which this offering occurs.

Summary Compensation Table

The following table presents summary information concerning compensation paid or accrued by us for services rendered in all capacities by our named executive officers during the fiscal year ended December 31, 2011.

Pursuant to applicable accounting principles, for financial statement reporting purposes we have historically recorded salary and bonus payments to our senior Carlyle professionals, including

our named executive officers, as distributions in respect of their equity ownership interests and not as compensation expense. However, following this offering, the salary and bonus payments to our senior Carlyle professionals, including our named executive officers, will be reflected as compensation expense in our financial statements and we have reflected these amounts in the applicable columns of the Summary Compensation Table below even though they are not recorded as compensation expense in our historical financial statements.

Similarly, we have reported in the All Other Compensation column amounts that represent an amount of compensation expense (positive or negative) that would have been recorded by us on an accrual basis in respect of carried interest allocations to executive officers at the level of the general partners of our funds if this offering had occurred on January 1, 2011. These amounts do not reflect actual cash carried interest distributions to our named executive officers. This expense may be negative in the event of a reversal of previously accrued carried interest due to negative adjustments in the fair value of a carry fund s investments. The ultimate amounts of actual carried interest distributions that may be earned and subsequently distributed to our named executive officers may be more or less than the amounts indicated in the Summary Compensation Table and are not determinable at this time.

Name and Principal Position	Year	Salary ($)	Bonus ($)	All Other Compensation ($)(1)	Total ($)
William E. Conway, Jr., Founder and Co-Chief Executive Officer (co-principal executive officer)	2011			(2)	
Daniel A. D Aniello, Founder and Chairman (co-principal executive officer)	2011			(2)	
David M. Rubenstein, Founder and Co-Chief Executive Officer (co-principal executive officer)	2011			(2)	
Glenn A. Youngkin, Chief Operating Officer (former interim principal financial officer)(3)	2011			(4)	
Adena T. Friedman Chief Financial Officer (principal financial officer)(3)	2011			(2)	

(1) As discussed above, pursuant to commitments we made to CalPERS and Mubadala at the times of those institutions investments in our firm, our founders own all of their equity interests in our firm through their ownership interests in the Parent Entities and, accordingly, do not directly own carried interest at the fund level, but instead benefit, together with our other equity owners, from the carried interest and other income that is retained by the firm through our founders ownership interests in the Parent Entities. Accordingly, we have not historically recorded, and following this offering do not anticipate that we will record, compensation expense (positive or negative) in respect of our founders indirect ownership of carried interest.

(2) This amount represents our 401(k) matching contribution.

(3)

Mr. Youngkin served as our interim principal financial officer from October 2010 until Ms. Friedman became our principal financial officer effective on March 28, 2011.

(4) The amount of compensation expense that would have been recorded on an accrual basis in respect of direct carried interest allocations to Mr. Youngkin for 2011 is not yet available. The corresponding amount for 2010 was $. This amount does not reflect actual cash carried interest distributions to Mr. Youngkin during such period. For financial statement reporting purposes, the accrual of this expense is equal to the amount of carried interest related to unrealized investments as of the last day of the relevant period as if the investments in the funds generating such carried interest were realized as of the last day of the relevant period. Such expense may also be negative in the event of a reversal of previously accrued allocation of carried interest due to negative adjustments in the fair value of fund investments. The ultimate amount of actual carried interest that may be realized and received by our named executive officers may be more or less than the amounts indicated and is unknown at this time. The amount in the table also includes $ representing our 401(k) matching contribution.

Grants of Plan-Based Awards in 2011

There were no grants of plan-based awards to our named executive officers in the fiscal year ended December 31, 2011.

Outstanding Equity Awards at 2011 Fiscal-Year End

Our named executive officers had no outstanding equity awards as of December 31, 2011.

Option Exercises and Stock Vested in 2011

Our named executive officers had no option exercises or stock vested during the year ended December 31, 2011.

Pension Benefits for 2011

We provided no pension benefits during the year ended December 31, 2011.

Nonqualified Deferred Compensation for 2011

We provided no defined contribution plan for the deferral of compensation on a basis that is not tax-qualified during the year ended December 31, 2011.

Potential Payments Upon Termination or Change in Control

Other than Ms. Friedman, our named executive officers are not entitled to any additional payments or benefits upon termination of employment, upon a change in control of our company or upon retirement, death or disability.

