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

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

Registration No. 333-

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

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

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

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Washington, D.C. 20004-2505
Telephone: (202) 729-5626
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

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

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

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

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

SUBJECT TO COMPLETION, DATED SEPTEMBER 6, 2011

PRELIMINARY PROSPECTUS

Common Units
Representing Limited Partner Interests

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

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

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

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

- adverse economic and market conditions, which can affect our business and liquidity position in many ways, including by reducing the value or performance of the investments made by our investment funds and reducing the ability of our investment funds to raise or deploy capital;
- changes in the debt financing markets, which could negatively impact the ability of our funds and their portfolio companies to obtain attractive financing or refinancing for their investments and operations, and could increase the cost of such financing if it is obtained, leading to lower-yielding investments;
- the potential volatility of our revenue, income and cash flow;
- our dependence on our founders and other key personnel and our ability to attract, retain and motivate high quality employees who will bring value to our operations;
- business and regulatory impediments to our efforts to expand into new investment strategies, markets and businesses;

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

the potential for poor performance of our investment funds; and

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

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

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

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

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

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

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

, 2012

Global Presence

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- no exercise by the underwriters of the option to purchase up to an additional common units from us;

- the common units to be sold in this offering are sold at $ per common unit, which is the midpoint of the price range indicated on the front cover of this prospectus; and

- the conversion of the convertible notes held by Mubadala, as further described below under Organizational Structure Reorganization.

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

Claren Road Asset Management, LLC (Claren Road), our acquisition of a CLO management contract for Foothill CLO I, Ltd. (Foothill CLO) and our acquisition of CLO management contracts for Mizuho Alternative Investments LLC (Mizuho) and Stanfield Capital Partners LLC (Stanfield) in August 2011, December 2010 and August 2010, respectively, see Management s Discussion and Analysis of Financial Condition and Results of Operations Recent Transactions.

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

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

SUMMARY

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

The Carlyle Group

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

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

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

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

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

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

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

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

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

Our Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our Real Assets teams have three primary areas of focus:

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

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

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

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

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

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

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

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

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

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

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

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

AlpInvest has three primary areas of focus:

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

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

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

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

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

Competitive Strengths

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our Strategy for the Future

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

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

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

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

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

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

Investment Risks

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

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

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

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

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

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

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

- the potential for poor performance of our investment funds; and

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

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

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

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

Organizational Structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Offering

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

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

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

Cash distribution policy

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

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

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

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

18

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

Risk factors	See Risk Factors for a discussion of risks you should carefully consider before deciding to invest in our common units.
Proposed trading symbol	.

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

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

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

See Management Equity Incentive Plan and IPO Date Equity Awards.

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

Summary Financial and Other Data

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

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

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

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

The summary unaudited pro forma consolidated statement of operations data for the year ended December 31, 2010 and the six months ended June 30, 2011 present our consolidated results of operations giving pro forma effect to the Reorganization and Offering Transactions described under Organizational Structure, and the other transactions described in Unaudited Pro Forma Financial Information, as if such transactions had occurred on January 1, 2010. The summary unaudited pro forma consolidated balance sheet data as of June 30, 2011 presents our consolidated financial position giving pro forma effect to the Reorganization and Offering Transactions described under Organizational Structure, and the other transactions described in Unaudited Pro Forma Financial Information, as if such transactions had occurred on June 30, 2011. The pro forma adjustments are based on available information and upon assumptions that our management believes are reasonable in order to reflect, on a pro forma basis, the impact of these transactions on the historical combined and consolidated financial information of Carlyle Group. The unaudited condensed consolidated pro forma financial information is included for informational purposes only and does not purport to reflect the results of operations or financial position of Carlyle Group that would have occurred had the transactions described above occurred on the dates indicated or had we operated as a public company during the periods presented or for any future period or date. The unaudited condensed consolidated pro forma financial information should not be relied upon as being indicative of our results of operations or financial position had the transactions described under Organizational Structure and the use of the estimated net proceeds from this offering as described under Use of Proceeds occurred on the dates assumed. The unaudited pro forma consolidated financial information also does not project our results of operations or financial position for any future period or date.

