Carlyle Group L.P.
Form 10-Q
May 14, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM _________ TO _________

Commission File Number: 001-35538

The Carlyle Group L.P.

(Exact name of registrant as specified in its charter)

Delaware	**45-2832612**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1001 Pennsylvania Avenue, NW

Washington, D.C., 20004-2505

(Address of principal executive offices) (Zip Code)

(202) 729-5626

(Registrant s telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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.

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

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

The number of the Registrant s common units representing limited partner interests outstanding as of May 10, 2013 was 46,109,886.

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, 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, seek, approximately, predict, intend, plan, estimate, anticipate or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include but are not limited to those described under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (the SEC), which are accessible on the SEC s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. 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.

Website and Social Media Disclosure

We use our website (www.carlyle.com), our corporate Facebook page (http://www.facebook.com/pages/The-Carlyle-Group/103519702981?rf=110614118958798) and our corporate Twitter account (@OneCarlyle) as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about Carlyle when you enroll your email address by visiting the Email Alert Subscription section at http://ir.carlyle.com/alerts.cfm?. The contents of our website and social media channels are not, however, a part of this report.

Prior to the reorganization in May 2012 in connection with our initial public offering, our business was 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 were under the common ownership and control of our senior Carlyle professionals and two strategic investors that owned 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 report to Carlyle, the Company, we, us and our refer (1) prior consummation of our reorganization into a holding partnership structure to Carlyle Group, which was 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 contributed 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 the reorganization and our initial public offering, collectively as our pre-IPO owners.

When we refer to the partners of The Carlyle Group L.P., we are referring specifically to the common unitholders and our general partner and any others who may from time to time be partners of that specific Delaware limited partnership. When we refer to our senior Carlyle professionals, we are referring to the partner-level personnel of our firm. Senior Carlyle professionals, together with CalPERS and Mubadala, were the owners of our Parent Entities prior to the reorganization. References in this report 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 refer to those investment funds that we advise, including the buyout funds, growth capital funds, real estate funds, infrastructure funds, certain energy funds and distressed debt and mezzanine funds (but excluding our structured credit funds, hedge funds, fund of funds vehicles and the NGP management fee funds), 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. The NGP management fee funds refer to those funds advised by NGP Energy Capital Management (together with its affiliates and subsidiaries, NGP). Our fund of funds vehicles refers to those funds, accounts and vehicles advised by AlpInvest Partners B.V., formerly known as AlpInvest Partners N.V. (AlpInvest).

Fee-earning assets under management or Fee-earning AUM refer 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 original investment period has not expired, the amount of limited partner capital commitments, for fund of funds vehicles, the amount of external investor capital commitments during the commitment fee period, and for the NGP management fee funds, the amount of investor capital commitments before the first investment realization;

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(b) for substantially all carry funds and certain co-investment vehicles where the original investment period has expired, the remaining amount of limited partner invested capital, and for the NGP management fee funds where the first investment has been realized, the amount of partner commitments less realized and written-off investments;

(c) the amount of aggregate Fee-earning collateral balance at par of our collateralized loan obligations (CLOs), as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date for each CLO, and the 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 where the commitment fee period has expired, and certain carry funds where the investment period has expired, the lower of cost or fair value of invested capital.

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, fund of funds vehicles and the NGP management fee funds plus the capital that we are entitled to call from investors in those funds and vehicles (including our commitments to those funds and vehicles and those of senior Carlyle professionals and employees) pursuant to the terms of their capital commitments to those funds and vehicles;

(b) the amount of aggregate collateral balance and principal cash at par of our CLOs (inclusive of all positions) 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) and certain NGP management fee funds.

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

Our calculations of 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 management or performance fees. Our calculations of AUM or Fee-earning AUM are not based on any definition of AUM or Fee-earning AUM that is set forth in the agreements governing the investment funds that we manage.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

The Carlyle Group L.P.

Condensed Consolidated Balance Sheets

(Dollars in millions)

	March 31, 2013 (Unaudited)	December 31, 2012
Assets		
Cash and cash equivalents	**$ 570.4**	$ 567.1
Cash and cash equivalents held at Consolidated Funds	**2,173.2**	1,646.6
Restricted cash	**43.4**	34.5
Restricted cash and securities of Consolidated Funds	**17.8**	36.3
Accrued performance fees	**2,598.2**	2,192.5
Investments	**856.2**	881.2
Investments of Consolidated Funds	**25,093.6**	24,815.7
Due from affiliates and other receivables, net	**146.6**	190.7
Due from affiliates and other receivables of Consolidated Funds, net	**320.7**	331.8
Fixed assets, net	**62.2**	63.6
Deposits and other	**54.4**	48.4
Intangible assets, net	**650.1**	691.1
Deferred tax assets	**64.7**	67.1
Total assets	**$ 32,651.5**	$ 31,566.6
Liabilities and partners capital		
Loans payable	**$ 25.0**	$ 886.3
3.875% senior notes due 2023	**499.8**	
5.625% senior notes due 2043	**398.4**	
Loans payable of Consolidated Funds	**14,312.7**	13,656.7
Accounts payable, accrued expenses and other liabilities	**204.9**	215.0
Accrued compensation and benefits	**1,449.3**	1,318.2
Due to affiliates	**332.8**	332.1
Deferred revenue	**186.1**	59.4
Deferred tax liabilities	**70.0**	61.1
Other liabilities of Consolidated Funds	**1,763.7**	1,385.8
Accrued giveback obligations	**46.3**	69.2
Total liabilities	**19,289.0**	17,983.8
Commitments and contingencies		
Redeemable non-controlling interests in consolidated entities	**3,303.9**	2,887.4
Partners capital (common units, 43,244,180 issued and outstanding as of March 31, 2013 and December 31, 2012)	**239.8**	235.1
Accumulated other comprehensive loss	**(5.3)**	(4.8)
Partners capital appropriated for Consolidated Funds	**565.8**	838.6
Non-controlling interests in consolidated entities	**7,851.3**	8,264.8

Non-controlling interests in Carlyle Holdings	**1,407.0**	1,361.7
Total partners capital	**10,058.6**	10,695.4
Total liabilities and partners capital	**$ 32,651.5**	$ 31,566.6

See accompanying notes.

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The Carlyle Group L.P.

Condensed Consolidated Statements of Operations

(Unaudited)

(Dollars in millions, except unit and per unit data)

	Three Months Ended March 31,	
	2013	**2012**
Revenues		
Fund management fees	**$ 231.4**	$ 234.4
Performance fees		
Realized	**252.8**	280.6
Unrealized	**389.6**	360.2
Total performance fees	**642.4**	640.8
Investment income (loss)		
Realized	**(4.2)**	(0.8)
Unrealized	**4.6**	22.3
Total investment income (loss)	**0.4**	21.5
Interest and other income	**2.4**	2.7
Interest and other income of Consolidated Funds	**268.4**	211.5
Total revenues	**1,145.0**	1,110.9
Expenses		
Compensation and benefits		
Base compensation	**178.5**	106.1
Equity-based compensation	**52.3**	
Performance fee related		
Realized	**108.7**	34.3
Unrealized	**195.0**	54.8
Total compensation and benefits	**534.5**	195.2
General, administrative and other expenses	**111.4**	91.2
Interest	**10.5**	10.4
Interest and other expenses of Consolidated Funds	**250.1**	184.5
Other non-operating income	**(2.4)**	(4.1)
Total expenses	**904.1**	477.2
Other income		
Net investment gains of Consolidated Funds	**211.5**	872.1
Income before provision for income taxes	**452.4**	1,505.8
Provision for income taxes	**24.9**	11.7
Net income	**427.5**	1,494.1
Net income attributable to non-controlling interests in consolidated entities	**168.0**	864.9

Net income attributable to Carlyle Holdings	**259.5**	$ 629.2
Net income attributable to non-controlling interests in Carlyle Holdings	**225.7**	
Net income attributable to The Carlyle Group L.P.	**$ 33.8**	
Net income attributable to The Carlyle Group L.P. per common unit		
Basic	**$ 0.78**	
Diluted	**$ 0.66**	
Weighted-average common units		
Basic	**43,343,268**	
Diluted	**51,109,008**	
Distributions declared per common unit	**$ 0.85**	

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

The Carlyle Group L.P.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(Dollars in millions)

	Three Months Ended March 31,	
	2013	**2012**
Net income	**$ 427.5**	$ 1,494.1
Other comprehensive income (loss)		
Foreign currency translation adjustments	**59.8**	(258.6)
Cash flow hedges		
Unrealized gains (losses) for the period	**0.2**	(1.6)
Less: reclassification adjustment for losses included in net income	**1.5**	1.9
Defined benefit plans		
Unrealized gains (losses) for the period	**1.0**	
Less: reclassification adjustment for unrecognized losses during the period, net	**0.2**	
Other comprehensive income (loss)	**62.7**	(258.3)
Comprehensive income	**490.2**	1,235.8
Less: Comprehensive (income) loss attributable to partners capital appropriated for Consolidated Funds	**272.8**	(115.6)
Less: Comprehensive (income) loss attributable to non-controlling interests in consolidated entities	**(330.1)**	(525.1)
Less: Comprehensive (income) loss attributable to redeemable non-controlling interests in consolidated entities	**(177.2)**	20.8
Comprehensive income attributable to Carlyle Holdings	**255.7**	$ 615.9
Less: Comprehensive income (loss) attributable to non-controlling interests in Carlyle Holdings	**(222.4)**	
Comprehensive income attributable to The Carlyle Group L.P.	**$ 33.3**	

See accompanying notes.

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The Carlyle Group L.P.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in millions)

	Three Months Ended March 31, 2013	2012
Cash flows from operating activities		
Net income	**$ 427.5**	$ 1,494.1
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	**43.5**	24.2
Amortization of deferred financing fees	**0.4**	0.4
Equity-based compensation	**52.3**	
Non-cash performance fees	**(475.0)**	(478.1)
Other non-cash amounts	**2.6**	(4.1)
Consolidated Funds related:		
Realized/unrealized (gain) loss on investments of Consolidated Funds	**(586.5)**	(1,019.4)
Realized/unrealized loss from loans payable of Consolidated Funds	**387.0**	158.6
Purchases of investments by Consolidated Funds	**(2,934.1)**	(1,586.4)
Proceeds from sale and settlements of investments by Consolidated Funds	**3,181.4**	2,000.5
Non-cash interest income, net	**(21.4)**	(16.5)
Change in cash and cash equivalents held at Consolidated Funds	**679.5**	(226.1)
Change in other receivables held at Consolidated Funds	**26.9**	25.6
Change in other liabilities held at Consolidated Funds	**321.6**	43.1
Investment income	**16.2**	(19.6)
Purchases of investments	**(54.4)**	(10.0)
Proceeds from the sale of investments	**108.8**	145.7
Purchases of trading securities	**(6.2)**	(5.0)
Changes in deferred taxes	**11.2**	7.6
Change in due from affiliates and other receivables	**(3.6)**	(11.9)
Change in deposits and other	**2.1**	(8.7)
Change in accounts payable, accrued expenses and other liabilities	**(3.8)**	(22.4)
Change in accrued compensation and benefits	**152.0**	(95.8)
Change in due to affiliates	**(2.1)**	(27.5)
Change in deferred revenue	**128.9**	111.6
Net cash provided by operating activities	**1,454.8**	479.9
Cash flows from investing activities		
Change in restricted cash	**(9.3)**	
Purchases of fixed assets, net	**(5.4)**	(5.1)
Purchases of intangible assets		(43.1)
Net cash used in investing activities	**(14.7)**	(48.2)

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The Carlyle Group L.P.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in millions)

	Three Months Ended March 31, 2013	2012
Cash flows from financing activities		
Borrowings under credit facility	$	$ 313.1
Repayments under credit facility	(386.3)	(55.9)
Issuance of 3.875% senior notes due 2023, net of financing costs	495.3	
Issuance of 5.625% senior notes due 2043, net of financing costs	394.1	
Payments on loans payable	(475.0)	(270.0)
Net payment on loans payable of Consolidated Funds	(769.3)	(182.9)
Payments of contingent consideration	(10.0)	
Distributions to common unitholders	(36.8)	
Contributions from predecessor owners		1.1
Distributions to predecessor owners		(199.1)
Contributions from non-controlling interest holders	477.2	631.4
Distributions to non-controlling interest holders	(1,205.0)	(800.8)
Change in due to/from affiliates financing activities	38.5	31.2
Change in due to/from affiliates and other receivables of Consolidated Funds	52.7	107.1
Net cash used in financing activities	(1,424.6)	(424.8)
Effect of foreign exchange rate changes	(12.2)	6.7
Increase in cash and cash equivalents	3.3	13.6
Cash and cash equivalents, beginning of period	567.1	509.6
Cash and cash equivalents, end of period	$ 570.4	$ 523.2
Supplemental non-cash disclosures		
Net assets related to consolidation of the CLOs	$	$ 357.3
Non-cash distributions to predecessor owners	$	$ 296.6
Non-cash contributions from non-controlling interest holders	$	$ 73.0
Non-cash distributions to non-controlling interest holders	$	$ 12.9
Reorganization:		
Transfer of partners capital to non-controlling interests in consolidated entities	$	$ 127.7

See accompanying notes.

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The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

1. Organization and Basis of Presentation

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

Carlyle provides investment management services to, and has transactions with, various private equity funds, real estate funds, collateralized loan obligations (CLOs), hedge funds and other investment products sponsored by the Partnership for the investment of client assets in the normal course of business. Carlyle serves as the general partner, investment manager or collateral manager, making day-to-day investment decisions concerning the assets of these products. Carlyle operates its business through four reportable segments: Corporate Private Equity, Global Market Strategies, Real Assets, and Solutions (see Note 17).

Basis of Presentation

The accompanying financial statements include (1) subsequent to the reorganization as described below, the accounts of the Partnership and (2) prior to the reorganization, the combined accounts of TC Group, L.L.C., TC Group Cayman, L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. as well as their majority-owned subsidiaries (collectively, Carlyle Group), which were engaged in the above businesses under common ownership and control by Carlyle s individual partners (senior Carlyle professionals), the California Employees Public Retirement System (CalPERS), and Mubadala Development Company (Mubadala). In addition, certain Carlyle-affiliated funds, related co-investment entities, and certain CLOs managed by the Partnership (collectively the Consolidated Funds) have been consolidated in the accompanying financial statements pursuant to accounting principles generally accepted in the United States (U.S. GAAP), as described in Note 2. This consolidation generally has a gross-up effect on assets, liabilities and cash flows, and has no effect on the net income attributable to the Partnership. The majority economic ownership interests of the investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities, partners capital appropriated for Consolidated Funds, and redeemable non-controlling interests in consolidated entities in the accompanying condensed consolidated financial statements.

Prior to the reorganization and initial public offering in May 2012, all compensation for services rendered by senior Carlyle professionals was reflected as distributions from partners capital rather than as compensation expense. Subsequent to the reorganization and initial public offering, all compensation attributable to senior Carlyle professionals is recognized as compensation expense, consistent with all other Carlyle employees.

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. These statements, including notes, have not been audited, exclude some of the disclosures required for annual financial statements, and should be read in conjunction with the audited consolidated financial statements included in the Partnership s Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented.