If at any time before March 28, 2013, Ms. Friedman s employment is terminated by her for Good Reason and we could not have terminated her for Cause or her employment is terminated by us without Cause, Ms. Friedman will be entitled to a cash severance in an amount equal to (x) the unpaid portion of her annual base salary from the termination date through March 28, 2013, (y) the difference between the bonuses guaranteed to Ms. Friedman and bonuses paid to her and (z) if terminated without Cause within 18 months of March 28, 2011, $ unless there has been a vesting date of our shares listed on a stock exchange; provided, however, that the aggregate amount of severance payable will be in no event less than 25% of her annual base salary. If at any time on or after March 28, 2013, Ms. Friedman s employment is terminated by her for Good Reason and we could not have terminated her for Cause or her employment is terminated by us without Cause, we will pay severance to Ms. Friedman in an amount equal to 25% of her annual base salary. If Ms. Friedman s employment is terminated other than by her for Good Reason or by us for any reason with 30 days notice, she is entitled to accrued but unpaid salary through the effective date of such termination. For the purpose of the employment agreement with Ms. Friedman, Good Reason includes (1) a material breach of the employment agreement by us or (2) a significant, sustained reduction in or adverse modification of the nature and scope of Ms. Friedman s authority, duties and privileges, in each case only if such Good Reason has not been corrected or cured by us within 30 days after we have received written notice from Ms. Friedman of her intent to terminate her employment for Good Reason; and Cause includes (1) gross negligence or willful misconduct in the performance of the duties required of Ms. Friedman under the employment agreement; (2) willful conduct that Ms. Friedman knows is materially injurious to us or any of our affiliates; (3) breach of any material provision of the employment agreement; (4) Ms. Friedman s conviction of any felony or Ms. Friedman entering into a plea bargain or settlement admitting guilt for any felony; (5) Ms. Friedman s being the subject of any order by the Securities and Exchange Commission for any securities violation or; (6) Ms. Friedman s discussing our fundraising efforts or any fund vehicle that has not had a final closing of commitments with any member of the press.

If Ms. Friedman s employment with us was terminated by her for Good Reason and we could not have terminated her for Cause or her employment was terminated by us without Cause on December 30, 2011, she would have been entitled to a cash severance payment of $. Ms. Friedman is not entitled to any additional payments or benefits upon

a change in control of our company or upon retirement, death or disability.

Ms. Friedman is subject to a covenant not to disclose our confidential information at any time and may not discuss our fundraising efforts or the name of any fund that has not had a final closing with any member of the press.
Ms. Friedman is also subject to covenants not to compete with us and

not to solicit our employees or customers during her employment term and for six months following termination of her employment for any reason without our prior written consent. She is also subject to a covenant not to breach any confidentiality agreements or non-solicitation agreements with any former employer. We have no liability in the event that Ms. Friedman s provision of services to us violates any non-compete provision she had with her former employer.

Founders Non-Competition and Non-Solicitation Agreements

In February 2001, we entered into non-competition agreements with each of our founders in connection with the investment in our firm by CalPERS. The following is a description of the material terms of the non-competition agreements, the terms of which are substantially identical for each of our founders.

Non-Competition. Each founder agreed that during the period he is a controlling partner (as defined in the non-competition agreement) and for the period of three years thereafter (the Restricted Period), he will not engage in any business or activity that is competitive with our business.

Non-Solicitation of Carlyle Employees. Each founder agreed that during the Restricted Period he will not solicit any of our employees, or employees of our subsidiaries, to leave their employment with us or otherwise terminate or cease or materially modify their relationship with us, or employ or engage any such employee.

Non-Solicitation of Clients. In addition, during the Restricted Period each founder will not solicit any of the investors of the funds we advise to invest in any funds or activities that are competitive with our businesses.

Confidentiality. During the Restricted Period, each founder is required to protect and only use proprietary information that relates to our business in accordance with strict restrictions placed by us on its use and disclosure. Each founder agreed that during the Restricted Period he will not disclose any of the proprietary information, except (1) as required by his duties on behalf of Carlyle or with our consent, or (2) as required by virtue of subpoena, court or governmental agency order or as otherwise required by law or (3) to a court, mediator or arbitrator in connection with any dispute between such founder and us.

Investment Activities. During the Restricted Period, each founder has agreed that he will not pursue or otherwise seek to develop any investment opportunities under active consideration by Carlyle.

Specific Performance. In the case of any breach of the non-competition, non-solicitation, confidentiality and investment activity limitation provisions, each founder agrees that we will be entitled to seek equitable relief in the form of specific performance and injunctive relief.

Employment Agreement with Ms. Friedman

We have entered into an employment agreement with Ms. Friedman pursuant to which she serves as our chief financial officer. The employment term is indefinite and lasts until Ms. Friedman s employment is terminated pursuant to the terms of the employment agreement.

Ms. Friedman is currently entitled to receive an annual base salary of $, which may be increased from time to time by us. For calendar years 2011 and 2012, Ms. Friedman is entitled to a guaranteed bonus of $. For calendar years following 2012, she will be paid bonuses at our discretion. The provisions of Ms. Friedman s employment agreement pertaining to termination of employment and covenants to which she is subject are described above under Potential Payments Upon Termination or Change in Control.