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

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

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

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

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

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

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

(4) Refer to Unaudited Pro Forma Financial Information.

RISK FACTORS

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

Risks Related to Our Company

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

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

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

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

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

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

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

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

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

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

25

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30

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

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

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

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

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

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

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

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

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

Additionally, we have begun the process of documenting our internal control procedures to satisfy the requirements of Section 404, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. Because we do not currently have comprehensive documentation of our internal controls and have not yet tested our internal controls in accordance with Section 404, we cannot conclude in accordance with Section 404 that we do not have a material weakness in our internal controls or a combination of significant deficiencies that could result in the conclusion that we have a material weakness in our internal controls. As a public entity, we will be required to complete our initial assessment in a timely manner. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our operations, financial reporting or financial results could be adversely affected, and our independent registered public accounting firm may not be able to certify as to the adequacy of our internal controls over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, and result in a breach of the covenants under the agreements governing any of our financing arrangements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements could also suffer if our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. This could materially adversely affect us and lead to a decline in our common unit price.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Business Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There are often no readily ascertainable market prices for a substantial majority of illiquid investments of our investment funds. We determine the fair value of the investments of each of our investment funds at least quarterly based on the fair value guidelines set forth by generally accepted accounting principles in the United States. The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43

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

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

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

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

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

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

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

- limit the entity s ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and limit the entity s ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

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

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

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

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

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

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

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

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

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

The alternative asset management business is intensely competitive.

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

- a number of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;

- some of our funds may not perform as well as competitors funds or other available investment products;

- a significant number of investors have materially decreased or temporarily suspended making new fund investments recently because of the global economic downturn and poor returns in their overall investment portfolios in 2008 and 2009;

- several of our competitors have significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that otherwise could be exploited;

- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;

- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds than us, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make;

- some of our competitors may be subject to less regulation and accordingly may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less compliance expense than we do;

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

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

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

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

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

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

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

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

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

Before making private equity and other investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and, in the case of private equity investments, prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence process may at times be subjective with respect to newly-organized companies for which only limited information is available. Accordingly, we cannot be certain that the due diligence investigation that we carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Instances of fraud, accounting irregularities and other deceptive practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions. Several of our funds invest in emerging market countries that may not have established laws and regulations that are as stringent as in more developed nations, or where existing laws and regulations may not be consistently enforced. For example, our funds invest throughout China, Latin America and MENA, and we have recently hired investment professionals to facilitate investment in Sub-Saharan Africa. Due diligence on investment opportunities in these jurisdictions is frequently more complicated because consistent and uniform commercial practices in such locations may not have developed. Fraud, accounting irregularities and deceptive practices can be especially difficult to detect in such locations. For example, two Chinese companies in which we have minority investments have recently been made the subject of internal investigations in connection with allegations of financial or accounting irregularities. We do not have sufficient information at this time to give an assessment of the likely outcome of these continuing investigations or as to the ultimate impact these allegations, if true, may have on the value of our investments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

those associated with the burdens of ownership of real property;

general and local economic conditions;

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

fluctuations in the average occupancy and room rates for hotel properties;

the financial resources of tenants;

changes in building, environmental and other laws;

energy and supply shortages;

various uninsured or uninsurable risks;

natural disasters;

changes in government regulations (such as rent control);

changes in real property tax rates;

changes in interest rates;

the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable;

negative developments in the economy that depress travel activity;

environmental liabilities;

contingent liabilities on disposition of assets; and

terrorist attacks, war and other factors that are beyond our control.

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

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

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

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

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

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

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

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

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

higher rates of inflation;

higher transaction costs;

less government supervision of exchanges, brokers and issuers;

less developed bankruptcy, corporate, partnership and other laws;

difficulty in enforcing contractual obligations;

less stringent requirements relating to fiduciary duties;

fewer investor protections; and

greater price volatility.