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The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

Reorganization and Initial Public Offering

In May 2012, a series of reorganization transactions were executed to facilitate the acquisition by the Partnership of an indirect equity interest in Carlyle Group. As part of these reorganization transactions, the senior Carlyle professionals (excluding retired senior Carlyle professionals), CalPERS, and Mubadala contributed all of their interests in TC Group, L.L.C., TC Group Cayman, L.P., TC Group Investment Holdings, L.P. and TC Group Cayman Investment Holdings, L.P. (the Former Parent Entities) and senior Carlyle professionals and other individuals engaged in Carlyle s business contributed a portion of the equity interests they owned in the general partners of Carlyle s existing carry funds, to Carlyle Holdings I L.P., Carlyle Holdings II L.P. and Carlyle Holdings III L.P. (collectively, Carlyle Holdings) in exchange for Carlyle Holdings partnership units.

After the completion of the reorganization transactions, Carlyle Group is a consolidated subsidiary of Carlyle Holdings. Carlyle Group is considered the predecessor of the Partnership for accounting purposes, and accordingly, Carlyle Group s combined and consolidated financial statements are the Partnership s historical financial statements. The historical combined and consolidated financial statements of Carlyle Group are reflected herein based on the historical ownership interests of the senior Carlyle professionals, CalPERS, and Mubadala in Carlyle Group.

In May 2012, the Partnership completed an initial public offering of 30,500,000 common units priced at $22.00 per unit. The common units are listed on the NASDAQ Global Select Market under the symbol CG . The net proceeds to the Partnership from the initial public offering were approximately $615.8 million, after deducting underwriting discounts and offering expenses. The Partnership used all of the proceeds to purchase an equivalent number of newly issued Carlyle Holdings partnership units from Carlyle Holdings. As the sole general partner of Carlyle Holdings, the Partnership consolidates the financial position and results of operations of Carlyle Holdings into its financial statements, and the other ownership interests in Carlyle Holdings are reflected as non-controlling interests in the Partnership s financial statements.

For additional information on the reorganization and initial public offering, see Note 1 to the consolidated financial statements included in the Partnership s 2012 Annual Report on Form 10-K.

2. Summary of Significant Accounting Policies
Principles of Consolidation

The Partnership consolidates all entities that it controls through a majority voting interest or otherwise. In addition, the accompanying condensed consolidated financial statements consolidate: 1) Carlyle-affiliated funds and co-investment entities, for which the Partnership is the sole general partner and the presumption of control by the general partner has not been overcome and 2) variable interest entities (VIE s), including certain CLOs, for which the Partnership is deemed to be the primary beneficiary; consolidation of these entities is a requirement under U.S. GAAP. All significant inter-entity transactions and balances have been eliminated.

For entities that are determined to be VIEs, the Partnership consolidates those entities where it is deemed to be the primary beneficiary. An entity is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity s business and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The revised consolidation rules require an analysis to (a) determine whether an entity in which the Partnership holds a variable interest is a VIE and (b) whether the Partnership s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give it a controlling financial interest. In evaluating whether the Partnership is the primary beneficiary, the Partnership evaluates its economic interests in the entity held either directly or indirectly by the Partnership. The consolidation analysis is generally performed qualitatively. This analysis, which requires judgment, is performed at each reporting date.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

In February 2010, Accounting Standards Update (ASU) No. 2010-10, *Amendments for Certain Investment Funds,* was issued. This ASU defers the application of the revised consolidation rules for a reporting enterprise s interest in an entity if certain conditions are met, including if the entity has the attributes of an investment company and is not a securitization or asset-backed financing entity. An entity that qualifies for the deferral will continue to be assessed for consolidation under the overall guidance on VIEs, before its amendment, and other applicable consolidation guidance.

As of March 31, 2013, assets and liabilities of consolidated VIEs reflected in the condensed consolidated balance sheets were $24.3 billion and $16.0 billion, respectively. Except to the extent of the assets of the VIEs which are consolidated, the holders of the consolidated VIEs liabilities do not have recourse to the Partnership. The assets and liabilities of the consolidated VIEs are comprised primarily of investments and loans payable, respectively.

The loans payable issued by the CLOs are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. In exchange for managing the collateral for the CLOs, the Partnership earns investment management fees, including in some cases subordinated management fees and contingent incentive fees. In cases where the Partnership consolidates the CLOs, those management fees have been eliminated as intercompany transactions. As of March 31, 2013, the Partnership held $53.9 million of investments in these CLOs which represents its maximum risk of loss. The Partnership s investments in these CLOs are generally subordinated to other interests in the entities and entitle the Partnership to receive a pro rata portion of the residual cash flows, if any, from the entities. Investors in the CLOs have no recourse against the Partnership for any losses sustained in the CLO structure.

For all Carlyle-affiliated funds and co-investment entities (collectively the Funds) that are not determined to be VIEs, the Partnership consolidates those funds where, as the sole general partner, it has not overcome the presumption of control pursuant to U.S. GAAP. Most Carlyle funds provide a dissolution right upon a simple majority vote of the non-Carlyle affiliated limited partners such that the presumption of control by Carlyle is overcome. Accordingly, these funds are not consolidated in the Partnership s condensed consolidated financial statements.

Investments in Unconsolidated Variable Interest Entities

The Partnership holds variable interests in certain VIEs which are not consolidated because the Partnership is not the primary beneficiary. The Partnership s involvement with such entities is in the form of direct equity interests and fee arrangements. The maximum exposure to loss represents the loss of assets recognized by the Partnership relating to these unconsolidated entities. The assets recognized in the Partnership s condensed consolidated balance sheets related to the Partnership s interests in these non-consolidated VIEs and the Partnership s maximum exposure to loss relating to non-consolidated VIEs were as follows:

	As of	
	March 31, 2013	December 31, 2012
	(Dollars in millions)	
Investments	**$ 399.1**	$ 398.2
Receivables	**107.3**	43.5
Maximum Exposure to Loss	**$ 506.4**	$ 441.7

Basis of Accounting

The accompanying financial statements are prepared in accordance with U.S. GAAP. Management has determined that the Partnership s Funds are investment companies under U.S. GAAP for the purposes of financial reporting. U.S. GAAP for an investment company requires

investments to be recorded at estimated fair value and

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the unrealized gains and/or losses in an investment s fair value are recognized on a current basis in the statements of operations. Additionally, the Funds do not consolidate their majority-owned and controlled investments (the Portfolio Companies). In the preparation of these condensed consolidated financial statements, the Partnership has retained the specialized accounting for the Funds, pursuant to U.S. GAAP.

All of the investments held and notes issued by the Consolidated Funds are presented at their estimated fair values in the Partnership s condensed consolidated balance sheets. Interest income and other income of the Consolidated Funds is included in interest and other income of Consolidated Funds and interest expense and other expenses of the Consolidated Funds is included in interest and other expenses of Consolidated Funds in the Partnership s condensed consolidated statements of operations. The excess of the CLO assets over the CLO liabilities upon consolidation is reflected in the Partnership s condensed consolidated balance sheets as partners capital appropriated for Consolidated Funds. Net income attributable to the investors in the CLOs is included in net income (loss) attributable to non-controlling interests in consolidated entities in the condensed consolidated statements of operations and partners capital appropriated for Consolidated Funds in the condensed consolidated balance sheets.

Use of Estimates

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

Business Combinations

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

Revenue Recognition

Fund Management Fees

The Partnership provides management services to funds in which it holds a general partner interest or has a management agreement. For corporate private equity, certain global market strategies funds and real assets funds, management fees are calculated based on (a) limited partners capital commitments to the funds, (b) limited partners remaining capital invested in the funds at cost or (c) the net asset value (NAV) of certain of the funds, less offsets for the non-affiliated limited partners share of transaction advisory and portfolio fees earned, as defined in the respective partnership agreements.

Management fees for corporate private equity, closed-end carry funds in the global market strategies segment and real assets funds generally range from 1% to 2% of commitments during the investment period of the relevant fund. Following the expiration or termination of the investment period of such funds, the management fees generally step-down to between 0.6% and 2.0% of contributions for unrealized investments. The Partnership will receive management fees for corporate private equity and real assets funds during a specified period of time, which

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is generally ten years from the initial closing date, or in some instances, from the final closing date, but such termination date may be earlier in certain limited circumstances or later if extended for successive one-year periods, typically up to a maximum of two years. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees are generally called semi-annually in advance and are recognized as earned over the subsequent six month period.

For certain global market strategies funds, management fees are calculated based on assets under management of the funds with generally lower fee rates. Hedge funds typically pay management fees quarterly that generally range from 1.5% to 3.0% of NAV per year. Management fees for the CLOs typically range from 0.4% to 0.6% on the total par amount of assets in the fund and are due quarterly or semi-annually based on the terms and recognized over the respective period. Management fees for the CLOs and credit opportunities funds are governed by indentures and collateral management agreements. The Partnership will receive management fees for the CLOs until redemption of the securities issued by the CLOs, which is generally five to ten years after issuance. Open-ended funds typically do not have stated termination dates.

Management fees from fund of funds vehicles generally range from 0.3% to 1.0% on the vehicle s capital commitments during the commitment fee period of the relevant fund. Following the expiration of the commitment fee period of such funds, the management fees generally range from 0.3% to 1.0% on the lower of cost or fair value of the capital invested. These fees are due quarterly and recognized over the related quarter.

The Partnership also provides transaction advisory and portfolio advisory services to the Portfolio Companies, and where covered by separate contractual agreements, recognizes fees for these services when the service has been provided and collection is reasonably assured. Fund management fees includes transaction and portfolio advisory fees of $15.0 million and $10.7 million for the three months ended March 31, 2013 and 2012, respectively, net of any offsets as defined in the respective partnership agreements.

Performance Fees

Performance fees consist principally of the allocation of profits from certain of the funds to which the Partnership is entitled (commonly known as carried interest). The Partnership is generally entitled to a 20% allocation (or approximately 2% to 10% in the case of most of the Partnership s fund of funds vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns and return of certain fund costs (generally subject to catch-up provisions) from its corporate private equity and real assets funds. Carried interest is recognized upon appreciation of the funds investment values above certain return hurdles set forth in each respective partnership agreement. The Partnership recognizes revenues attributable to performance fees based upon the amount that would be due pursuant to the fund partnership agreement at each period end as if the funds were terminated at that date. Accordingly, the amount recognized as total performance fees reflects the Partnership s share of the gains and losses of the associated funds underlying investments measured at their then-current fair values. Because of the inherent uncertainty, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the difference could be material.

Carried interest is ultimately realized when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the fund s cumulative returns are in excess of the preferred return and (iv) the Partnership has decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by the Partnership in future periods if the funds investment values decline below certain levels. When the fair value of a fund s investments remains constant or falls below certain return hurdles, previously recognized performance fees are reversed. In all cases, each fund is considered separately in this regard, and for a given fund, performance fees can never be negative over the life of a fund. If upon a hypothetical liquidation of a fund s investments at their then current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established for the potential giveback obligation. As of March 31, 2013 and December 31, 2012, the Partnership has recognized $46.3 million and $69.2 million, respectively, for giveback obligations.

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In addition to its performance fees from its corporate private equity and real assets funds, the Partnership is also entitled to receive performance fees from certain of its global market strategies funds and fund of funds vehicles when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, performance fees are recognized when the performance benchmark has been achieved, and are included in performance fees in the accompanying condensed consolidated statements of operations.

Investment Income (Loss)

Investment income (loss) represents the unrealized and realized gains and losses resulting from the Partnership s equity method investments and other principal investments. Equity method investment income (loss) includes the related amortization of the basis difference between the Partnership s carrying value of its investment and the Partnership s share of underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by the Partnership to employees of its equity method investee. Investment income (loss) is realized when the Partnership redeems all or a portion of its investment or when the Partnership receives or is due cash income, such as dividends or distributions. Unrealized investment income (loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

Interest Income

Interest income is recognized when earned. Interest income earned by the Partnership was $0.5 million and $1.4 million for the three months ended March 31, 2013 and 2012, respectively, and is included in interest and other income in the accompanying condensed consolidated statements of operations. Interest income of the Consolidated Funds was $230.6 million and $184.0 million for the three months ended March 31, 2013 and 2012, respectively, and is included in interest and other income of Consolidated Funds in the accompanying condensed consolidated statements of operations.

Compensation and Benefits

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

Equity-Based Compensation Compensation expense relating to the issuance of equity-based awards to Carlyle employees is measured at fair value on the grant date. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis, adjusted for estimated forfeitures of awards not expected to vest. The compensation expense for awards that do not require future service is recognized immediately. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period.

Equity-based awards issued to non-employees are recognized as general, administrative and other expenses. The grant-date fair value of equity-based awards granted to Carlyle s non-employee directors is expensed on a straight-line basis over the vesting period. The cost of services received in exchange for an equity-based award issued to consultants is measured at each vesting date, and is not measured based on the grant-date fair value of the award unless the award is vested at the grant date. Equity-based awards that require the satisfaction of future service criteria are recognized over the relevant service period, adjusted for estimated forfeitures of awards not expected to vest, based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. Accordingly, the measured value of the award will not be finalized until the vesting date.

Performance Fee Related Compensation A portion of the performance fees earned is due to employees and advisors of the Partnership. These amounts are accounted for as compensation expense in conjunction with the recognition of the related performance fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon any reversal of performance fee revenue, the related compensation expense is also reversed. As of March 31, 2013 and December 31, 2012, the Partnership had recorded

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a liability of $1.1 billion and $912.0 million, respectively, in accrued compensation related to the portion of accrued performance fees due to employees and advisors, which was included in accrued compensation and benefits in the accompanying condensed consolidated financial statements.

Income Taxes

For periods prior to the reorganization and initial public offering in May 2012, no provision was made for U.S. federal income taxes in the condensed consolidated financial statements since the profits and losses were allocated to the senior Carlyle professionals who were individually responsible for reporting such amounts. During those periods, based on applicable foreign, state and local tax laws, a provision for income taxes was recorded for certain entities.

For periods subsequent to the reorganization and initial public offering in May 2012, certain of the wholly-owned subsidiaries of the Partnership and the Carlyle Holdings partnerships are subject to federal, state and local corporate income taxes at the entity level and the related tax provision attributable to the Partnership s share of this income is reflected in the condensed consolidated financial statements. Based on applicable foreign, state and local tax laws, the Partnership records a provision for income taxes for certain entities. AlpInvest Partners B.V. (AlpInvest), a subsidiary of the Partnership, is subject to entity level income taxes in the Netherlands. Tax positions taken by the Partnership are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

The Partnership uses the liability method of accounting for deferred income taxes pursuant to U.S. GAAP. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the statutory tax rates expected to be applied in the periods in which those temporary differences are settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change. A valuation allowance is recorded on the Partnership s net deferred tax assets when it is more likely than not that such assets will not be realized. When evaluating the realizability of the Partnership s deferred tax assets, all evidence, both positive and negative is evaluated. Items considered in this analysis include the ability to carry-back losses, the reversal of temporary differences, tax planning strategies, and expectations of future earnings.