Equity Incentive Plan

The board of directors of our general partner intends to adopt the 2012 Carlyle Group Equity Incentive Plan (the Equity Incentive Plan) before the effective date of this offering. The following description of the Equity Incentive Plan is not complete and is qualified by reference to the full text

of the Equity Incentive Plan, which will be filed as an exhibit to the registration statement of which this prospectus forms a part. The Equity Incentive Plan will be a source of new equity-based awards permitting us to grant to our senior Carlyle professionals, employees, directors of our general partner and consultants non-qualified options, unit appreciation rights, common units, restricted common units, deferred restricted common units, phantom restricted common units and other awards based on our common units and Carlyle Holdings partnership units, to which we collectively refer to as our units.

Administration. The board of directors of our general partner will administer the Equity Incentive Plan. However, the board of directors of our general partner may delegate such authority, including to a committee or subcommittee of the board of directors, and the board intends to effect such a delegation to a committee comprising Messrs. Conway, D Aniello and Rubenstein. We refer to the board of directors of our general partner or the committee or subcommittee thereof to whom authority to administer the Equity Incentive Plan has been delegated, as the case may be, as the Administrator. The Administrator will determine who will receive awards under the Equity Incentive Plan, as well as the form of the awards, the number of units underlying the awards and the terms and conditions of the awards consistent with the terms of the Equity Incentive Plan. The Administrator will have full authority to interpret and administer the Equity Incentive Plan, which determinations will be final and binding on all parties concerned.

Units Subject to the Equity Incentive Plan. The total number of our common units and Carlyle Holdings partnership units which are initially available for future grants under the Equity Incentive Plan is . Beginning in 2013, the aggregate number of common units and Carlyle Holdings partnership units available for future grants under our Equity Incentive Plan will be increased on the first day of each fiscal year during its term by the number of units equal to the positive difference, if any, of (a) % of the aggregate number of common units and Carlyle Holdings partnership units outstanding on the last day of the immediately preceding fiscal year (excluding Carlyle Holdings partnership units held by The Carlyle Group L.P. or its wholly-owned subsidiaries) minus (b) the aggregate number of common units and Carlyle Holdings partnership units otherwise available for future grants under our Equity Incentive Plan as of such date (unless the Administrator of the Equity Incentive Plan should decide to increase the number of common units and Carlyle Holdings partnership units available for future grants under the plan by a lesser amount). Accordingly, on the first day of each such fiscal year, the aggregate number of common units and Carlyle Holdings partnership units available for future grants under our Equity Incentive Plan will reload to % of the aggregate number of common units and Carlyle Holdings partnership units outstanding on the last day of the immediately preceding fiscal year (excluding Carlyle Holdings partnership units held by The Carlyle Group L.P. or its wholly-owned subsidiaries). We will reserve for issuance the number of units necessary to satisfy the maximum number of units that may be issued under the Equity Incentive Plan. The units underlying any award granted under the Equity Incentive Plan that expire, terminate or are cancelled (other than in consideration of a cash payment) without being settled in units will again become available for awards under the Equity Incentive Plan.

Options and Unit Appreciation Rights. The Administrator may award non-qualified options under the Equity Incentive Plan. Options granted under the Equity Incentive Plan will become vested and exercisable at such times and upon such terms and conditions as may be determined by the Administrator at the time of grant, but an option generally will not be exercisable for a period of more than 10 years after it is granted. To the extent permitted by the Administrator, the exercise price of an option may be paid in cash or its equivalent, in units having a fair market value equal to the aggregate option exercise price partly in cash and partly in units and satisfying such other requirements as may be imposed by the Administrator or through the delivery of irrevocable instructions to a broker to sell units obtained upon the exercise of the option and to deliver promptly to us an amount out of the proceeds of the sale equal to the aggregate option exercise price for the common units being purchased or through net settlement in units.

The Administrator may grant unit appreciation rights independent of or in conjunction with an option. Each unit appreciation right granted independent of a unit option shall entitle a participant upon exercise to an amount equal to (i) the excess of (A) the fair market value on the exercise date of one unit over (B) the exercise price per unit, multiplied by (ii) the number of units covered by the unit appreciation right, and each unit appreciation right granted in conjunction with an option will entitle a participant to surrender to us the option and to receive such amount. Payment will be made in units and/or cash (any common unit valued at fair market value), as determined by the Administrator.

Other Equity-Based Awards. The Administrator, in its sole discretion, may grant or sell units and awards that are valued in whole or in part by reference to, or are otherwise based on the fair value of, our units. Any of these other equity-based awards may be in such form, and dependent on such conditions, as the Administrator determines, including without limitation the right to receive, or vest with respect to, one or more units (or the equivalent cash value of such units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The Administrator may in its discretion determine whether other equity-based awards will be payable in cash, units or a combination of both cash and units.