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

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

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

If, at the end of the life of a carry fund (or earlier with respect to certain of our real estate funds), the carry fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, we will be obligated to repay an amount equal to the extent to which carried interest that was previously distributed to us exceeds the amounts to which we are ultimately entitled. These repayment obligations may be related to amounts previously distributed to our senior Carlyle professionals prior to the completion of this offering, with respect to which our common unitholders did not receive any benefit. This obligation is known as a giveback obligation. Although a giveback obligation is several to each person who received a distribution, and not a joint obligation, the governing agreements of our funds generally provide that to the extent a recipient does not fund his or her respective share, then we may have to fund such additional amounts beyond the amount of carried interest we retained, although we generally will retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations. We may need to reserve cash to repay the giveback obligation instead of using the cash for other purposes. See Business Structure and Operation of Our Investment Funds Incentive

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

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

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

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

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

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

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

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

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

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

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

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

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

54

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

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

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

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

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

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

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

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

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

The financial projections of our portfolio companies could prove inaccurate.

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

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

Contingent liabilities could harm fund performance.

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

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

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

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

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

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

We will restrict our day-to-day participation in the AlpInvest business, which may in turn limit our ability to address risks arising from the AlpInvest business for so long as AlpInvest maintains separate investment operations. AlpInvest s management team will continue to carry out independent asset management operations without day-to-day participation by other Carlyle personnel. For so long as these arrangements are in place, Carlyle representatives will serve on the board of AlpInvest but we will observe substantial restrictions on our ability to access investment information or engage in day-to-day participation in the AlpInvest investment business, including a restriction that AlpInvest investment decisions are made and maintained without involvement by other Carlyle personnel and that no specific investment data, other than data on the investment performance of its client mandates, will be shared. As such, we will have a reduced ability to identify or respond to investment and other operational issues that may arise within the AlpInvest business, relative to other Carlyle investment funds.

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

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

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

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

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

Our hedge fund investments are subject to additional risks.

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Organizational Structure

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

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

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

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

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

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

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

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

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

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

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

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

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

compensation committees be composed of fully independent directors, as determined pursuant to new independence requirements;

compensation committees be explicitly charged with hiring and overseeing compensation consultants, legal counsel and other committee advisors; and

compensation committees be required to consider, when engaging compensation consultants, legal counsel or other advisors, certain independence factors, including factors that examine the relationship between the consultant or advisor s employer and the company.

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

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

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

our general partner determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional partnership interests and amounts of reserves, each of which can affect the amount of cash that is available for distribution to you;

our general partner is allowed to take into account the interests of parties other than us and the common unitholders in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to our common unitholders. For example, our subsidiaries that serve as the general partners of our investment funds have fiduciary and contractual obligations to the investors in those funds as a result of which we expect to regularly take actions that might adversely affect our near-term results of operations or cash flow;

because our senior Carlyle professionals hold their Carlyle Holdings partnership units directly or through entities that are not subject to corporate income taxation and The Carlyle Group L.P. holds Carlyle Holdings partnership units through wholly-owned subsidiaries, some of which are subject to corporate income taxation, conflicts may arise between our senior Carlyle professionals and The Carlyle Group L.P. relating to the selection, structuring and disposition of investments and other matters. For example, the earlier disposition of assets following an exchange or acquisition transaction by a senior Carlyle professional generally will accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase an existing owner s tax liability without giving rise to any rights of an existing owner to receive payments under the tax receivable agreement;

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

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

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

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

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

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

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

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

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

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

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

62

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

See Certain Relationships and Related Person Transactions Tax Receivable Agreement.