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

Tax Receivable Agreement

Exchanges of Carlyle Holdings partnership units for the Partnership s common units that are executed by the limited partners of the Carlyle Holdings partnerships result in transfers of and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, primarily attributable to a portion of the goodwill inherent in the business. These transfers and increases in tax basis will increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that certain of the Partnership s subsidiaries, including Carlyle Holdings I GP Inc., which are referred to as the corporate taxpayers, would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The Partnership has entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships whereby the corporate taxpayers have agreed to pay to the limited partners of the Carlyle Holdings partnerships involved in any exchange transaction 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax or foreign or franchise tax that the corporate

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taxpayers realize as a result of these increases in tax basis and, in limited cases, transfers or prior increases in tax basis. The corporate taxpayers expect to benefit from the remaining 15% of cash tax savings, if any, in income tax they realize. Payments under the tax receivable agreement will be based on the tax reporting positions that the Partnership will determine. The corporate taxpayers will not be reimbursed for any payments previously made under the tax receivable agreement if a tax basis increase is successfully challenged by the Internal Revenue Service.

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

Non-controlling Interests in Consolidated Entities

Non-controlling interests in consolidated entities represent the component of equity in consolidated entities held by third party investors. These interests are adjusted for general partner allocations and by subscriptions and redemptions in hedge funds which occur during the reporting period. Non-controlling interests related to hedge funds are subject to quarterly or monthly redemption by investors in these funds following the expiration of a specified period of time (typically one year), or may be withdrawn subject to a redemption fee during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third-party interests in such consolidated funds are presented as redeemable non-controlling interests in consolidated entities within the condensed consolidated balance sheets. When redeemable amounts become contractually payable to investors, they are classified as a liability and included in other liabilities of Consolidated Funds in the condensed consolidated balance sheets.

Earnings Per Common Unit

The Partnership computes earnings per common unit in accordance with Accounting Standards Codification (ASC) 260, *Earnings Per Share.* Basic earnings per common unit is calculated by dividing net income (loss) attributable to the Partnership by the weighted-average number of common units outstanding for the period. Diluted earnings per common unit reflects the assumed conversion of all dilutive securities.

Prior to the reorganization and the initial public offering in May 2012, Carlyle s business was conducted through a large number of entities as to which there was no single holding entity, but which were separately owned by senior Carlyle professionals, CalPERS, and Mubadala. There was no single capital structure upon which to calculate historical earnings per common unit information. Accordingly, earnings per common unit information has not been presented for historical periods prior to the reorganization and initial public offering.

Investments

Investments include (i) the Partnership s ownership interests (typically general partner interests) in the Funds, (ii) the investments held by the Consolidated Funds (all of which are presented at fair value in the Partnership s condensed consolidated financial statements), (iii) strategic investments made by the Partnership and (iv) certain credit-oriented investments. The valuation procedures utilized for investments of the Funds vary depending on the nature of the investment. The fair value of investments in publicly-traded securities is based on the closing price of the security with adjustments to reflect appropriate discounts if the securities are subject to restrictions. Upon the sale of a security, the realized net gain or loss is computed on a weighted average cost basis, with the exception of the CLOs, which compute the realized net gain or loss on a first in, first out basis. Securities transactions are recorded on a trade date basis.

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

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

Equity-Method Investments

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

Cash and Cash Equivalents

Cash and cash equivalents include cash held at banks and cash held for distributions, including temporary investments with original maturities of less than three months when purchased. Included in cash and cash equivalents is cash withheld from carried interest distributions for potential giveback obligations of $53.1 million and $59.2 million at March 31, 2013 and December 31, 2012, respectively.

Cash and Cash Equivalents Held at Consolidated Funds

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

Restricted Cash

In addition to the unrestricted cash held for potential giveback obligations discussed above, the Partnership is required to withhold a certain portion of the carried interest proceeds from one of its corporate private equity funds to provide a reserve for potential giveback obligations. In connection with this agreement, cash and cash equivalents of $13.2 million and $13.0 million is included in restricted cash at March 31, 2013 and December 31, 2012, respectively. Also included in restricted cash at March 31, 2013 and December 31, 2012 is 4.4 million ($5.6 million and $5.8 million as of March 31, 2013 and December 31, 2012, respectively) in escrow related to a tax contingency at one of the Partnership s real estate funds (see Note 11). The remaining balance in restricted cash at March 31, 2013 and December 31, 2012 primarily represents cash held by the Partnership s foreign subsidiaries due to certain government regulatory capital requirements.

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Restricted Cash and Securities of Consolidated Funds

Certain CLOs receive cash from various counterparties to satisfy collateral requirements on derivative transactions. Cash received to satisfy these collateral requirements of $17.6 million and $35.7 million is included in restricted cash and securities of Consolidated Funds at March 31, 2013 and December 31, 2012, respectively.

Certain CLOs hold U.S. Treasury notes, Obligation Assimilable du Tresor Securities (OATS) Strips, French government securities, guaranteed investment contracts and other highly liquid asset-backed securities as collateral for specific classes of loans payable in the CLOs. As of March 31, 2013 and December 31, 2012, securities of $0.2 million and $0.6 million, respectively, are included in restricted cash and securities of Consolidated Funds.

Derivative Instruments

Derivative instruments are recognized at fair value in the condensed consolidated balance sheets with changes in fair value recognized in the condensed consolidated statements of operations for all derivatives not designated as hedging instruments. For all derivatives where hedge accounting is applied, effectiveness testing and other procedures to assess the ongoing validity of the hedges are performed at least quarterly. For instruments designated as cash flow hedges, the Partnership records changes in the estimated fair value of the derivative, to the extent that the hedging relationship is effective, in other comprehensive income (loss). If the hedging relationship for a derivative is determined to be ineffective, due to changes in the hedging instrument or the hedged items, the fair value of the portion of the hedging relationship determined to be ineffective will be recognized as a gain or loss in the condensed consolidated statements of operations.

Fixed Assets

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

Intangible Assets and Goodwill

The Partnership s intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, customer relationships, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives, which range from three to ten years, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

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

Deferred Revenue

Deferred revenue represents management fees and other revenue received prior to the balance sheet date, which has not yet been earned.

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Comprehensive Loss

Comprehensive income consists of net income and other comprehensive income. The Partnership s other comprehensive income is comprised of unrealized gains and losses on cash flow hedges, foreign currency translation adjustments and gains / losses on defined benefit plans sponsored by AlpInvest. The components of accumulated other comprehensive loss as of March 31, 2013 and December 31, 2012 were as follows:

	As of	
	March 31, 2013	December 31, 2012
	(Dollars in millions)	
Unrealized gains (losses) on cash flow hedge instruments	**$ 0.1**	$ (0.1)
Currency translation adjustments	**(4.1)**	(3.3)
Unrecognized gains / losses on defined benefit plans	**(1.3)**	(1.4)
Total	**$ (5.3)**	$ (4.8)

Reclassification adjustments from accumulated other comprehensive loss relate to the Partnership s cash flow hedges and the gains / losses on defined benefit plans and affect interest expense and base compensation expense, respectively, on the condensed consolidated statements of operations.

Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the condensed consolidated statements of operations are translated at rates of exchange in effect throughout the period. Foreign currency losses resulting from transactions outside of the functional currency of an entity of $0.9 million and $3.7 million for the three months ended March 31, 2013 and 2012, respectively, are included in general, administrative and other expenses in the condensed consolidated statements of operations.

Recent Accounting Pronouncement

In December 2011, the FASB amended its guidance for offsetting financial instruments. The amended guidance, included in ASU 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities,* is effective for the Partnership for its interim reporting periods beginning on or after January 1, 2013. The amended guidance requires additional disclosure about netting arrangements to enable financial statement users to evaluate the effect or potential effect of such arrangements on an entity s financial position. The Partnership adopted this guidance as of January 1, 2013 and the adoption did not have a material impact on the Partnership s financial statements.

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3. Acquisitions

Acquisition of Vermillion

On October 1, 2012, the Partnership acquired 55% of Vermillion Asset Management, LLC and its consolidated subsidiaries, Viridian Partners, LLC, Crimson Physical Commodities Partners, LLC, Celadon Partners, LLC, and Indigo Partners, LLC, (collectively, Vermillion), a New York-based commodities investment manager. The purchase price consisted of $50.0 million in cash, 1,440,276 contingently issuable Carlyle Holdings partnership units, which are issuable over a period of 4.25 years based on the achievement of performance-based conditions, and performance-based contingent cash payments of up to $131.3 million, which is the maximum amount of additional cash consideration that would be paid within 5.25 years of closing. The Partnership consolidated the financial position and results of operations of Vermillion effective October 1, 2012 and accounted for this transaction as a business combination. Vermillion is included in the Partnership s Global Market Strategies business segment.

See Note 3 to the consolidated financial statements included in the Partnership s 2012 Annual Report on Form 10-K for additional information on the Vermillion acquisition.

4. Fair Value Measurement

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

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

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

Level II inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. The type of financial instruments in this category includes less liquid and restricted securities listed in active markets, securities traded in other than active markets, government and agency securities, and certain over-the-counter derivatives where the fair value is based on observable inputs. Investments in hedge funds are classified in this category when their net asset value is redeemable without significant restriction.

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

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

The following table summarizes the Partnership s assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of March 31, 2013:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$ 756.1	$ 21.9	$ 2,573.1	$ 3,351.1
Bonds			909.2	909.2
Loans			13,507.4	13,507.4
Partnership and LLC interests [1]			4,002.2	4,002.2
Hedge funds		3,314.9		3,314.9
Other			8.8	8.8
	756.1	3,336.8	21,000.7	25,093.6
Trading securities			22.0	22.0
Restricted securities of Consolidated Funds	0.2			0.2
Total	$ 756.3	$ 3,336.8	$ 21,022.7	$ 25,115.8
Liabilities				
Loans payable of Consolidated Funds	$	$	$ 14,312.7	$ 14,312.7
Interest rate swaps		9.2		9.2
Derivative instruments of the CLOs			10.3	10.3
Contingent consideration [2]		65.7	166.8	232.5
Total	$	$ 74.9	$ 14,489.8	$ 14,564.7

(1) Balance represents Fund Investments that the Partnership consolidates one fiscal quarter in arrears.
(2) Related to contingent cash and equity consideration associated with the acquisitions of Claren Road, AlpInvest, ESG and Vermillion, excluding employment-based contingent consideration (see Note 9).

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The following table summarizes the Partnership s assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2012:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$ 872.8	$ 32.0	$ 2,475.1	$ 3,379.9
Bonds			934.2	934.2
Loans			13,290.1	13,290.1
Partnership and LLC interests [1]			4,315.5	4,315.5
Hedge funds		2,888.7		2,888.7
Other			7.3	7.3
	872.8	2,920.7	21,022.2	24,815.7
Trading securities			20.0	20.0
Restricted securities of Consolidated Funds	0.6			0.6
Total	$ 873.4	$ 2,920.7	$ 21,042.2	$ 24,836.3
Liabilities				
Loans payable of Consolidated Funds	$	$	$ 13,656.7	$ 13,656.7
Interest rate swaps		10.5		10.5
Derivative instruments of the CLOs			15.8	15.8
Contingent consideration [2]		57.6	186.7	244.3
Total	$	$ 68.1	$ 13,859.2	$ 13,927.3

(1) Balance represents Fund Investments that the Partnership consolidates one fiscal quarter in arrears.

(2) Related to contingent cash and equity consideration associated with the acquisitions of Claren Road, AlpInvest, ESG and Vermillion, excluding employment-based contingent consideration (see Note 9).

Transfers from Level II to Level I during the three months ended March 31, 2013 were due to the expiration of transferability restrictions on certain securities that were classified as Level II at December 31, 2012.

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

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

and certain debt positions. The valuation technique for each of these investments is described below:

Corporate Private Equity Investments The fair values of corporate private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization (EBITDA), the discounted cash flow method, public market or private transactions, valuations for comparable companies and other measures which, in many cases, are unaudited at the time

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received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., multiplying a key performance metric of the investee company such as EBITDA by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar models. Certain fund investments in the Partnership s Global Market Strategies, Real Assets and Solutions segments are comparable to corporate private equity investments and are valued in accordance with these policies.

Real Estate Investments The fair values of real estate investments are determined by considering projected operating cash flows, sales of comparable assets, if any, and replacement costs, among other measures. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rates (cap rates) analysis. Valuations may be derived by reference to observable valuation measures for comparable assets (e.g., multiplying a key performance metric of the investee asset, such as net operating income, by a relevant cap rate observed in the range of comparable transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to pricing models or other similar methods.

Credit-Oriented Investments The fair values of credit-oriented investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. Specifically, for investments in distressed debt and corporate loans and bonds, the fair values are generally determined by valuations of comparable investments. In some instances, the Partnership may utilize other valuation techniques, including the discounted cash flow method.

CLO Investments and CLO Loans Payable The Partnership has elected the fair value option to measure the loans payable of the CLOs at fair value, as the Partnership has determined that measurement of the loans payable and preferred shares issued by the CLOs at fair value better correlates with the value of the assets held by the CLOs, which are held to provide the cash flows for the note obligations. The investments of the CLOs are also carried at fair value.

The fair values of the CLO loan and bond assets are primarily based on quotations from reputable dealers or relevant pricing services. In situations where valuation quotations are unavailable, the assets are valued based on similar securities, market index changes, and other factors. The Partnership corroborates quotations from pricing services either with other available pricing data or with its own models. Generally, the bonds and loans in the CLOs are not actively traded and are classified as Level III.

The fair values of the CLO loans payable and the CLO structured asset positions are determined based on both discounted cash flow analyses and third-party quotes. Those analyses consider the position size, liquidity, current financial condition of the CLOs, the third-party financing environment, reinvestment rates, recovery lags, discount rates, and default forecasts and are compared to broker quotations from market makers and third party dealers.

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

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

	Financial Assets Three Months Ended March 31, 2013						
	Investments of Consolidated Funds						
	Equity securities	**Bonds**	**Loans**	**Partnership and LLC interests**	**Other**	**Trading securities and other**	**Total**
Balance, beginning of period	**$ 2,475.1**	**$ 934.2**	**$ 13,290.1**	**$ 4,315.5**	**$ 7.3**	**$ 20.0**	**$ 21,042.2**
Transfers out [(1)]	**(4.3)**						**(4.3)**
Purchases	**68.1**	**175.2**	**2,255.5**	**88.4**			**2,587.2**
Sales	**(44.5)**	**(209.4)**	**(593.5)**	**(240.0)**			**(1,087.4)**
Settlements			**(1,418.4)**				**(1,418.4)**
Realized and unrealized gains (losses), net	**78.7**	**9.2**	**(26.3)**	**(161.7)**	**1.5**	**2.0**	**(96.6)**
Balance, end of period	**$ 2,573.1**	**$ 909.2**	**$ 13,507.4**	**$ 4,002.2**	**$ 8.8**	**$ 22.0**	**$ 21,022.7**
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	**$ 124.5**	**$ 21.7**	**$ 121.8**	**$ 69.9**	**$ (8.1)**	**$ 2.0**	**$ 331.8**

	Financial Assets Three Months Ended March 31, 2012						
	Investments of Consolidated Funds						
	Equity securities	**Bonds**	**Loans**	**Partnership and LLC interests**	**Other**	**Trading securities and other**	**Total**
Balance, beginning of period	$ 1,868.9	$ 557.0	$ 10,152.6	$ 4,198.6	$ 20.8	$ 30.6	$ 16,828.5
Initial consolidation of funds	25.2	262.6	2,256.4				2,544.2
Transfers out [(1)]	(125.4)						(125.4)
Purchases	21.9	72.5	1,349.1	161.0			1,604.5
Sales	(94.3)	(60.4)	(595.3)	(89.6)	(1.7)		(841.3)
Settlements			(711.0)				(711.0)
Realized and unrealized gains (losses), net	165.3	45.0	298.5	(120.9)	(7.5)	1.8	382.2
Balance, end of period	$ 1,861.6	$ 876.7	$ 12,750.3	$ 4,149.1	$ 11.6	$ 32.4	$ 19,681.7
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$ 381.1	$ 32.9	$ 198.3	$ 174.6	$ (4.1)	$ 1.8	$ 784.6

(1) Transfers out of Level III financial assets were due to changes in the observability of market inputs used in the valuation of such assets. Transfers are measured as of the beginning of the quarter in which the transfer occurs.