Adjustments Upon Certain Events. In the event of any change in the outstanding units by reason of any unit dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination, combination or transaction or exchange of units or other corporate exchange, or any distribution to holders of units other than regular cash dividends, or any transaction similar to the foregoing, the Administrator in its sole discretion and without liability to any person will make such substitution or adjustment, if any, as it deems to be equitable, as to (i) the number or kind of units or other securities issued or available for future grant under our Equity Incentive Plan or pursuant to outstanding awards, (ii) the option price or exercise price of any option or unit appreciation right and/or (iii) any other affected terms of such awards.

Change in Control. In the event of a change in control (as defined in the Equity Incentive Plan), the Equity Incentive Plan provides that the Administrator may, but shall not be obligated to (A) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an award, (B) cancel awards for fair value (which, in the case of options or unit appreciation rights, shall be equal to the excess, if any, of the fair market value of a unit at the time of such change in control over the corresponding exercise price of the option or unit appreciation right), (C) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards previously granted under the Equity Incentive Plan as determined by the Administrator in its sole discretion or (D) provide that, with respect to any awards that are options or unit appreciation rights, for a period of at least 15 days prior to the change in control, such options and unit appreciation rights will be exercisable as to all units subject thereto and that upon the occurrence of the change in control, such options and unit appreciation rights will terminate.

Transferability. Unless otherwise determined by our Administrator, no award granted under the plan will be transferable or assignable by a participant in the plan, other than by will or by the laws of descent and distribution.

Amendment, Termination and Term. The Administrator may amend or terminate the Equity Incentive Plan, but no amendment or termination shall be made without the consent of a participant, if such action would materially diminish any of the rights of the participant under any award theretofore granted to such participant under the Equity Incentive Plan; provided, however, that the Administrator may amend the Equity Incentive Plan and/or any outstanding awards in such manner as it deems necessary to permit the Equity Incentive Plan and/or any outstanding awards to satisfy applicable requirements of the Internal Revenue Code or other applicable laws. The Equity Incentive Plan will have a term of 10 years.

IPO Date Equity Awards

At the time of this offering and under our Equity Incentive Plan, we intend to grant deferred restricted units and phantom deferred restricted units to our employees. We will settle the deferred restricted units in The Carlyle Group L.P. common units and the phantom deferred units in cash.

Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions

Vesting and Delivery

% of the Carlyle Holdings partnership units received as part of the Reorganization by each of our existing owners who are employed by us will be fully vested as of the date of issuance. The remaining unvested portion will vest in equal installments on each anniversary date of this offering for years.

The deferred restricted units issued at the time of this offering as described above under IPO Date Equity Awards will vest in equal installments on each anniversary date of this offering for years. The phantom deferred units will vest and pay out in cash in equal installments on each anniversary date of this offering for years.

Minimum Retained Ownership Requirements

Each holder of our Carlyle Holdings partnership units that is employed by us will be required to hold at least % of such units until years following the termination of active service with us.

Transfer Restrictions

Holders of our Carlyle Holdings partnership units (other than Mubadala and CalPERS), including our founders and our other senior Carlyle professionals, will be prohibited from transferring or exchanging any such units until the anniversary of this offering without our consent. The Carlyle Holdings partnership units held by Mubadala and CalPERS will be subject to transfer restrictions as described below under Common Units Eligible For Future Sale Lock-Up Arrangements.

The deferred restricted units will be non-transferable; provided, however, that any delivered common units will be immediately transferable subject to our generally applicable trading policies. The phantom deferred units will be non-transferable.

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

The forms of the agreements described in this section are filed as exhibits to the registration statement of which this prospectus forms a part, and the following descriptions are qualified by reference thereto.

Reorganization

Prior to this offering we will complete a series of transactions in connection with the Reorganization described in Organizational Structure whereby, among other things, our existing owners, including our inside directors and executive officers, will contribute their interests in the Parent Entities and certain equity interests they own in the general partners of our existing carry funds to the Carlyle Holdings partnerships in exchange for Carlyle Holdings partnership units. In addition, certain existing and former owners of the Parent Entities, including our inside directors and executive officers, have a beneficial interest in investments in or alongside our funds that were funded by such persons indirectly through the Parent Entities. In order to minimize the extent of third-party ownership interests in firm assets, prior to the completion of the offering, the Parent Entities will (i) purchase a portion of these beneficial interests at their net asset value and (ii) restructure the remainder of these beneficial interests so that they are either held directly by the beneficial owners or are reflected as non-controlling interests in our financial statements. We expect that approximately $ will be paid to Mr. Conway, $ will be paid to Mr. D Aniello, $ will be paid to Mr. Rubenstein, $ will be paid to Mr. Youngkin, $ will be paid to Ms. Friedman and $ will be paid to Mr. Ferguson as purchase price for these beneficial interests. These amounts include amounts expected to be paid to planning vehicles of these individuals.