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

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

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

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

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

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

We believe that we are engaged primarily in the business of providing asset management services and not in the business of investing, reinvesting or trading in securities. We hold ourselves out as an asset management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that The Carlyle Group L.P. is, or following this offering will be, an orthodox investment company as defined in section 3(a)(1)(A) of the 1940 Act and described in the first bullet point above. Furthermore, following this offering, The Carlyle Group L.P. will have no material assets other than its interests in certain wholly-owned subsidiaries, which in turn will have no material assets other than general partner interests in the

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

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

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

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

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

Risks Related to Our Common Units and this Offering

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

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

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

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

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

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

We have agreed to provide Mubadala and CalPERS with registration rights to effect certain sales. See Common Units Eligible for Future Sale Registration Rights.

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

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

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

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

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

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

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

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

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

Risks Related to U.S. Taxation

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

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

70

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

MARKET AND INDUSTRY DATA

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

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

ORGANIZATIONAL STRUCTURE

Our Current Organizational Structure

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

The diagram below depicts our current organizational structure.

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

Our Organizational Structure Following this Offering

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reorganization

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

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

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

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

our senior Carlyle professionals, Mubadala and CalPERS will contribute all of their interests in:

TC Group, L.L.C. to Carlyle Holdings I L.P.;

82

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

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

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

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

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

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

Exchange Agreement; Tax Receivable Agreement

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

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

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

Offering Transactions

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

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

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

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

- The Carlyle Group L.P., through its wholly-owned subsidiaries, will hold partnership units in Carlyle Holdings (or partnership units if the underwriters exercise in full their option to purchase additional common units) and will, through its wholly-owned subsidiaries, be the sole general partner of each of the Carlyle Holdings partnerships and, through Carlyle Holdings and its subsidiaries, operate the Contributed Businesses;

- our existing owners will hold vested partnership units and unvested partnership units in Carlyle Holdings;

- investors in this offering will hold common units (or common units if the underwriters exercise in full their option to purchase additional common units); and

- on those few matters that may be submitted for a vote of the limited partners of The Carlyle Group L.P.:

  - investors in this offering will collectively have % of the voting power of The Carlyle Group L.P. limited partners (or % if the underwriters exercise in full their option to purchase additional common units) and

  - our existing owners will collectively have % of the voting power of The Carlyle Group L.P. limited partners (or % if the underwriters exercise in full their option to purchase additional common units).

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

Holding Partnership Structure

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

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

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

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

USE OF PROCEEDS

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

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

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

CASH DISTRIBUTION POLICY

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

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

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

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

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

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

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

Because our wholly-owned subsidiaries must pay taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by us to our common unitholders are expected to be less, on a per unit basis, than the amounts distributed by the Carlyle Holdings partnerships to the limited partners of the Carlyle Holdings partnerships in respect of their Carlyle Holdings partnership units.

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

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

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

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

CAPITALIZATION

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

- on a historical basis; and

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

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

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

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

DILUTION

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

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

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

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

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

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

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

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

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

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

SELECTED HISTORICAL FINANCIAL DATA

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

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

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

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

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

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

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

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

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

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

Overview

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

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

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

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

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

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

Trends Affecting our Business

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

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

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

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

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

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

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

Recent Transactions

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

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

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

97

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

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

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

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

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

Reorganization

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

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

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

Conversion of Subordinated Notes. Immediately prior to the contribution of the Parent Entities to Carlyle Holdings as described below, the subordinated notes issued to Mubadala in December 2010 will be converted into additional equity interests in the Parent Entities. The amount of additional equity interests in the Parent Entities which Mubadala will receive upon conversion of the notes will be determined based on the initial public offering price of the common units in this offering. More specifically, Mubadala will receive upon conversion of the notes that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings as described below, entitle Mubadala to a number of Carlyle Holdings partnership units that is equal to the quotient of $500 million (plus any accrued and unpaid interest on the notes) divided by the product of .925 multiplied by the initial public offering price per common unit in this offering. Based on an assumed initial offering price of $ per common unit (the midpoint of the range indicated on the front cover of this prospectus), Mubadala will be entitled upon conversion of the notes to that amount of additional equity interests in the Parent Entities that will, when such equity interests are contributed to Carlyle Holdings as described below, entitle Mubadala to Carlyle Holdings partnership units. A $1.00 increase in the assumed initial offering price per common unit would decrease the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. A $1.00 decrease in the assumed initial public offering price per common unit would increase the number of Carlyle Holdings partnership units to which Mubadala is entitled by partnership units. See Pricing Sensitivity Analysis.