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	Financial Liabilities Three Months Ended March 31, 2013			
	Loans Payable of Consolidated Funds	**Derivative Instruments of Consolidated Funds**	**Contingent Consideration**	**Total**
Balance, beginning of period	**$ 13,656.7**	**$ 15.8**	**$ 186.7**	**$ 13,859.2**
Borrowings	**1,236.4**			**1,236.4**
Paydowns	**(820.7)**		**(10.0)**	**(830.7)**
Sales		**0.1**		**0.1**
Realized and unrealized (gains) losses, net	**240.3**	**(5.6)**	**(9.9)**	**224.8**
Balance, end of period	**$ 14,312.7**	**$ 10.3**	**$ 166.8**	**$ 14,489.8**
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	**$ 354.2**	**$ (6.6)**	**$ (9.9)**	**$ 337.7**

	Financial Liabilities Three Months Ended March 31, 2012				
	Loans Payable of Consolidated Funds	**Derivative Instruments of Consolidated Funds**	**Subordinated Loan Payable to Affiliate**	**Contingent Consideration**	**Total**
Balance, beginning of period	$ 9,689.9	$	$ 262.5	$ 169.2	$ 10,121.6
Initial consolidation of funds	2,215.8	4.6			2,220.4
Borrowings	490.1				490.1
Paydowns	(182.9)		(260.0)	(0.7)	(443.6)
Realized and unrealized (gains) losses, net	241.7	0.2	(2.5)	2.0	241.4
Balance, end of period	$ 12,454.6	$ 4.8	$	$ 170.5	$ 12,629.9
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$ 153.2	$ 3.9	$	$ (0.8)	$ 156.3

Total realized and unrealized gains and losses included in earnings for Level III investments for trading securities are included in investment income (loss), and such gains and losses for investments of Consolidated Funds and loans payable and derivative instruments of the CLOs are included in net investment gains (losses) of Consolidated Funds in the condensed consolidated statements of operations.

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The following table summarizes quantitative information about the Partnership s Level III inputs as of March 31, 2013:

(Dollars in millions)	**Fair Value at March 31, 2013**	**Valuation Technique(s)**	**Unobservable Input(s)**	**Range (Weighted Average)**
Assets				
Investments of Consolidated Funds:				
Equity securities	**$ 2,412.5**	Comparable Multiple	LTM EBITDA Multiple	5.6x - 14.0x (10.6x)
	76.4	Comparable Multiple	Price Earnings Multiple	(13.1x)
	15.6	Comparable Multiple	Book Value Multiple	(1.0x)
	25.3	Consensus Pricing	Indicative Quotes ($ per Share)	(1)
	43.3	Discounted Cash Flow	Discount Rate	7% - 11% (9%)
			Exit Cap Rate	5% - 8% (7%)
Bonds	**909.2**	Consensus Pricing	Indicative Quotes (% of Par)	(96)
Loans	**13,244.5**	Consensus Pricing	Indicative Quotes (% of Par)	(95)
	262.9	Market Yield Analysis	Market Yield	8% - 18% (10%)
Partnership and LLC interests	**4,002.2**	NAV of Underlying Fund (1)	N/A	N/A
Other	**8.8**	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	(3)
	$ 21,000.7			
Trading securities and other	**13.1**	Dealer Pricing	Indicative Quotes (% of Par)	(95)
	6.2	Comparable Multiple	LTM EBITDA Multiple	(5.7x)
	2.7	Discounted Cash Flow	Discount Rate	(7%)
Total	**$ 21,022.7**			
Liabilities				
Loans payable of Consolidated Funds				
Senior secured notes	**$ 13,204.1**	Discounted Cash Flow with Consensus Pricing	Discount Rates	(3%)
			Default Rates	(3%)
			Recovery Rates	(59%)
			Indicative Quotes (% of Par)	(95)
Subordinated notes and preferred shares	**1,102.3**	Discounted Cash Flow with Consensus Pricing	Discount Rates	(21%)
			Default Rates	(3%)
			Recovery Rates	(55%)
				(52)

			Indicative Quotes (% of Par)	
Combination notes	**6.3**	Consensus Pricing	Indicative Quotes (% of Par)	(100)
Derivative instruments of Consolidated Funds	**10.3**	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	(8)
Contingent cash consideration [2]	**166.8**	Discounted Cash Flow	Assumed % of Total Potential Contingent Payments	13% - 100% (89%)
			Discount Rate	2% - 32% (16%)
Total	**$ 14,489.8**			

(1) Represents the Partnership s investments in funds that are valued using the NAV of the underlying fund.

(2) Related to contingent cash consideration associated with the acquisitions of Claren Road, AlpInvest, ESG and Vermillion (see Note 9).

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The following table summarizes quantitative information about the Partnership s Level III inputs as of December 31, 2012:

(Dollars in millions)	**Fair Value at December 31, 2012**	**Valuation Technique(s)**	**Unobservable Input(s)**	**Range (Weighted Average)**
Assets				
Investments of Consolidated Funds:				
Equity securities	**$ 2,311.5**	Comparable Multiple	LTM EBITDA Multiple	5.6x - 13.5x (9.7x)
	69.4	Comparable Multiple	Price Earnings Multiple	(13.5x)
	15.4	Comparable Multiple	Book Value Multiple	(1.0x)
	33.8	Consensus Pricing	Indicative Quotes ($ per Share)	(10)
	45.0	Discounted Cash Flow	Discount Rate	9% - 15% (11%)
			Exit Cap Rate	6% - 8% (7%)
Bonds	**934.2**	Consensus Pricing	Indicative Quotes (% of Par)	(94)
Loans	**12,952.9**	Consensus Pricing	Indicative Quotes (% of Par)	(94)
	337.2	Market Yield Analysis	Market Yield	7% - 18% (10%)
Partnership and LLC interests	**4,315.5**	NAV of Underlying Fund (1)	N/A	N/A
Other	**7.3**	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	(3)
	$ 21,022.2			
Trading securities and other	**11.2**	Dealer Pricing	Indicative Quotes (% of Par)	(83)
	6.2	Comparable Multiple	LTM EBITDA Multiple	(5.6x)
	2.6	Discounted Cash Flow	Discount Rate	(7%)
Total	**$ 21,042.2**			
Liabilities				
Loans payable of Consolidated Funds				
Senior secured notes	**$ 12,658.4**	Discounted Cash Flow with Consensus Pricing	Discount Rates	(4%)
			Default Rates	(3%)
			Recovery Rates	(58%)
			Indicative Quotes (% of Par)	(93)
Subordinated notes and preferred shares	**996.9**	Discounted Cash Flow with Consensus Pricing	Discount Rates	(29%)
			Default Rates	(3%)
			Recovery Rates	(53%)
				(42)

			Indicative Quotes (% of Par)	
Combination notes	**1.4**	Consensus Pricing	Indicative Quotes (% of Par)	(96)
Derivative instruments of Consolidated Funds	**15.8**	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	(6)
Contingent cash consideration [2]	**186.7**	Discounted Cash Flow	Assumed % of Total Potential Contingent Payments	32% - 100% (79%)
			Discount Rate	2% - 35% (17%)
Total	**$ 13,859.2**			

(1) Represents the Partnership s investments in funds that are valued using the NAV of the underlying fund.
(2) Related to contingent cash consideration associated with the acquisitions of Claren Road, AlpInvest, ESG and Vermillion (see Note 9).

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The significant unobservable inputs used in the fair value measurement of the Partnership s investments in equity securities include EBITDA, price-earnings and book value multiples, indicative quotes, discount rates and exit cap rates. Significant decreases in EBITDA, price-earnings, book value multiples or indicative quotes in isolation would result in a significantly lower fair value measurement. Significant increases in discount rates or exit cap rates in isolation would result in a significantly lower fair value measurement.

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

The significant unobservable inputs used in the fair value measurement of the Partnership s other investments of Consolidated Funds and derivative instruments of Consolidated Funds are primarily indicative quotes. A significant decrease in this input in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership s trading securities and other investments include indicative quotes, EBITDA multiples and discount rates. Significant decreases in EBITDA multiples or indicative quotes in isolation would result in a significantly lower fair value measurement. Significant increases in discount rates in isolation would result in a significantly lower fair value measurement.

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

The significant unobservable inputs used in the fair value measurement of the Partnership s contingent consideration are assumed percentage of total potential contingent payments and discount rates. A significant decrease in the assumed percentage of total potential contingent payments or increase in discount rates in isolation would result in a significantly lower fair value measurement.

5. Accrued Performance Fees

The components of accrued performance fees are as follows:

	As of	
	March 31, 2013	**December 31, 2012**
	(Dollars in millions)	
Corporate Private Equity	**$ 1,928.9**	$ 1,667.3
Global Market Strategies	**145.5**	69.5
Real Assets	**294.0**	250.1
Solutions	**229.8**	205.6
Total	**$ 2,598.2**	$ 2,192.5

Approximately 61% of accrued performance fees at March 31, 2013 and December 31, 2012, are related to Carlyle Partners IV, L.P. and Carlyle Partners V, L.P., two of the Partnership s Corporate Private Equity funds.

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Accrued performance fees are shown gross of the Partnership s accrued giveback obligations, which are separately presented in the condensed consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of	
	March 31, 2013	December 31, 2012
	(Dollars in millions)	
Corporate Private Equity	**$ (9.8)**	$ (18.9)
Global Market Strategies	**(1.4)**	(2.1)
Real Assets	**(35.1)**	(48.2)
Total	**$ (46.3)**	$ (69.2)

Performance Fees

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

	Three Months Ended March 31,	
	2013	2012
	(Dollars in millions)	
Corporate Private Equity	**$ 434.7**	$ 464.5
Global Market Strategies	**108.5**	45.5
Real Assets	**63.0**	105.5
Solutions	**36.2**	25.3
Total	**$ 642.4**	$ 640.8

Approximately 53% ($338.5 million) of performance fees for the three months ended March 31, 2013 are related to Carlyle Partners IV, L.P. and Carlyle Partners V, L.P., two of the Partnership s Corporate Private Equity funds. Total revenues recognized from Carlyle Partners IV, L.P. and Carlyle Partners V, L.P. were $188.3 million and $209.7 million, respectively, for the three months ended March 31, 2013.

Approximately 62% ($397.5 million) of performance fees for the three months ended March 31, 2012 are related to Carlyle Asia Partners II, L.P., Carlyle Partners IV, L.P. and Carlyle Partners V, L.P., three of the Partnership s Corporate Private Equity funds. Total revenues recognized from Carlyle Asia Partners II, L.P., Carlyle Partners IV, L.P. and Carlyle Partners V, L.P. were $81.5 million, $287.1 million and $93.2 million, respectively, for the three months ended March 31, 2012.

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6. Investments

Investments consist of the following:

	As of	
	March 31, 2013	December 31, 2012
	(Dollars in millions)	
Equity-method investments, excluding accrued performance fees	**$ 828.7**	$ 855.1
Trading securities and other investments	**27.5**	26.1
Total investments	**$ 856.2**	$ 881.2

Strategic Investment in NGP

On December 20, 2012, the Partnership entered into separate purchase agreements with ECM Capital, L.P. and Barclays Natural Resource Investments, a division of Barclays Bank PLC (BNRI), pursuant to which the Partnership agreed to invest in NGP Management Company, L.L.C. (NGP Management and, together with its affiliates, NGP). NGP is an Irving, Texas-based energy investor.

The Partnership s equity interests in NGP Management entitle the Partnership to an allocation of income equal to 47.5% of the management fee-related revenues of the NGP entities that serve as the advisors to certain private equity funds, and future interests in the general partners of certain future carry funds advised by NGP that entitle the Partnership to an allocation of income equal to 7.5% of the carried interest received by such fund general partners. In addition, following the termination of the investment period of the NGP Natural Resources X, L.P. fund (NGP X), the Partnership will pay $7.5 million to acquire an additional 7.5% equity interest in NGP Management that, together with the initial interests described above, will entitle the Partnership to an allocation of income equal to 55% of the management fee-related revenues of the NGP entities that serve as the advisors to certain private equity funds.

The sellers also granted the Partnership options to purchase additional interests in NGP. Specifically, the Partnership acquired (1) an option, exercisable by the Partnership between July 1, 2014 and July 1, 2015, to purchase from BNRI, for a purchase price in cash that is estimated to be between $65.0 million to $74.0 million plus the net capital amount that has been contributed by BNRI, interests in the general partner of NGP X entitling the Partnership to an allocation of income equal to 40% of the carried interest received by such fund general partner; (2) an option, exercisable by the Partnership from December 20, 2012 until January 1, 2015, to purchase from BNRI, for a purchase price in cash that is estimated to be between $34.0 million to $38.0 million, additional interests in the general partners of all future carry funds advised by NGP entitling the Partnership to an additional equity allocation equal to 40% of the carried interest received by such fund general partners; and (3) an option, exercisable by the Partnership in approximately 13 years, to purchase from ECM Capital, L.P. and its affiliates, for a formulaic purchase price in cash based upon a measure of the earnings of NGP, the remaining equity interests in NGP Management.

In consideration for these interests and options, the Partnership paid an aggregate of $384.0 million in cash to ECM Capital, L.P. and BNRI, and issued 996,572 Carlyle Holdings partnership units to ECM Capital, L.P. which vest ratably over a period of five years. The Partnership will also pay consideration of $7.5 million upon the termination of the investment period of the NGP X fund. The transaction also includes contingent consideration payable to ECM Capital, L.P. of up to $45.0 million in cash, 597,944 Carlyle Holdings partnership units that were issued at closing but vest upon the achievement of performance conditions, and contingently issuable Carlyle Holdings partnership units up to $15.0 million that will be issued if the performance conditions are met. Additionally, the transaction includes contingent consideration payable to BNRI of up to $183.0 million, which will

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be payable partly in cash and partly by a promissory note issued by the Partnership, if the performance conditions are met. The contingent consideration is payable from 2015 through 2018, depending on NGP s achievement of certain business performance goals.

The Partnership also entered into a senior advisor consulting agreement with the chief executive officer of NGP and granted deferred restricted common units to a group of NGP personnel who are providing the Partnership with consulting services.