In addition, prior to the date of this offering the Parent Entities will also make one or more cash distributions of previously undistributed earnings and accumulated cash to their owners totaling $.

Tax Receivable Agreement

Limited partners of the Carlyle Holdings partnerships, subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to such limited partners as set forth in the partnership agreements of the Carlyle Holdings partnerships, may on a quarterly basis, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three Carlyle Holdings partnerships to effect an exchange for a common unit. Carlyle Holdings I L.P. intends to make an election under Section 754 of the Code effective for each taxable year in which an exchange of partnership units for common units occurs, which is expected to result in increases to the tax basis of the assets of Carlyle Holdings at the time of an exchange of partnership units. The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings. These increases in tax basis may reduce the amount of tax that certain of our subsidiaries, including Carlyle Holdings I GP Inc., which we refer to as, together with any successors thereto, the corporate taxpayers, would otherwise be required to pay in the future. These increases in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The IRS may challenge all or part of the tax basis increase and increased deductions, and a court could sustain such a challenge.

We will enter into a tax receivable agreement with our existing owners that will provide for the payment by the corporate taxpayers to our existing owners of 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax that the corporate taxpayers realize (or are deemed to realize in the case of an early termination payment by the corporate taxpayers or a change in control, as discussed below) as a result of increases in tax basis and

certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable

to payments under the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayers and not of Carlyle Holdings. The corporate taxpayers expect to benefit from the remaining 15% of cash tax savings, if any, in income tax they realize. For purposes of the tax receivable agreement, the cash tax savings in income tax will be computed by comparing the actual income tax liability of the corporate taxpayers (calculated with certain assumptions) to the amount of such taxes that the corporate taxpayers would have been required to pay had there been no increase to the tax basis of the assets of Carlyle Holdings as a result of the exchanges and had the corporate taxpayers not entered into the tax receivable agreement. The term of the tax receivable agreement will commence upon consummation of this offering and will continue until all such tax benefits have been utilized or expired, unless the corporate taxpayers exercise their right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement (as described in more detail below) or the corporate taxpayers breach any of their material obligations under the tax receivable agreement in which case all obligations generally will be accelerated and due as if the corporate taxpayers had exercised their right to terminate the tax receivable agreement. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

the timing of exchanges for instance, the increase in any tax deductions will vary depending on the fair value, which may fluctuate over time, of the depreciable or amortizable assets of Carlyle Holdings at the time of each exchange;

the price of our common units at the time of the exchange the increase in any tax deductions, as well as the tax basis increase in other assets, of Carlyle Holdings, is directly proportional to the price of our common units at the time of the exchange;

the extent to which such exchanges are taxable if an exchange is not taxable for any reason, increased deductions will not be available; and

the amount and timing of our income the corporate taxpayers will be required to pay 85% of the cash tax savings as and when realized, if any. If the corporate taxpayers do not have taxable income, the corporate taxpayers are not required (absent a change of control or other circumstances requiring an early termination payment) to make payments under the tax receivable agreement for that taxable year because no cash tax savings will have been realized. However, any cash tax savings that do not result in realized benefits in a given tax year will likely generate tax attributes that may be utilized to generate benefits in previous or future tax years. The utilization of such tax attributes will result in payments under the tax receivables agreement.

We expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, the payments that we may make under the tax receivable agreement will be substantial. There may be a material negative effect on our liquidity if, as a result of timing discrepancies or otherwise, the payments under the tax receivable agreement exceed the actual cash tax savings that the corporate taxpayers realize in respect of the tax attributes subject to the tax receivable agreement and/or distributions to the corporate taxpayers by Carlyle Holdings are not sufficient to permit the corporate taxpayers to make payments under the tax receivable agreement after they have paid taxes. Late payments under the tax receivable agreement generally will accrue interest at an uncapped rate equal to LIBOR plus 500 basis points. The payments under the tax receivable agreement are not conditioned upon our existing owners continued ownership of us.

In addition, the tax receivable agreement provides that upon certain changes of control, the corporate taxpayers (or their successors) obligations with respect to exchanged or acquired units (whether exchanged or acquired before or

after such transaction) would be based on certain

assumptions, including that the corporate taxpayers would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement.

Furthermore, the corporate taxpayers may elect to terminate the tax receivable agreement early by making an immediate payment equal to the present value of the anticipated future cash tax savings. In determining such anticipated future cash tax savings, the tax receivable agreement includes several assumptions, including (i) that any Carlyle Holdings partnership units that have not been exchanged are deemed exchanged for the market value of the common units at the time of termination, (ii) the corporate taxpayers will have sufficient taxable income in each future taxable year to fully realize all potential tax savings, (iii) the tax rates for future years will be those specified in the law as in effect at the time of termination and (iv) certain non-amortizable assets are deemed disposed of within specified time periods. In addition, the present value of such anticipated future cash tax savings are discounted at a rate equal to LIBOR plus 100 basis points. Assuming that the market value a common unit were to be equal to the initial public offering price per common unit in this offering and that LIBOR were to be %, we estimate that the aggregate amount of these termination payments would be approximately $ million if the corporate taxpayers were to exercise their termination right immediately following this offering.