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

our senior Carlyle professionals, Mubadala and CalPERS will contribute all of their interests in:

TC Group, L.L.C. to Carlyle Holdings I L.P.;

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

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

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

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

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

Consolidation of Certain Carlyle Funds

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

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

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

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

Key Financial Measures

Our key financial measures are discussed in the following pages.

Revenues

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expenses

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-GAAP Financial Measures

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

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

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

Assets under Management

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

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

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

Fee-earning Assets under Management

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

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

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

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

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

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

Assets under Management

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

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

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

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

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

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

Available Capital

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

Limited Partner Capital Deployed

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

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

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

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

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

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

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

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

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

Combined and Consolidated Results of Operations

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

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

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

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

Revenues

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

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

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

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

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

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

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

Expenses

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

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

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

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

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

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

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

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

Net Investment Gains (Losses) of Consolidated Funds

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

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

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

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

Revenues

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

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

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

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

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

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

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

Expenses

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

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

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

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

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

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

Net Investment Gains (Losses) of Consolidated Funds

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

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

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

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

Revenues

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

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

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

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

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

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

Expenses

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

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

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

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

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

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

Net Investment (Losses) Gains of Consolidated Funds.

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

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

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

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

Segment Analysis

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

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

Corporate Private Equity

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

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

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

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

Economic Net Income. ENI was $537.4 million for the six months ended June 30, 2011 reflecting a 192% increase over ENI of $184.0 million in the first six months of 2010 for this business. The increase in ENI in 2011 was driven by a $369.3 million increase in net performance fees over the

2010 period offset in part by interest expense and our continued investment in infrastructure and back office support which resulted in a $33.9 million decrease in fee related earnings.

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

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

Total fee revenues were $304.4 million in the six months ended June 30, 2011 representing an increase of $21.2 million, or 7%, over the comparable period in 2010. This increase reflects a $17.7 million increase in net transaction fees and an increase in net portfolio advisory fees of $15.2 million offset by a decrease in fund management fees of $11.7 million. The increase in net transaction fees resulted from higher investment activity in the first six months of 2011 compared to the same period in 2010. The decrease in fund management fees reflects lower fees from our third European buyout fund as well as the natural decrease in management fees that occurs on funds outside of their investment period as they sell investments. Funds during their investment period earn management fees based upon committed capital whereas funds outside of their investment period earn management fees based upon remaining invested capital.

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

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

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

Net Performance Fees. Total performance fees increased $842.6 million in the first six months of 2011 over the comparable period in 2010. The $965.9 million in performance fee revenue in the six months ended June 30, 2011 was primarily driven by increases in unrealized performance fees in two U.S. buyout funds, Carlyle Partners IV, L.P. and Carlyle Partners V, L.P., as a result of total appreciation in the remaining value of assets of approximately 23%. Comparatively, the $123.3 million of performance fees earned in the first six months of 2010 was primarily driven by increases in net asset values in our Asia Buyout portfolio. During the first six months of 2010, realized carried interest was $86.4 million, reflective of a less active market at that time. During the first six months of 2011, net performance fees retained by the firm were $447.4 million or 46% of total performance fees and $369.3 million over the net performance fees in the comparable period in 2010.

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

$27.0 million compared to a loss of $4.1 million in the 2010 period.