The Partnership accounts for its investment in NGP Management under the equity method of accounting. The Partnership recorded its investment in NGP Management initially at cost, excluding any elements in the transaction that were deemed to be compensatory arrangements to NGP personnel. The Carlyle Holdings partnership units issued in the transaction, the contingently issuable Carlyle Holdings partnership units, and the deferred restricted common units were deemed to be compensatory arrangements; these elements are recognized as an expense under applicable U.S. GAAP.

The Partnership records realized investment income for its equity income allocation from NGP, and also records, as a reduction of realized investment income, its share of any allocated expenses from NGP Management, expenses associated with the compensatory elements of the transaction, and the amortization of the basis differences related to the definitive-lived identifiable intangible assets of NGP Management. For the three months ended March 31, 2013, the Partnership recognized $1.0 million of realized net investment loss from the investment in NGP Management, comprised of investment earnings of $16.2 million less $17.2 million of expenses associated with the compensatory elements of the transaction and amortization of basis differences. The Partnership s basis differences based on the underlying net assets of the entity were $244.9 million and $259.8 million as of March 31, 2013 and December 31, 2012, respectively; these differences are amortized over a period of ten years.

Equity-Method Investments

The Partnership s equity method investments include its fund investments in Corporate Private Equity, Global Market Strategies and Real Assets, typically as general partner interests, and its investment in NGP Management (included within Real Assets), which are not consolidated but in which the Partnership exerts significant influence. Investments are related to the following segments:

	As of	
	March 31, 2013	**December 31, 2012**
	(Dollars in millions)	
Corporate Private Equity	**$ 245.0**	$ 251.6
Global Market Strategies	**19.7**	18.0
Real Assets	**564.0**	585.5
Total	**$ 828.7**	$ 855.1

The Partnership evaluates each of its equity method investments to determine if disclosure of summarized income statement information is required under Article 10 of Regulation S-X. As of March 31, 2013 and for the three months then ended, no individual equity method investment held by the Partnership was significant based on the disclosure criteria.

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Investment Income (Loss)

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

	Three Months Ended March 31,	
	2013	2012
	(Dollars in millions)	
Income (loss) from equity investments	**$ (2.8)**	$ 21.5
Income from trading securities	**3.3**	2.1
Other investment loss	**(0.1)**	(2.1)
Total	**$ 0.4**	$ 21.5

Carlyle s income (loss) from its equity-method investments is included in investment income (loss) in the condensed consolidated statements of operations and consists of:

	Three Months Ended March 31,	
	2013	2012
	(Dollars in millions)	
Corporate Private Equity	**$ 12.9**	$ 19.9
Global Market Strategies	**1.1**	0.8
Real Assets	**(16.8)**	0.8
Total	**$ (2.8)**	$ 21.5

Trading Securities and Other Investments

Trading securities and other investments as of March 31, 2013 and December 31, 2012 primarily consisted of $27.5 million and $26.1 million, respectively, of investments in corporate mezzanine securities and bonds, as well as other cost method investments.

Investments of Consolidated Funds

On February 14, 2013 and March 28, 2013, the Partnership formed two new CLOs. The Partnership has concluded that these CLOs are VIEs and the Partnership is the primary beneficiary. As a result, the Partnership consolidated the financial positions and results of operations of the CLOs into its condensed consolidated financial statements beginning on their respective closing dates. As of March 31, 2013, the total assets of these CLOs included in the Partnership s condensed consolidated financial statements were approximately $1.9 billion.

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

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Interest and Other Income of Consolidated Funds

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

	Three Months Ended March 31,	
	2013	**2012**
	(Dollars in millions)	
Interest income from investments	**$ 230.6**	$ 184.0
Other income	**37.8**	27.5
Total	**$ 268.4**	$ 211.5

Net Investment Gains (Losses) of Consolidated Funds

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

	Three Months Ended March 31,	
	2013	**2012**
	(Dollars in millions)	
Gains from investments of Consolidated Funds	**$ 599.4**	$ 1,031.1
Losses from liabilities of CLOs	**(386.9)**	(159.2)
Gains (losses) on other assets of CLOs	**(1.0)**	0.2
Total	**$ 211.5**	$ 872.1

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

	Three Months Ended March 31,	
	2013	**2012**
	(Dollars in millions)	
Realized gains	**$ 477.9**	$ 215.1
Net change in unrealized gains	**121.5**	816.0
Total	**$ 599.4**	$ 1,031.1

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7. Intangible Assets and Goodwill

The following table summarizes the carrying amount of intangible assets as of March 31, 2013 and December 31, 2012:

	As of March 31, 2013	As of December 31, 2012
	(Dollars in millions)	
Acquired contractual rights	**$ 793.2**	$ 797.7
Acquired trademarks	**6.8**	6.8
Accumulated amortization	**(186.7)**	(150.4)
Finite-lived intangible assets, net	**613.3**	654.1
Goodwill	**36.8**	37.0
Intangible assets, net	**$ 650.1**	$ 691.1

The following table summarizes the changes in the carrying amount of goodwill, by segment as of March 31, 2013. There was no goodwill associated with the Partnership s Corporate Private Equity and Real Assets segments.

	Global Market Strategies	Solutions	Total
		(Dollars in millions)	
Balance as of December 31, 2012	$ 28.0	$ 9.0	$ 37.0
Foreign currency translation		(0.2)	(0.2)
Balance as of March 31, 2013	$ 28.0	$ 8.8	$ 36.8

Intangible asset amortization expense was $37.0 million and $18.7 million for the three months ended March 31, 2013 and 2012, respectively, and is included in general, administrative, and other expenses in the condensed consolidated statements of operations.

The following table summarizes the estimated amortization expense for 2013 through 2017 and thereafter (Dollars in millions):

2013	$ 110.7
2014	97.0
2015	93.1
2016	87.3
2017	82.9
Thereafter	183.1

$ 654.1

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8. Borrowings

The Partnership borrows and enters into credit agreements for its general operating and investment purposes. The Partnership s borrowings consist of the following:

	As of March 31, 2013		As of December 31, 2012	
	Borrowing Outstanding	Carrying Value	Borrowing Outstanding	Carrying Value
Revolving Credit Facility	$	$	$ 386.3	$ 386.3
Term Loan Due 9/30/2016	**25.0**	**25.0**	500.0	500.0
3.875% Senior Notes Due 2/01/2023	**500.0**	**499.8**		
5.625% Senior Notes Due 3/30/2043	**400.0**	**398.4**		
	$ 925.0	**$ 923.2**	$ 886.3	$ 886.3

Senior Credit Facility

The senior credit facility includes $500.0 million in a term loan and $750.0 million in a revolving credit facility. The term loan and revolving credit facility mature on September 30, 2016. Principal amounts outstanding under the term loan and revolving credit facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.75%, or (b) at LIBOR plus an applicable margin not to exceed 1.75% (1.25% at March 31, 2013). During the first quarter of 2013, the Partnership prepaid $475.0 million of term loan principal that would have been due beginning in September 2014. The remaining outstanding principal amount under the term loan is payable on September 30, 2016. Total interest expense under the senior credit facility was $4.2 million and $6.7 million for the three months ended March 31, 2013 and 2012, respectively. As a result of this prepayment, the Partnership also expensed $1.9 million of deferred financing costs in interest expense upon the early extinguishment of the debt. The fair value of the outstanding balances of the term loan and revolving credit facility at March 31, 2013 and December 31, 2012 approximated par value based on current market rates for similar debt instruments and are classified as Level III within the fair value hierarchy.

3.875% Senior Notes

In January 2013, an indirect finance subsidiary of the Partnership issued $500.0 million of 3.875% senior notes due February 1, 2023 at 99.966% of par. Interest is payable semi-annually on February 1 and August 1, beginning August 1, 2013. This subsidiary may redeem the senior notes in whole at any time or in part from time to time at a price equal to the greater of 100% of the principal amount of the notes being redeemed and the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semi-annual basis at the Treasury rate plus 30 basis points plus accrued and unpaid interest on the principal amounts being redeemed to the redemption date. Interest expense on the notes was $4.0 million for the three months ended March 31, 2013. At March 31, 2013, the fair value of the notes approximated par value and is classified as Level III within the fair value hierarchy.

5.625% Senior Notes

In March 2013, an indirect finance subsidiary of the Partnership issued $400.0 million of 5.625% senior notes due March 30, 2043 at 99.583% of par. Interest is payable semi-annually on March 30 and September 30, beginning September 30, 2013. This subsidiary may redeem the senior notes in whole at any time or in part from time to time at a price equal to the greater of 100% of the principal amount of the notes being redeemed and the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semi-annual basis at the Treasury rate plus 40 basis points plus accrued and unpaid interest on the principal amounts being redeemed to the redemption date. Interest expense on the notes for the three months ended March 31, 2013 was not material. At March 31, 2013, the fair value of the notes approximated par value and is classified as Level III within the fair value hierarchy.

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The Partnership is subject to interest rate risk associated with its variable rate debt financing. To manage this risk, the Partnership entered into the following interest rate swaps to fix the base LIBOR interest rate on its term loan borrowings:

In March 2008, with a notional amount of $47.8 million at March 31, 2013 that amortizes through August 20, 2013, and

In December 2011, with a notional amount of $452.2 million at March 31, 2013 that amortizes through September 30, 2016.
In the first quarter of 2013, $475.0 million of term loan principal was prepaid. As a result of these term loan prepayments, the two interest rate swaps no longer qualify for cash flow hedge accounting due to ineffectiveness; the interest rate swaps will be accounted for prospectively as freestanding derivative instruments recorded at fair value each period with changes in fair value recorded through earnings. The pre-existing hedge losses included in accumulated other comprehensive loss for these interest rate swaps of $8.8 million will be reclassified into earnings as the original forecasted transactions affect earnings.

In March 2013, the Partnership entered into a third interest rate swap with an initial notional amount of $427.2 million that amortizes through September 30, 2016. This interest rate swap will be accounted for as a freestanding derivative instrument recorded at fair value each period with changes in fair value recorded through earnings.

Debt Covenants

The Partnership is subject to various financial covenants under its loan agreements including among other items, maintenance of a minimum amount of management fee earning assets. The Partnership is also subject to various non-financial covenants under its loan agreements. The Partnership was in compliance with all financial and non-financial covenants under its various loan agreements as of March 31, 2013.

Loans Payable of Consolidated Funds

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

As of March 31, 2013 and December 31, 2012, the following borrowings were outstanding, which includes preferred shares classified as liabilities (Dollars in millions):

	As of March 31, 2013			
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Senior secured notes	$ 13,838.4	$ 13,204.1	1.31%	8.96
Subordinated notes, Income notes and Preferred shares	1,084.8	1,102.3	N/A (a)	8.30
Combination notes	5.2	6.3	N/A (b)	11.90

Total	**$ 14,928.4**	**$ 14,312.7**

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	As of December 31, 2012			
	Borrowing Outstanding	**Fair Value**	**Weighted Average Interest Rate**	**Weighted Average Remaining Maturity in Years**
Senior secured notes	$ 13,662.3	$ 12,658.4	1.30%	8.80
Subordinated notes, Income notes and Preferred shares	914.8	996.9	N/A (a)	8.22
Combination notes	0.7	1.4	N/A (b)	8.81
Total	$ 14,577.8	$ 13,656.7		

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

(b) The combination notes do not have contractual interest rates and have recourse only to OATS specifically held to collateralize such combination notes.

Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consisted of cash and cash equivalents, corporate loans, corporate bonds and other securities. As of March 31, 2013 and December 31, 2012, the fair value of the CLO assets was $16.4 billion and $15.7 billion, respectively.

Certain CLOs entered into liquidity facility agreements with various liquidity facility providers on or about the various closing dates of the applicable CLO in order to fund payments of interest when there are insufficient funds available. The proceeds from such draw-downs are used for payments of interest at each interest payment date and the acquisition or exercise of an option or warrant as part of any collateral enhancement obligation. The liquidity facilities in aggregate allow for a maximum borrowing of $12.8 million and bear weighted average interest at EURIBOR plus 0.25% per annum. Amounts borrowed under the liquidity facilities are repaid based on cash flows available subject to priority of payments under each CLO s governing documents. There were no borrowings outstanding under the liquidity facility as of March 31, 2013 and December 31, 2012.

9. Contingent Consideration

The Partnership has contingent consideration obligations related to its business acquisitions and strategic investments. The changes in the contingent consideration liabilities are as follows:

	Rollforward For The Three Months Ended March 31, 2013				
	Amounts payable to the sellers who are senior Carlyle professionals				
	Performance-based contingent cash consideration	**Performance-based contingent equity consideration**	**Employment-based contingent cash consideration**	**Contingent cash and other consideration payable to non-Carlyle personnel**	**Total**
			(Dollars in millions)		
Balance, beginning of period	**$ 158.6**	**$ 57.6**	**$ 96.2**	**$ 28.1**	**$ 340.5**
Change in carrying value	**(11.7)**	**8.1**	**10.7**	**1.8**	**8.9**

Payments	**(9.3)**			**(0.7)**	**(10.0)**
Balance, end of period	**$ 137.6**	**$ 65.7**	**$ 106.9**	**$ 29.2**	**$ 339.4**

The fair value of the performance-based contingent cash and equity consideration payable to the sellers who are senior Carlyle professionals has been recorded in due to affiliates in the accompanying condensed consolidated balance sheets. These payments are not contingent upon the senior Carlyle professional being employed by Carlyle at the time that the performance conditions are met. For periods prior to the reorganization and initial public offering in May 2012, the change in the fair value of this contingent consideration was recorded directly in partners capital in the condensed consolidated balance sheets. For periods subsequent to the reorganization and initial public offering, changes in the fair value of these amounts are recorded in other non-operating expenses in the condensed consolidated statements of operations.

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The amount of employment-based contingent cash consideration payable to the sellers who are senior Carlyle professionals has been recorded as accrued compensation and benefits in the accompanying condensed consolidated balance sheets. For periods prior to the reorganization and initial public offering in May 2012, the change in the value of this contingent consideration was recorded in partners capital in the condensed consolidated balance sheets. For periods subsequent to the reorganization and initial public offering, changes in the value of these amounts are recorded as compensation expense in the condensed consolidated statements of operations.

The fair value of contingent consideration payable to non-Carlyle personnel is included in accounts payable, accrued expenses and other liabilities in the accompanying condensed consolidated balance sheets. Changes in the fair value of this contingent consideration are recorded in other non-operating expenses in the condensed consolidated statements of operations.

The fair values of the performance-based contingent cash consideration were based on probability-weighted discounted cash flow models. These fair value measurements are based on significant inputs not observable in the market and thus represent Level III measurements as defined in the accounting guidance for fair value measurement. As of March 31, 2013 and December 31, 2012, the fair value of the contingently issuable Carlyle Holdings partnership units was based principally by reference to the quoted price of the Partnership s common units. This fair value measurement was based on inputs that are not directly observable but are corroborated by observable market data and thus represents a Level II measurement as defined in the accounting guidance for fair value measurement. Refer to Note 4 for additional disclosures related to the fair value of these instruments as of March 31, 2013 and December 31, 2012.