As a result of the change in control provisions and the early termination right, the corporate taxpayers could be required to make payments under the tax receivable agreement that are greater than or less than the specified percentage of the actual cash tax savings that the corporate taxpayers realize in respect of the tax attributes subject to the tax receivable agreement. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Decisions made by our existing owners in the course of running our business may influence the timing and amount of payments that are received by an exchanging or selling existing owner under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction generally will accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase an existing owner s tax liability without giving rise to any rights of an existing owner to receive payments under the tax receivable agreement.

Payments under the tax receivable agreement will be based on the tax reporting positions that we will determine. The corporate taxpayers will not be reimbursed for any payments previously made under the tax receivable agreement if a tax basis increase is successfully challenged by the IRS. As a result, in certain circumstances, payments could be made under the tax receivable agreement in excess of the corporate taxpayers cash tax savings.

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

Registration Rights Agreements

We will enter into one or more registration rights agreements with our existing owners, other than CalPERS and Mubadala, pursuant to which we will grant them, their affiliates and certain of their transferees the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act common units delivered in exchange for Carlyle Holdings partnership units or common units (and other securities convertible into or exchangeable or exercisable for our common units) otherwise held by them. Under the registration rights agreements, we will agree to register the exchange of Carlyle Holdings partnership units for common units by our existing owners. In addition, TCG Carlyle Global Partners L.L.C., an entity wholly-owned by our senior Carlyle professionals, has the

right to request that we register the sale of common units held

by our existing owners an unlimited number of times and may require us to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. In addition, TCG Carlyle Global Partners L.L.C. will have the ability to exercise certain piggyback registration rights in respect of common units held by our existing owners in connection with registered offerings requested by other registration rights holders or initiated by us.

In addition, in accordance with the terms of the subscription agreements which govern their respective investments in our business, we will enter into separate registration rights agreements with CalPERS and Mubadala. See Common Units Eligible For Future Sale Registration Rights.

Carlyle Holdings Partnership Agreements

As a result of the Reorganization and the Offering Transactions, The Carlyle Group L.P. will be a holding partnership and, through wholly-owned subsidiaries, hold equity interests in Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P., which we refer to collectively as Carlyle Holdings. Wholly-owned subsidiaries of The Carlyle Group L.P. will be the sole general partner of each of the three Carlyle Holdings partnerships. Accordingly, The Carlyle Group L.P. will operate and control all of the business and affairs of Carlyle Holdings and, through Carlyle Holdings and its operating entity subsidiaries, conduct our business. Through its wholly-owned subsidiaries, The Carlyle Group L.P. will have unilateral control over all of the affairs and decision making of Carlyle Holdings. Furthermore, the wholly-owned subsidiaries of The Carlyle Group L.P. cannot be removed as the general partners of the Carlyle Holdings partnerships without their approval. Because our general partner, Carlyle Group Management L.L.C., will operate and control the business of The Carlyle Group L.P., the board of directors and officers of our general partner will accordingly be responsible for all operational and administrative decisions of Carlyle Holdings and the day-to-day management of Carlyle Holdings business.

Pursuant to the partnership agreements of the Carlyle Holdings partnerships, the wholly-owned subsidiaries of The Carlyle Group L.P. which are the general partners of those partnerships have the right to determine when distributions will be made to the partners of Carlyle Holdings and the amount of any such distributions. If a distribution is authorized, such distribution will be made to the partners of Carlyle Holdings pro rata in accordance with the percentages of their respective partnership interests.

Each of the Carlyle Holdings partnerships will have an identical number of partnership units outstanding, and we use the terms Carlyle Holdings partnership unit or partnership unit in/of Carlyle Holdings to refer, collectively, to a partnership unit in each of the Carlyle Holdings partnerships. The holders of partnership units in Carlyle Holdings, including The Carlyle Group L.P. s wholly-owned subsidiaries, will incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of Carlyle Holdings. Net profits and net losses of Carlyle Holdings generally will be allocated to its partners (including The Carlyle Group L.P. s wholly-owned subsidiaries) pro rata in accordance with the percentages of their respective partnership interests. The partnership agreements of the Carlyle Holdings partnerships will provide for cash distributions, which we refer to as tax distributions, to the partners of such partnerships if the wholly-owned subsidiaries of The Carlyle Group L.P. which are the general partners of the Carlyle Holdings partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the non-deductibility of certain expenses and the character of our income). Tax distributions will be made only to the extent all distributions from such partnerships for the relevant year were insufficient to cover such tax liabilities.