The following table represents the maximum amounts that could be paid from contingent cash obligations associated with the business acquisitions and the strategic investment in NGP Management and the amount payable if the Partnership elects to exercise its options related to NGP:

	As of March 31, 2013			
	Hedge Fund Acquisitions	NGP Investment	Total	Liability Recognized on Financial Statements (1)
	(Dollars in millions)			
Performance-based contingent cash consideration	$ 363.3	$ 183.0	$ 546.3	$ 166.8
Employment-based contingent cash consideration	300.7	45.0	345.7	106.9
Options to acquire additional investments in NGP (2)		97.2	97.2	
Total maximum cash obligations	$ 664.0	$ 325.2	$ 989.2	$ 273.7

(1) On the condensed consolidated balance sheet, the liability for performance-based contingent cash consideration is included in due to affiliates (for amounts owed to senior Carlyle professionals) and accounts payable, accrued expenses, and other liabilities (for amounts owed to other sellers), and the liability for employment-based contingent cash consideration is included in accrued compensation and benefits. Also, the amounts shown here exclude the $65.7 million liability that has been recognized on the condensed consolidated financial statements for performance-based contingent equity consideration.

(2) Refer to Note 6 for more information.

Some of the employment-based contingent cash consideration agreements do not contain provisions limiting the amount that could be paid by the Partnership. For purposes of the table above, the Partnership has used its current estimate of the amount to be paid upon the determination dates for such payments. In the condensed consolidated financial statements, the Partnership records the performance-based contingent cash

consideration from business acquisitions at fair value at each reporting period. For the employment-based contingent cash consideration, the Partnership accrues the compensation liability over the implied service period. If the Partnership exercises the options to acquire additional investments in NGP, the amount paid will be included in the carrying value of its equity-method investment in NGP at such time.

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10. Accrued Compensation and Benefits

Accrued compensation and benefits consist of the following:

	As of	
	March 31, 2013	**December 31, 2012**
	(Dollars in millions)	
Accrued performance fee-related compensation	**$ 1,089.9**	$ 912.0
Accrued bonuses	**113.2**	188.5
Employment-based contingent cash consideration	**106.9**	96.2
Other	**139.3**	121.5
Total	**$ 1,449.3**	$ 1,318.2

11. Commitments and Contingencies

Capital Commitments

The Partnership and its unconsolidated affiliates have unfunded commitments to entities within the following segments as of March 31, 2013 (Dollars in millions):

	Unfunded Commitments
Corporate Private Equity	$ 1,887.9
Global Market Strategies	221.1
Real Assets	187.3
	$ 2,296.3

Of the $2.3 billion of unfunded commitments, approximately $2.1 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership. In addition to these unfunded commitments, the Partnership may from time to time exercise its right to purchase additional interests in its investment funds that become available in the ordinary course of their operations.

Guaranteed Loans

On August 4, 2001, the Partnership entered into an agreement with a financial institution pursuant to which the Partnership is the guarantor on a credit facility for eligible employees investing in Carlyle sponsored funds. This credit facility renews on an annual basis, allowing for annual incremental borrowings up to an aggregate of $16.1 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 2%, reset quarterly (3.25% weighted-average rate at March 31, 2013). As of March 31, 2013 and December 31, 2012, approximately $10.7 million and $10.8 million, respectively, were outstanding under the credit facility and payable by the employees. The

amount funded by the Partnership under this guarantee as of March 31, 2013 was not material. The Partnership believes the likelihood of any material funding under this guarantee to be remote. The fair value of this guarantee is not significant to the condensed consolidated financial statements.

Other Guarantees

The Partnership has guaranteed payment of giveback obligations, if any, related to one of its corporate private equity funds to the extent the amount of funds reserved for potential giveback obligations is not sufficient to

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fulfill such obligations. At March 31, 2013 and December 31, 2012, $13.2 million and $13.0 million, respectively, were held in an escrow account and the Partnership believes the likelihood of any material fundings under this guarantee to be remote.

Contingent Obligations (Giveback)

A liability for potential repayment of previously received performance fees of $46.3 million at March 31, 2013, is shown as accrued giveback obligations in the condensed consolidated balance sheets, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at March 31, 2013. However, the ultimate giveback obligation, if any, does not become realized until the end of a fund s life (see Note 2). The Partnership has recorded $19.9 million and $32.8 million of unbilled receivables from former and current employees and senior Carlyle professionals as of March 31, 2013 and December 31, 2012, respectively, related to giveback obligations, which are included in due from affiliates and other receivables, net in the accompanying condensed consolidated balance sheets. Current and former senior Carlyle professionals and employees are personally responsible for their giveback obligations. The receivables are collateralized by investments made by individual senior Carlyle professionals and employees in Carlyle-sponsored funds. In addition, $305.3 million and $309.1 million have been withheld from distributions of carried interest to senior Carlyle professionals and employees for potential giveback obligations as of March 31, 2013 and December 31, 2012, respectively. Such amounts are held by an entity not included in the accompanying condensed consolidated balance sheets.

During the three months ended March 31, 2013, the Partnership repaid $14.0 million of giveback obligations to certain funds. This amount was funded primarily through collection of employee receivables related to giveback obligations and from contributions from non-controlling interests for their portion of the obligation. The Partnership had previously recognized this liability as an unrealized performance fee loss. As a result of the giveback repayment, the Partnership reclassified this amount to a realized performance fee loss for the three months ended March 31, 2013.

If, at March 31, 2013, all of the investments held by the Partnership s Funds were deemed worthless, a possibility that management views as remote, the amount of realized and distributed carried interest subject to potential giveback would be $1.1 billion, on an after-tax basis where applicable.

Leases

The Partnership leases office space in various countries around the world and maintains its headquarters in Washington, D.C., where it leases its primary office space under a non-cancelable lease agreement expiring on July 31, 2026. Office leases in other locations expire in various years from 2013 through 2021. These leases are accounted for as operating leases. Rent expense was approximately $12.2 million for the three months ended March 31, 2013 and 2012, respectively, and is included in general, administrative and other expenses in the condensed consolidated statements of operations.

The future minimum commitments for the leases are as follows (Dollars in millions):

2013	$ 34.4
2014	43.7
2015	39.7
2016	30.9
2017	29.7
Thereafter	124.7
	$ 303.1

Total minimum rentals to be received in the future under non-cancelable subleases as of March 31, 2013 were $10.2 million.

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The Partnership records contractual escalating minimum lease payments on a straight-line basis over the term of the lease. Deferred rent payable under the leases was $32.4 million and $30.1 million as of March 31, 2013 and December 31, 2012, respectively, and is included in accounts payable, accrued expenses and other liabilities in the accompanying condensed consolidated balance sheets.

Legal Matters

In the ordinary course of business, the Partnership is a party to litigation, investigations, disputes and other potential claims. Certain of these matters are described below. The Partnership is not currently able to estimate for any such matters the reasonably possible amount of loss or range of loss. The Partnership does not believe it is probable that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect the Partnership or these financial statements. The Partnership believes that the matters described below are without merit and intends to vigorously contest all such allegations.

In September 2006 and March 2009, the Partnership received requests for certain documents and other information from the Antitrust Division of the U.S. Department of Justice (DOJ) in connection with the DOJ s investigation of global alternative asset firms to determine whether they have engaged in conduct prohibited by U.S. antitrust laws. The Partnership fully cooperated with the DOJ s investigation.

On February 14, 2008, a private class-action lawsuit challenging club bids and other alleged anti-competitive business practices was filed in the U.S. District Court for the District of Massachusetts *(Police and Fire Retirement System of the City of Detroit v. Apollo Global Management, LLC)*. The complaint alleges, among other things, that certain global alternative asset firms, including the Partnership, violated Section 1 of the Sherman Act by forming multi-sponsor consortiums for the purpose of bidding collectively in company buyout transactions in certain going private transactions, which the plaintiffs allege constitutes a conspiracy in restraint of trade. Count One of the complaint alleges an overarching conspiracy relating to certain large buyout transactions. Count Two of the complaint alleges a conspiracy with regard to the buyout of Healthcare Corporation of America. The plaintiffs seek damages as provided for in Section 4 of the Clayton Act and an injunction against such conduct in restraint of trade in the future. The defendants moved for summary judgment on both counts. On March 13, 2013, the U.S. District Court for the District of Massachusetts ruled that plaintiffs could proceed on Count One solely on the basis of an alleged conspiracy to refrain from jumping announced proprietary (i.e., non-auction) deals. The Court stated that it would entertain further summary judgment motions by individual defendants as to their participation in the more narrowly-defined alleged conspiracy. The Court also denied summary judgment as to Count Two. On April 16, 2013, Carlyle filed a consolidated motion, renewing its motion for summary judgment on Count One, and moving for reconsideration on Count Two. On April 22, 2013, Carlyle joined a motion seeking reconsideration on Count Two filed on behalf of all Count Two defendants. The U. S. District Court for the District of Massachusetts has not set a schedule for class certification proceedings.

Along with many other companies and individuals in the financial sector, Carlyle and CMP are named as defendants in *Foy v. Austin Capital*, a case filed in June 2009, pending in the State of New Mexico s First Judicial District Court, County of Santa Fe, which purports to be a qui tam suit on behalf of the State of New Mexico. The suit alleges that investment decisions by New Mexico public investment funds were improperly influenced by campaign contributions and payments to politically connected placement agents. The plaintiffs seek, among other things, actual damages, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including Carlyle and CMP on the grounds that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has brought two civil actions against certain of those defendants, not including the Carlyle defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions.

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

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First, on July 13, 2009, a former shareholder of CCC, claiming to have lost $20.0 million, filed a claim against CCC, Carlyle and certain affiliates and one of the Partnership s officers (*Huffington v. TC Group L.L.C., et al.*) alleging violations of Massachusetts blue sky law provisions relating to material misrepresentations and omissions allegedly made during and after the marketing of CCC. The plaintiff sought treble damages, interest, expenses, attorney s fees and to have the subscription agreement deemed null and void and to receive a full refund of the investment. In March 2010, the United States District Court for the District of Massachusetts dismissed the plaintiff s complaint on the grounds that it should have been filed in Delaware instead of Massachusetts based on the forum selection provision in the plaintiff s subscription agreement. The plaintiff subsequently filed a notice of appeal to the United States Court of Appeals for the First Circuit. The plaintiff lost his appeal to the First Circuit and filed a new claim in Delaware State Court. The Delaware State Court granted in part and denied in part defendants motion to dismiss, which was converted to a motion for summary judgment. The plaintiff has since dismissed his claim without any monetary compensation, in exchange for Carlyle s dismissal of its counterclaim against him for violation of the forum selection clause.

Second, in November 2009, another CCC investor, National Industries Group (National Industries) instituted legal proceedings on similar grounds in Kuwait s Court of First Instance (*National Industries Group v. Carlyle Group*) seeking to recover losses incurred in connection with an investment in CCC. In July 2011, the Delaware Court of Chancery issued a decision restraining National Industries from proceeding in Kuwait against Carlyle Investment Management L.L.C. or TC Group, L.L.C., based on the forum selection clause in National Industries subscription agreement, which provided for exclusive jurisdiction in the Delaware courts. In September 2011, National Industries reissued its complaint in Kuwait naming CCC only, and reissued its complaint in January 2012 joining Carlyle Investment Management, L.L.C. as a defendant. In April 2013, the court in Kuwait dismissed National Industries claim without prejudice for failure to serve process. In August 2012, National Industries filed a motion to vacate the Delaware Court of Chancery s decision. The Partnership successfully opposed that motion and the Court s injunction remains in effect. In November 2012, National Industries filed a notice of appeal. The appeal was heard by the Delaware Supreme Court on May 1, 2013.

Third, the Guernsey liquidators who took control of CCC in March 2008 filed four suits on July 7, 2010 against Carlyle, certain of its affiliates and the former directors of CCC in the Delaware Chancery Court, the Royal Court of Guernsey, the Superior Court of the District of Columbia and the Supreme Court of New York, New York County, (*Carlyle Capital Corporation Limited v. Conway et al.)* seeking $1.0 billion in damages. They allege that Carlyle and the CCC board of directors were negligent, grossly negligent or willfully mismanaged the CCC investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. The liquidators further allege (among other things) that the directors and Carlyle put the interests of Carlyle ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing Carlyle s reputation and its brand over the best interests of CCC. In July 2011, the Royal Court of Guernsey held that the case should be litigated in Delaware pursuant to the exclusive jurisdiction clause in the investment management agreement. That ruling was appealed by the liquidators, and in February 2012 was reversed by the Guernsey Court of Appeal, which held that the case should proceed in Guernsey. Two claims in that case, which sought the return of certain documents and other property purportedly belonging to CCC, were resolved by agreement of the parties and order of the Royal Court of Guernsey in December 2012. Carlyle is now in the process of producing relevant documents to the plaintiffs, who have told the Royal Court of Guernsey that they intend to amend their pleading after receiving and reviewing the documents. A schedule for the case will be set after that amended complaint is filed. Defendants attempts to appeal to the Privy Council were unsuccessful and the plaintiffs case is proceeding in Guernsey. In addition, the liquidators lawsuits in New York and the District of Columbia were dismissed in December 2011 without prejudice.

Fourth, on June 21, 2011, August 24, 2011 and September 1, 2011, respectively, three putative shareholder class actions were filed 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. Two of the shareholder class actions (*Phelps v. Stomber, et al.* and *Glaubach v. Carlyle Capital Corporation Limited, et al.*) were filed in the United States District Court for the District of Columbia. *Phelps v. Stomber, et al.* was also filed in

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the Supreme Court of New York, New York County and was subsequently removed to the United States District Court for the Southern District of New York. The two original D.C. cases were consolidated into one case under the caption of *Phelps v. Stomber* and the Phelps named plaintiffs were designated lead plaintiffs by the Court. The New York case was transferred to the D.C. federal court and the plaintiffs requested that it be consolidated with the other two D.C. actions. The plaintiffs were seeking compensatory damages sustained as a result of the alleged misrepresentations, costs and expenses, as well as reasonable attorney s fees. On August 13, 2012, the United States District Court for the District of Columbia dismissed both the D.C. and New York shareholder class actions. The plaintiffs have moved for leave to amend their complaint and/or for amendment of the Court s decision and the defendants have opposed these motions. The plaintiffs also have noticed an appeal to the Court of Appeals for the District of Columbia Circuit, but that appeal is being held in abeyance until the District Court resolves the pending motions.

Other Contingencies

From 2007 to 2009, a Luxembourg subsidiary of Carlyle Europe Real Estate Partners, L.P. (CEREP I), a real estate fund, received proceeds from the sale of real estate located in Paris, France. The relevant French tax authorities have asserted that CEREP I was ineligible to claim certain exemptions from French tax under the Luxembourg-French tax treaty, and have issued a tax assessment seeking to collect approximately 97.0 million, consisting of taxes, interest and penalties. Additionally, the French Ministry of Justice has commenced an investigation regarding the legality under French law of claiming the exemptions under the tax treaty.

During 2006, CEREP I completed a reorganization of several Italian subsidiaries. Certain of those Italian subsidiaries sold various properties located in Italy. The Italian tax authorities issued formal notices of assessment to certain of those subsidiaries, in each case, disallowing deductions of certain capital losses claimed with respect to the reorganization of the Italian subsidiaries. If unchallenged, the disallowance of such deductions would increase the aggregate amount owed by such subsidiaries by approximately 25.5 million of income tax, 28.5 million of penalties and 4.9 million of interest (through May 2013) for a total of approximately 59.0 million. CEREP I has a limited period of time during which it may challenge or negotiate a settlement of these amounts and may be required to post collateral up to the full 59.0 million allegedly owed in order to initiate such a challenge. It is possible that the Italian Ministry of Justice could appoint a prosecutor to conduct an investigation.

CEREP I and its subsidiaries are contesting the French tax assessment and intend to contest the Italian tax assessment. They are also exploring settlement opportunities. In July 2012, the Partnership provided a guarantee to the French tax authorities as credit support for the 45.7 million tax assessment and in October 2012, placed an additional 4.4 million in escrow, in each case, related to CEREP I. The Partnership expects to incur costs on behalf of CEREP I and its related entities. The Partnership will attempt to recover any amounts advanced or paid from proceeds of subsequent portfolio dispositions by CEREP I. The amount of any unrecoverable costs that may be incurred by the Partnership is not estimable at this time. Commencing with the issuance of the credit support on behalf of CEREP I in July 2012, the Partnership consolidated the fund into its condensed consolidated financial statements. As of March 31, 2013, CEREP I had accrued 50.0 million ($64.1 million as of March 31, 2013) related to this contingency, which is included in other liabilities of Consolidated Funds in the condensed consolidated financial statements.

Indemnifications

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

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Risks and Uncertainties

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

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

The funds make investments outside of the United States. Investments outside the U.S. may be subject to less developed bankruptcy, corporate, partnership and other laws (which may have the effect of disregarding or otherwise circumventing the limited liability structures potentially causing the actions or liabilities of one fund or a portfolio company to adversely impact the Partnership or an unrelated fund or portfolio company). Non-U.S. investments are subject to the same risks associated with the Partnership s U.S. investments as well as additional risks, such as fluctuations in foreign currency exchange rates, unexpected changes in regulatory requirements, heightened risk of political and economic instability, difficulties in managing non-U.S. investments, potentially adverse tax consequences and the burden of complying with a wide variety of foreign laws.

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

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

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

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Termination Costs

Employee and office lease termination costs are included in accrued compensation and benefits and accounts payable, accrued expenses and other liabilities in the condensed consolidated balance sheets as well as general, administrative and other expenses in the condensed consolidated statements of operations. As of March 31, 2013 and December 31, 2012, the accrual for termination costs primarily represents (1) lease obligations associated with closed offices, and (2) severance costs related to terminated employees, which represents management s estimate of the total amount expected to be incurred. The changes in the accrual for termination costs for the three months ended March 31, 2013 and 2012 are as follows:

	Three Months Ended March 31,	
	2013	2012
	(Dollars in millions)	
Balance, beginning of period	**$ 13.6**	$ 15.2
Compensation expense	**0.6**	2.2
Contract termination costs	**(0.1)**	0.2
Costs paid or settled	**(2.2)**	(1.3)
Balance, end of period	**$ 11.9**	$ 16.3

12. Related Party Transactions
Due from Affiliates and Other Receivables, Net

The Partnership had the following due from affiliates and other receivables at March 31, 2013 and December 31, 2012:

	As of	
	March 31, 2013	December 31, 2012
	(Dollars in millions)	
Unbilled receivable for giveback obligations from current and former employees	**$ 19.9**	$ 32.8
Notes receivable and accrued interest from affiliates	**7.4**	10.0
Other receivables from unconsolidated funds and affiliates, net	**119.3**	147.9
Total	**$ 146.6**	$ 190.7

Notes receivable represent loans that the Partnership has provided to certain unconsolidated funds to meet short-term obligations to purchase investments. Other receivables from certain of the unconsolidated funds and portfolio companies relate to management fees receivable from limited partners, advisory fees receivable and expenses paid on behalf of these entities. These costs represent costs related to the pursuit of actual or proposed investments, professional fees and expenses associated with the acquisition, holding and disposition of the investments. The

affiliates are obligated at the discretion of the Partnership to reimburse the expenses. Based on management s determination, the Partnership accrues and charges interest on amounts due from affiliate accounts at interest rates ranging up to 5.63% as of March 31, 2013. The accrued and charged interest to the affiliates was not significant for any period presented.

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

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Due to Affiliates

The Partnership had the following due to affiliates balances at March 31, 2013 and December 31, 2012:

	As of	
	March 31, 2013	December 31, 2012
	(Dollars in millions)	
Due to affiliates of Consolidated Funds	**$ 44.7**	$ 42.1
Due to non-consolidated affiliates	**34.8**	27.8
Performance-based contingent cash and equity consideration related to acquisitions	**203.3**	216.2
Amounts owed under the tax receivable agreement	**36.5**	34.9
Other	**13.5**	11.1
Total	**$ 332.8**	$ 332.1

The Partnership has recorded obligations for amounts due to certain of its affiliates. The Partnership periodically offsets expenses it has paid on behalf of its affiliates against these obligations. The amount owed under the tax receivable agreement is related to the exchange in May 2012 by CalPERS of its Carlyle Holdings partnership units for Partnership common units.

Other Related Party Transactions

In the normal course of business, the Partnership has made use of aircraft owned by entities controlled by senior Carlyle professionals. The senior Carlyle professionals paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by the Partnership for the business use of these aircraft by senior Carlyle professionals and other employees is made at market rates, which totaled $2.7 million and $1.8 million for the three months ended March 31, 2013 and 2012, respectively. These fees are included in general, administrative, and other expenses in the condensed consolidated statements of operations.

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

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

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

Substantially all revenue is earned from affiliates of Carlyle.

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13. Income Taxes

The Partnership is organized primarily as a series of pass through entities pursuant to the United States Internal Revenue Code. As such, the Partnership is not responsible for the tax liability due on certain income earned during the year. Such income is taxed at the unitholder and non-controlling interest holder level, and any tax on such income is the responsibility of the unitholders and is paid at that level. The Partnership s income tax expense was $24.9 million and $11.7 million for the three months ended March 31, 2013 and 2012, respectively.

In the normal course of business, the Partnership is subject to examination by federal and certain state, local and foreign tax regulators. As of March 31, 2013, the Partnership s U.S. federal income tax returns for the years 2009 through 2011 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 2008 to 2012. Foreign tax returns are generally subject to audit from 2005 to 2012. Certain of the Partnership s foreign subsidiaries are currently under audit by foreign tax authorities.

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

14. Non-controlling Interests in Consolidated Entities

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

	As of	
	March 31, 2013	**December 31, 2012**
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	**$ 7,544.1**	$ 7,963.9
Non-Carlyle interests in majority-owned subsidiaries	**224.7**	228.1
Non-controlling interest in AlpInvest	**33.0**	28.9
Non-controlling interest in carried interest and cash held for carried interest distributions	**49.5**	43.9
Non-controlling interests in consolidated entities	**$ 7,851.3**	$ 8,264.8

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

	Three Months Ended March 31,	
	2013	2012
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	**$ 227.1**	$ 772.2
Non-Carlyle interests in majority-owned subsidiaries	**3.5**	7.4
Non-controlling interest in carried interest and cash held for carried interest distributions	**17.3**	1.0
Net income attributable to other non-controlling interests in consolidated entities	**247.9**	780.6
Net income (loss) attributable to partners capital appropriated for CLOs	**(257.1)**	105.1
Net income (loss) attributable to redeemable non-controlling interests in consolidated entities	**177.2**	(20.8)
Non-controlling interests in income of consolidated entities	**$ 168.0**	$ 864.9

There have been no significant changes in the Partnership s ownership interests in its consolidated entities for the periods presented.

15. Earnings Per Common Unit

Prior to the reorganization and the initial public offering in May 2012, Carlyle s business was conducted through a large number of entities as to which there was no single holding entity, but which were separately owned by the senior Carlyle professionals, CalPERS, and Mubadala. There was no single capital structure upon which to calculate historical earnings per common unit information. Accordingly, earnings per common unit information has not been presented for historical periods prior to the reorganization and initial public offering.

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

	Three Months Ended March 31, 2013	
	Basic	Diluted
The Carlyle Group L.P. weighted-average common units outstanding	43,343,268	43,343,268
Unvested deferred restricted common units		5,393,646
Contingently issuable Carlyle Holdings Partnership units		2,372,094
Weighted-average common units outstanding	43,343,268	51,109,008

The weighted-average common units outstanding of The Carlyle Group L.P. includes vested deferred restricted common units for which issuance of the related common units is deferred until May 2013.

The Partnership applies the treasury stock method to determine the dilutive weighted-average common units represented by the unvested deferred restricted common units.

Included in the determination of dilutive weighted-average common units are contingently issuable Carlyle Holdings partnership units associated with the Claren Road and Vermillion acquisitions. For purposes of

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determining the dilutive weighted-average common units, it is assumed that March 31, 2013 represents the end of the contingency period and the if-converted method is applied to the Carlyle Holdings partnership units issuable therefrom.

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

In computing the dilutive effect that the exchange of Carlyle Holdings partnership units would have on earnings per common unit, the Partnership considered that net income available to holders of common units would increase due to the elimination of non-controlling interests in Carlyle Holdings (including any tax impact). Based on these calculations, the incremental 226,419,959 of vested and unvested Carlyle Holdings partnership units for the three months ended March 31, 2013 were antidilutive, and therefore have been excluded.

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

	Three Months Ended March 31, 2013	
	Basic	**Diluted**
Net income attributable to The Carlyle Group L.P.	$ 33,800,000	$ 33,800,000
Weighted-average common units outstanding	43,343,268	51,109,008
Net income per common unit	$ 0.78	$ 0.66

16. Equity-Based Compensation

In May 2012, Carlyle Group Management L.L.C., the general partner of the Partnership, adopted The Carlyle Group L.P. 2012 Equity Incentive Plan (the Equity Incentive Plan). The Equity Incentive Plan is a source of new equity-based awards permitting the Partnership to grant to Carlyle employees, directors of the Partnership s general partner and consultants non-qualified options, unit appreciation rights, common units, restricted common units, deferred restricted common units, phantom restricted common units and other awards based on the Partnership s common units and Carlyle Holdings partnership units. The total number of the Partnership s common units and Carlyle Holdings partnership units which were initially available for grant under the Equity Incentive Plan was 30,450,000. The Equity Incentive Plan contains a provision which automatically increases the number of the Partnership s common units and Carlyle Holdings partnership units available for grant based on a pre-determined formula; this increase occurs annually on January 1. As of January 1, 2013, pursuant to the formula, the total number of the Partnership s common units and Carlyle Holdings partnership units available for grant under the Equity Incentive Plan was 30,611,743.

Unvested Carlyle Holdings Partnership Units

The unvested Carlyle Holdings partnership units are held by senior Carlyle professionals and other individuals engaged in Carlyle s business and vest ratably over a six-year period. The unvested Carlyle Holdings partnership units are accounted for as equity-based compensation in accordance with ASC Topic 718, Compensation Stock Compensation. The grant-date fair value of the unvested Carlyle Holdings partnership units are charged to equity-based compensation expense on a straight-line basis over the required service period. Additionally, the calculation of the expense assumes a forfeiture rate of up to 7.5%. For the three months ended March 31, 2013, the Partnership recorded $39.0 million in equity-based compensation expense associated with these awards. No tax benefits have been recorded related to the unvested Carlyle Holdings

partnership units, as the vesting of these units does not result in a tax deduction to the corporate taxpayers.

In connection with the Partnership s investment in NGP Management in December 2012, the Partnership issued 996,572 Carlyle Holdings partnership units to ECM Capital, L.P. which vest ratably over a period of five years. The Partnership also issued 597,944 Carlyle Holdings partnership units to ECM Capital, L.P. that were issued

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at closing but vest upon the achievement of performance conditions. The fair value of these units will be recognized as a reduction to the Partnership s investment income in NGP Management over the relevant service or performance period, based on the fair value of the units on each reporting date and adjusted for the actual fair value of the units at each vesting date. For the Carlyle Holdings partnership units that vest based on the achievement of performance conditions, the Partnership uses the minimum number of partnership units within the range of potential values for measurement and recognition purposes.

As of March 31, 2013, the total unrecognized compensation expense related to unvested Carlyle Holdings partnership units, considering estimated forfeitures, is $931.5 million, which is expected to be recognized over a weighted-average term of 5.1 years.

Deferred Restricted Common Units

The deferred restricted common units are unvested when granted and vest ratably over a service period, which ranges up to six years. The grant-date fair value of the deferred restricted common units granted to Carlyle s employees are charged to equity-based compensation expense on a straight-line basis over the required service period. Additionally, the calculation of the expense assumes a forfeiture rate up to 15.0%. For the three months ended March 31, 2013, the Partnership recorded $12.3 million in equity-based compensation expense, with $0.8 million of corresponding deferred tax benefits. As of March 31, 2013, the total unrecognized compensation expense related to unvested deferred restricted common units, considering estimated forfeitures, is $298.7 million, which is expected to be recognized over a weighted-average term of 4.9 years.

Equity-based awards issued to non-employees are recognized as general, administrative and other expenses. The expense associated with the deferred restricted common units granted to NGP personnel by the Partnership are recognized as a reduction of the Partnership s investment income in NGP Management. The grant-date fair value of deferred restricted common units granted to Carlyle s non-employee directors are charged to expense on a straight-line basis over the vesting period. The cost of services received in exchange for an equity-based award issued to consultants is measured at each vesting date. Equity-based awards that require the satisfaction of future service criteria are recognized over the relevant service period, adjusted for estimated forfeitures of awards not expected to vest, based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. The expense for equity-based awards issued to non-employees was not significant for the three months ended March 31, 2013.

Phantom Deferred Restricted Common Units

The phantom deferred restricted common units are unvested when granted and vest ratably over a service period of three years. Upon vesting, the units will be settled in cash. As the phantom deferred restricted common units will be settled in cash, they are accounted for as liability awards. The fair value of the units is re-measured at each reporting period until settlement and charged to compensation expense over the vesting period. Additionally, the calculation of the expense assumes a forfeiture rate of up to 15.0%. For the three months ended March 31, 2013, the Partnership recorded $1.0 million in compensation expense associated with these awards, which is included in base compensation expense in the accompanying condensed consolidated financial statements. The tax benefits recognized from these awards was not material during the period. As of March 31, 2013, the total unrecognized compensation expense related to unvested phantom deferred restricted common units, considering estimated forfeitures, is $7.2 million, which is expected to be recognized over a weighted-average term of 2.1 years.