Our existing owners will receive Carlyle Holdings partnership units in the Reorganization in exchange for the contribution of their equity interests in our operating subsidiaries to Carlyle Holdings. Subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions, these partnership units may be exchanged for The Carlyle Group L.P. common units as described under Exchange Agreement below. (See Management Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions for a discussion of the vesting and minimum retained ownership requirements and transfer restrictions applicable to the Carlyle Holdings partnership units.)

The partnership agreements of the Carlyle Holdings partnerships will also provide that substantially all of our expenses, including substantially all expenses solely incurred by or attributable to The Carlyle Group L.P. such as expenses incurred in connection with this offering but not including obligations incurred under the tax receivable agreement by The Carlyle Group L.P. or its wholly-owned subsidiaries, income tax expenses of The Carlyle Group L.P. or its wholly-owned subsidiaries and payments on indebtedness incurred by The Carlyle Group L.P. or its wholly-owned subsidiaries, will be borne by Carlyle Holdings.

Exchange Agreement

In connection with the Reorganization, we will enter into an exchange agreement with the limited partners of the Carlyle Holdings partnerships. Under the exchange agreement, subject to the applicable vesting and minimum retained ownership requirements and transfer restrictions, each such holder of Carlyle Holdings partnership units (and certain transferees thereof) may up to four times a year, from and after the first anniversary of the date of the closing of this offering (subject to the terms of the exchange agreement), exchange these partnership units for The Carlyle Group L.P. common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Under the exchange agreement, to effect an exchange a holder of partnership units in Carlyle Holdings must simultaneously exchange one partnership unit in each of the Carlyle Holdings partnerships. The Carlyle Group L.P. will hold, through wholly owned subsidiaries, a number of Carlyle Holdings partnership units equal to the number of common units that The Carlyle Group L.P. has issued. As a holder exchanges its Carlyle Holdings partnership units, The Carlyle Group L.P. s indirect interest in the Carlyle Holdings partnerships will be correspondingly increased. The Carlyle Group L.P. common units received upon such an exchange would be subject to all restrictions, if any, applicable to the exchanged Carlyle Holdings partnership units, including minimum retained ownership requirements, vesting requirements and transfer restrictions. See Management Vesting; Minimum Retained Ownership Requirements and Transfer Restrictions and Carlyle Holdings Partnership Agreements above.

Firm Use of Our Founders Private Aircraft

In the normal course of business, our personnel have made use of aircraft owned by entities controlled by Messrs. Conway, D Aniello and Rubenstein. Messrs. Conway, D Aniello and Rubenstein paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by us for the business use of these aircraft by Messrs. Conway, D Aniello and Rubenstein and other of our personnel is made at market rates, which totaled $, $ and $ during 2011, 2010 and 2009, respectively, for Mr. Conway, $, $ and $ during 2011, 2010 and 2009, respectively, for Mr. D Aniello, and $, $ and $ during 2011, 2010 and 2009, respectively for Mr. Rubenstein. We also paid $, $ and $ during, 2011, 2010 and 2009, respectively, to a manager for Mr. D Aniello s airplane for services and supplies relating to flight operations, and paid $, $ and $ during, 2011, 2010 and 2009, respectively, to a manager for Mr. Conway s airplane for services and supplies relating to flight operations.

As the co-founder primarily responsible for, among other things, maintaining strong relationships with and securing future commitments from Carlyle s investors, Mr. Rubenstein has an

exceptionally rigorous travel schedule. For example, in 2011, Mr. Rubenstein traveled extensively outside of Washington for more than days, including visiting countries and non-U.S. cities, many of which he visited on multiple occasions.

Investments In and Alongside Carlyle Funds

Our directors and executive officers are permitted to co-invest their own capital alongside our carry funds and we encourage our professionals to do so because we believe that investing in and alongside our funds further aligns the interests of our professionals with those of our fund investors and with our own. Co-investments are investments in investment vehicles or other assets on the same terms and conditions as those available to the applicable fund, except that these co-investments are not subject to management fees or carried interest. These investments are funded with our professionals own after tax cash and not with deferral of management or incentive fees. Co-investors are responsible for their pro-rata share of partnership and other general and administrative fees and expenses. In addition, our directors and executive officers are permitted to invest their own capital directly in investment funds we advise, in most instances not subject to management fees, incentive fees or carried interest. Since our inception through June 30, 2011, our senior Carlyle professionals, senior advisors and other professionals have invested or committed to invest in excess of $4 billion in or alongside our funds, placing significant amounts of their own capital at risk. In 2011 alone, our founders invested an aggregate of $ in and alongside our funds, an amount which far exceeded their compensation for such time period. We intend to continue our co-investment program following this offering and we expect that our senior Carlyle professionals will continue to invest significant amounts of their own capital in and alongside the funds that we manage.