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A summary of the status of the Partnership s non-vested equity-based awards as of March 31, 2013 and a summary of changes during the three months ended March 31, 2013, are presented below:

	Carlyle Holdings		The Carlyle Group, L.P.			
			Equity Settled Awards		Cash Settled Awards	
Unvested Units	**Partnership Units**	**Weighted-Average Grant Date Fair Value**	**Deferred Restricted Common Units**	**Weighted-Average Grant Date Fair Value**	**Phantom Units**	**Weighted-Average Grant Date Fair Value**
Balance, December 31, 2012	57,850,299	$ 22.12	16,707,028	$ 22.12	334,614	$ 22.00
Granted		$	1,207,960	$ 31.90		$
Forfeited		$	311,662	$ 22.00	7,616	$ 22.00
Balance, March 31, 2013	57,850,299	$ 22.12	17,603,326	$ 22.80	326,998	$ 22.00

17. Segment Reporting

Carlyle conducts its operations through four reportable segments:

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

Global Market Strategies The Global Market Strategies segment advises a group of funds that pursue investment opportunities across various types of credit, equities and alternative instruments, and (as regards certain macroeconomic strategies) currencies, commodities, sovereign debt, and interest rate products and their derivatives.

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

Solutions The Solutions segment was launched upon the Partnership s 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.

The Partnership s reportable business segments are differentiated by their various investment focuses and strategies. Overhead costs were allocated based on direct base compensation expense for the funds comprising each segment. The Partnership includes adjustments to reflect the Partnership s economic interests in Claren Road, AlpInvest, ESG and Vermillion. The Partnership s earnings from its investment in NGP Management are presented in the respective operating captions within the Real Assets segment.

Economic Net Income (ENI) and its components are key performance measures used by management to make operating decisions and assess the performance of the Partnership s reportable segments. ENI differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it does not include net income (loss) attributable to non-Carlyle interests in Consolidated Funds or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include: charges associated with equity-based compensation that was issued in the initial public offering in May 2012 or is issued in acquisitions

or strategic investments, amortization associated with acquired intangible assets, transaction costs associated with acquisitions, gains and losses associated with the mark to market on contingent consideration issued in conjunction with acquisitions or strategic investments, gains and losses from the retirement of debt, charges associated with lease terminations and employee severance, and settlements of legal claims.

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Also, for periods prior to the reorganization and initial public offering in May 2012, ENI also differed from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that ENI reflected a charge for compensation, bonuses and performance fee compensation attributable to Carlyle partners. Subsequent to the reorganization and initial public offering, these compensation charges are included in both ENI and income (loss) before provision for income taxes computed in accordance with U.S. GAAP.

Fee related earnings (FRE) is a component of ENI and is used to assess the ability of the business to cover direct base compensation and operating expenses from total fee revenues. FRE differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it adjusts for the items included in the calculation of ENI and also adjusts ENI to exclude performance fees, investment income from investments in Carlyle funds, and performance fee related compensation.

Distributable earnings is a component of ENI and is used to assess performance and amounts potentially available for distribution. Distributable earnings differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it adjusts for the items included in the calculation of ENI and also adjusts ENI for unrealized performance fees, unrealized investment income and the corresponding unrealized performance fee compensation expense.

ENI and its components are used by management primarily in making resource deployment and compensation decisions across the Partnership s four reportable segments. Management makes operating decisions and assesses the performance of each of the Partnership s business segments based on financial and operating metrics and data that is presented without the consolidation of any of the Consolidated Funds. Consequently, ENI and all segment data exclude the assets, liabilities and operating results related to the Consolidated Funds.

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The following table presents the financial data for the Partnership s four reportable segments as of and for the three months ended March 31, 2013:

	March 31, 2013 and the Three Months Then Ended				
	Corporate Private Equity	Global Market Strategies	Real Assets	Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$ 108.3	$ 66.3	$ 47.0	$ 18.5	$ 240.1
Portfolio advisory fees, net	4.1	0.2	0.3		4.6
Transaction fees, net	10.4				10.4
Total fund level fee revenues	122.8	66.5	47.3	18.5	255.1
Performance fees					
Realized	212.3	24.1	11.0	1.5	248.9
Unrealized	207.6	64.3	49.5	21.3	342.7
Total performance fees	419.9	88.4	60.5	22.8	591.6
Investment income (loss)					
Realized	1.8	1.9	(13.0)		(9.3)
Unrealized	2.8	5.1	4.5	(0.1)	12.3
Total investment income	4.6	7.0	(8.5)	(0.1)	3.0
Interest and other income	1.0	1.1	0.3		2.4
Total revenues	548.3	163.0	99.6	41.2	852.1
Segment Expenses					
Compensation and benefits					
Direct base compensation	55.0	25.7	17.9	9.4	108.0
Indirect base compensation	20.0	4.8	7.5	1.3	33.6
Equity-based compensation	1.5	0.4	0.6	0.1	2.6
Performance fee related					
Realized	101.6	9.7	(4.9)	1.0	107.4
Unrealized	83.6	6.2	23.6	16.1	129.5
Total compensation and benefits	261.7	46.8	44.7	27.9	381.1
General, administrative, and other indirect expenses	39.0	9.5	10.4	3.4	62.3
Depreciation and amortization expense	3.5	1.2	1.1	0.5	6.3
Interest expense	4.9	1.5	1.6	0.5	8.5
Total expenses	309.1	59.0	57.8	32.3	458.2
Economic Net Income	$ 239.2	$ 104.0	$ 41.8	$ 8.9	$ 393.9

Fee Related Earnings	$ (0.1)	$ 24.5	$ 8.5	$ 3.3	$ 36.2
Net Performance Fees	$ 234.7	$ 72.5	$ 41.8	$ 5.7	$ 354.7
Realized Net Performance Fees	$ 110.7	$ 14.4	$ 15.9	$ 0.5	$ 141.5
Investment Income (Loss)	$ 4.6	$ 7.0	$ (8.5)	$ (0.1)	$ 3.0
Distributable Earnings	$ 112.4	$ 40.8	$ 11.4	$ 3.8	$ 168.4
Segment assets as of March 31, 2013	$ 2,740.3	$ 1,054.2	$ 970.7	$ 367.3	$ 5,132.5

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The following table presents the financial data for the Partnership s four reportable segments for the three months ended March 31, 2012:

	Three Months Ended March 31, 2012				
	Corporate Private Equity	Global Market Strategies	Real Assets	Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$ 123.9	$ 48.6	$ 36.6	$ 16.3	$ 225.4
Portfolio advisory fees, net	7.0	0.7	0.3		8.0
Transaction fees, net	1.6		1.1		2.7
Total fund level fee revenues	132.5	49.3	38.0	16.3	236.1
Performance fees					
Realized	223.0	32.4	23.2	3.2	281.8
Unrealized	241.3	12.7	82.4	13.3	349.7
Total performance fees	464.3	45.1	105.6	16.5	631.5
Investment income					
Realized	0.8	1.3			2.1
Unrealized	14.5	3.7	3.0		21.2
Total investment income	15.3	5.0	3.0		23.3
Interest and other income	1.4	0.6	0.4	0.2	2.6
Total revenues	613.5	100.0	147.0	33.0	893.5
Segment Expenses					
Compensation and benefits					
Direct base compensation	55.3	19.7	18.2	8.0	101.2
Indirect base compensation	20.8	4.9	6.4	1.0	33.1
Performance fee related					
Realized	117.6	17.8	0.9	2.8	139.1
Unrealized	132.0	9.7	5.9	10.0	157.6
Total compensation and benefits	325.7	52.1	31.4	21.8	431.0
General, administrative, and other indirect expenses	34.8	7.3	11.7	1.6	55.4
Depreciation and amortization expense	3.2	0.8	1.0	0.2	5.2
Interest expense	5.9	1.7	1.9	0.3	9.8
Total expenses	369.6	61.9	46.0	23.9	501.4
Economic Net Income	$ 243.9	$ 38.1	$ 101.0	$ 9.1	$ 392.1
Fee Related Earnings	$ 13.9	$ 15.5	$ (0.8)	$ 5.4	$ 34.0

Net Performance Fees	$ 214.7	$ 17.6	$ 98.8	$ 3.7	$ 334.8
Realized Net Performance Fees	$ 105.4	$ 14.6	$ 22.3	$ 0.4	$ 142.7
Investment Income	$ 15.3	$ 5.0	$ 3.0	$	$ 23.3
Distributable Earnings	$ 120.1	$ 31.4	$ 21.5	$ 5.8	$ 178.8

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The following table reconciles the Total Segments to the Partnership s Income Before Provision for Taxes as of and for the three months ended March 31, 2013:

	Three Months Ended March 31, 2013			
	Total Reportable Segments	Consolidated Funds	Reconciling Items	Carlyle Consolidated
	(Dollars in millions)			
Revenues	$ 852.1	$ 268.4	$ 24.5 (a)	$ 1,145.0
Expenses	$ 458.2	$ 333.2	$ 112.7 (b)	$ 904.1
Other income	$	$ 212.6	$ (1.1) (c)	$ 211.5
Economic net income	$ 393.9	$ 147.8	$ (89.3) (d)	$ 452.4
Total assets	$ 5,132.5	$ 27,609.9	$ (90.9) (e)	$ 32,651.5

The following table reconciles the Total Segments to the Partnership s Income Before Provision for Taxes for the three months ended March 31, 2012:

	Three Months Ended March 31, 2012			
	Total Reportable Segments	Consolidated Funds	Reconciling Items	Carlyle Consolidated
	(Dollars in millions)			
Revenues	$ 893.5	$ 211.5	$ 5.9 (a)	$ 1,110.9
Expenses	$ 501.4	$ 220.2	$ (244.4) (b)	$ 477.2
Other income	$	$ 870.5	$ 1.6 (c)	$ 872.1
Economic net income	$ 392.1	$ 861.8	$ 251.9 (d)	$ 1,505.8

(a) The Revenues adjustment principally represents fund management and performance fees earned from the Consolidated Funds which were eliminated in consolidation to arrive at the Partnership s total revenues, adjustments for amounts attributable to non-controlling interests in consolidated entities, adjustments related to expenses associated with the investment in NGP Management that are included in operating captions or are excluded from the segment results, and adjustments to reflect the Partnership s ownership interests in Claren Road, ESG, Vermillion and AlpInvest which were included in Revenues in the Partnership s segment reporting.

(b) The Expenses adjustment represents the elimination of intercompany expenses of the Consolidated Funds payable to the Partnership, adjustments for partner compensation, adjustments related to expenses associated with the investment in NGP Management that are included in operating captions, charges and credits associated with Carlyle corporate actions and non-recurring items and adjustments to reflect the Partnership s economic interests in Claren Road, ESG, Vermillion and AlpInvest as detailed below (Dollars in millions):

	Three Months Ended March 31,	
	2013	2012
Partner compensation	$	$ (271.0)

Equity-based compensation issued in conjuction with the initial public offering and strategic investments	**52.1**	
Acquisition related charges and amortization of intangibles	**62.5**	24.1
Losses associated with debt refinancing activities	**1.9**	
Other non-operating expenses	**(2.4)**	(4.1)
Severance and lease terminations	**0.5**	2.4
Non-Carlyle economic interests in acquired business	**78.9**	38.0
Other adjustments	**0.9**	(0.2)
Elimination of expenses of Consolidated Funds	**(81.7)**	(33.6)
	$ 112.7	$ (244.4)

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

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

	Three Months Ended March 31,	
	2013	**2012**
Income before provision for income taxes	**$ 452.4**	$ 1,505.8
Adjustments:		
Partner compensation [1]		(271.0)
Equity-based compensation issued in conjuction with the initial public offering and strategic investments	**52.1**	
Acquisition related charges and amortization of intangibles	**62.5**	24.1
Losses associated with debt refinancing activities	**1.9**	
Other non-operating (income) expenses	**(2.4)**	(4.1)
Net income attributable to non-controlling interests in Consolidated entities	**(168.0)**	(864.9)
Provision for income taxes attributable to non-controlling interests in Consolidated entities	**(6.0)**	
Severance and lease terminations	**0.5**	2.4
Other adjustments	**0.9**	(0.2)
Economic Net Income	**$ 393.9**	$ 392.1
Net performance fees [2]	**354.7**	334.8
Investment income [2]	**3.0**	23.3
Fee Related Earnings	**$ 36.2**	$ 34.0
Realized performance fees, net of related compensation	**141.5**	142.7
Investment income (loss) - realized	**(9.3)**	2.1
Distributable Earnings	**$ 168.4**	$ 178.8

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

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

	Three Months Ended March 31, 2013		
	Carlyle Consolidated	Adjustments (3)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	**$ 252.8**	**$ (3.9)**	**$ 248.9**
Unrealized	**389.6**	**(46.9)**	**342.7**
Total performance fees	**642.4**	**(50.8)**	**591.6**
Performance fee related compensation expense			
Realized	**108.7**	**(1.3)**	**107.4**
Unrealized	**195.0**	**(65.5)**	**129.5**
Total performance fee related compensation expense	**303.7**	**(66.8)**	**236.9**
Net performance fees			
Realized	**144.1**	**(2.6)**	**141.5**
Unrealized	**194.6**	**18.6**	**213.2**
Total net performance fees	**$ 338.7**	**$ 16.0**	**$ 354.7**
Investment income (loss)			
Realized	**$ (4.2)**	**$ (5.1)**	**$ (9.3)**
Unrealized	**4.6**	**7.7**	**12.3**
Total investment income (loss)	**$ 0.4**	**$ 2.6**	**$ 3.0**

	Three Months Ended March 31, 2012		
	Carlyle Consolidated	Adjustments (3)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$ 280.6	$ 1.2	$ 281.8
Unrealized	360.2	(10.5)	349.7
Total performance fees	640.8	(9.3)	631.5
Performance fee related compensation expense			
Realized	34.3	104.8	139.1
Unrealized	54.8	102.8	157.6
Total performance fee related compensation expense	89.1	207.6	296.7

Net performance fees			
Realized	246.3	(103.6)	142.7
Unrealized	305.4	(113.3)	192.1
Total net performance fees	$ 551.7	$ (216.9)	$ 334.8
Investment income (loss)			
Realized	$ (0.8)	$ 2.9	$ 2.1
Unrealized	22.3	(1.1)	21.2
Total investment income (loss)	$ 21.5	$ 1.8	$ 23.3

(3) Adjustments to performance fees and investment income (loss) relate to amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the segment results, and amounts attributable to non-controlling interests in consolidated entities, which were excluded from the segment results. Adjustments to investment income (loss) also include the reclassification of earnings for the investment in NGP Management to the appropriate operating captions for the segment results, and the exclusion of charges associated with the investment in NGP Management that are excluded from the segment results. Adjustments to

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performance fee related compensation expense relate to the inclusion of partner compensation in the segment results for periods prior to the reorganization and initial public offering in May 2012. Adjustments are also included in these financial statement captions to reflect the Partnership s 55% economic interest in Claren Road, ESG and Vermillion and the Partnership s 60% interest in AlpInvest in the segment results.

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

18. Subsequent Events

In May 2013, the Board of Directors of the general partner of the Partnership declared a quarterly distribution of $0.16 to common unit holders of record at the close of business on May 20, 2013, payable on May 31, 2013.

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19. Supplemental Financial Information

The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Partnership s financial position as of March 31, 2013 and December 31, 2012 and results of operations for the three months ended March 31, 2013 and 2012. The supplemental statement of cash flows is presented without effects of the Consolidated Funds.

	As of March 31, 2013			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	$ 570.4	$	$	$ 570.4
Cash and cash equivalents held at Consolidated Funds		2,173.2		2,173.2
Restricted cash	43.4			43.4
Restricted cash and securities of Consolidated Funds		17.8		17.8&nb