The amount invested in and alongside our investment funds by our directors and executive officers (and their family members and investment vehicles) during 2011 was $ for Mr. Conway, $ for Mr. D Aniello, $ for Mr. Rubenstein, $ for Mr. Youngkin, $ for Ms. Friedman and $ for Mr. Ferguson. The amount of distributions, including profits and return of capital, to our directors and executive officers (and their family members and investment vehicles) during 2011 in respect of previous investments was $ for Mr. Conway, $ for Mr. D Aniello, $ for Mr. Rubenstein, $ for Mr. Youngkin, $ for Ms. Friedman and $ for Mr. Ferguson. In addition, our directors and executive officers (and their family members and investment vehicles) made additional commitments to our investment funds during 2011. In the aggregate, our directors and executive officers (and their family members and investment vehicles) increased their commitment to our investment funds during 2011 by approximately $ million, and the total unfunded commitment to our investment funds as of December 31, 2011 was $ for Mr. Conway, $ for Mr. D Aniello, $ for Mr. Rubenstein, $ for Mr. Youngkin, $ for Ms. Friedman and $ for Mr. Ferguson. The opportunity to invest in and alongside our funds is available to all of our senior Carlyle professionals and to those of our employees whom we have determined to have a status that reasonably permits us to offer them these types of investments in compliance with applicable laws. Our directors and officers may also purchase outstanding interests in our investment funds, whereupon the interests may no longer be subject to management fees or carried interest in some cases. See Business Structure and Operation of Our Investment Funds Capital Invested in and Alongside Our Investment Funds.

Statement of Policy Regarding Transactions with Related Persons

Prior to the completion of this offering, the board of directors of our general partner will adopt a written statement of policy regarding transactions with related persons, which we refer to as our related person policy. Our related person policy requires that a related person (as defined as in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to the General Counsel of our general partner any related person transaction (defined as any transaction that is anticipated would be reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a

participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. The General Counsel will then promptly communicate that information to the board of directors of our general partner. No related person transaction will be executed without the approval or ratification of the board of directors of our general partner or any committee of the board of directors consisting exclusively of disinterested directors. It is our policy that directors interested in a related person transaction will recuse themselves from any vote of a related person transaction in which they have an interest.

Indemnification of Directors and Officers

Under our partnership agreement we generally will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts on an after tax basis: our general partner, any departing general partner, any person who is or was a tax matters partner, officer or director of our general partner or any departing general partner, any officer or director of our general partner or any departing general partner who is or was serving at the request of our general partner or any departing general partner as an officer, director, employee, member, partner, tax matters partner, agent, fiduciary or trustee of another person, any person who is named in this registration statement as being or about to become a director or a person performing similar functions of our general partner and any person our general partner in its sole discretion designates as an indemnitee for purposes of our partnership agreement. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. The general partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable it to effectuate, indemnification. We may purchase insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

PRINCIPAL UNITHOLDERS

The following table sets forth information regarding the beneficial ownership of The Carlyle Group L.P. common units and Carlyle Holdings partnership units by each person known to us to beneficially own more than 5% of any class of the outstanding voting securities of The Carlyle Group L.P., each of the directors and named executive officers of our general partner and all directors and executive officers of our general partner as a group. As described under Material Provisions of The Carlyle Group L.P. Partnership Agreement, we are managed by our general partner, Carlyle Management L.L.C., and the limited partners of The Carlyle Group L.P. do not presently have the right to elect or remove our general partner or its directors. Accordingly, we do not believe the common units are voting securities as such term is defined in Rule 12b-2 under the Exchange Act.

The number of common units and Carlyle Holdings partnership units outstanding and percentage of beneficial ownership before the Offering Transactions set forth below is based on the number of our common units and Carlyle Holdings partnership units to be issued and outstanding immediately prior to the consummation of this offering after giving effect to the Reorganization. The number of common units and Carlyle Holdings partnership units and percentage of beneficial ownership after the Offering Transactions set forth below is based on common units and Carlyle Holdings partnership units to be issued and outstanding immediately after the Offering Transactions. Beneficial ownership is determined in accordance with the rules of the SEC.

	Common Units Beneficially Owned(1)(2)				Carlyle Holdings Partnership Units Beneficially Owned(1)(2)					
					Prior to the Offering Transactions		After the Offering Transactions Assuming the Underwriters Option is Not Exercised		After the Offering Transactions Assuming the Underwriters Option is Exercised in Full	
Name of Beneficial Owner	**Number**	**% Prior to the Offering Transactions**	**% After the Offering Transactions Assuming the Underwriters Option is Not Exercised**	**% After the Offering Transactions Assuming the Underwriters Option is Exercised in Full**	**Number**	**%**	**Number**	**%**	**Number**	**%**
William E. Conway, Jr.						%		%		%
Daniel A. D Aniello						%		%		%
David M. Rubenstein										