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

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

Distributable Earnings. Distributable earnings nearly doubled to $307.2 million in 2010 from $159.7 million in 2009. The 2010 distributable earnings growth was driven primarily by an increase in realized net performance fees of $128.4 million and an increase in fee related earnings of $12.2 million.

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

Total fee revenues were $574.0 million in 2010 representing an increase of $10.1 million, or 2%, over 2009. This increase was driven almost entirely by net transaction fees which increased 79% or $9.5 million over 2009 reflecting the higher investment activity in 2010 as compared to 2009. Fund management fees and portfolio advisory fees were largely unchanged from 2009.

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

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

Net Performance Fees. In 2010, net performance fees retained by the firm were 48% as compared to 47% in 2009. Net performance fees increased $368.7 million, or 157%, in 2010 over 2009. During 2010, investments in our Corporate Private Equity funds appreciated approximately 46% reflecting both improved performance and outlook, as well as higher market comparables. Most significantly, during 2010, Carlyle Partners IV LP, a buyout fund focused on the United States, surpassed its carry threshold hurdles and we recognized $668.7 million of performance fees in 2010, representing 53% of the performance fee revenue for this business segment. Realized performance fees of $267.3 million in 2010 were substantially higher than the $3.5 million earned in 2009.

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

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

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

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

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

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

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

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

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

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

Fee-earning AUM is presented below for each period together with the components of change during each respective period. AUM and available capital are presented at each period end and limited partner capital deployed during each period is also shown for this segment.

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

	As of June 30,		**As of December 31,**		
	2011	**2010**	**2010**	**2009**	**2008**
	(Dollars in millions)				
Corporate Private Equity					
Fee-earning AUM based on capital commitments	$ 29,417	$ 27,738	$ 28,386	$ 27,884	$ 27,097
Fee-earning AUM based on invested capital	9,711	11,122	10,209	12,251	12,834
Fee-earning AUM based on other(1)	295	299	305	248	266
Total Fee-earning AUM	$ 39,423	$ 39,159	$ 38,900	$ 40,383	$ 40,197

	As of June 30, 2011	As of June 30, 2010	As of December 31, 2010	As of December 31, 2009	As of December 31, 2008
	(Dollars in millions)				
Corporate Private Equity					
Fee-Earning AUM					
Balance, Beginning of Period	$ 38,900	$ 40,383	$ 40,383	$ 40,197	$ 36,581
Inflows, including Commitments	473	601	1,504	907	4,863
Outflows, including Distributions	(860)	(1,066)	(2,441)	(826)	(1,178)
Foreign exchange and other(2)	910	(759)	(546)	105	(69)
Balance, End of Period	$ 39,423	$ 39,159	$ 38,900	$ 40,383	$ 40,197
AUM, End of Period	$ 55,227	$ 51,008	$ 56,290	$ 48,476	$ 44,847
Available Capital, End of Period	$ 15,016	$ 20,702	$ 15,124	$ 21,387	$ 22,958
Limited Partner Capital Deployed	$ 4,237	$ 876	$ 4,916	$ 1,774	$ 4,641

(1) Includes funds based on lower of cost or fair value of invested capital.

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

Fund Performance Metrics

Fund performance information for our investment funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2011, which we refer to as our significant funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. See Risk Factors Risks Related to Our Business Operations The historical returns attributable to our funds, including those presented in this prospectus, should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common units.

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

	As of June 30, 2011							
			Total Investments			Realized/Partially Realized Investments(5)		
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)
	(Reported in Local Currency, in Millions)							
Corporate Private Equity Fully Invested Funds(6)								
CP II	10/1994	$ 1,331.1	$ 1,362.4	$ 4,049.5	3.0x	$ 1,347.5	$ 4,032.2	3.0x
CP III	2/2000	$ 3,912.7	$ 4,031.7	$ 9,975.8	2.5x	$ 3,851.7	$ 9,807.7	2.5x
CP IV	12/2004	$ 7,850.0	$ 7,612.6	$ 13,401.5	1.8x	$ 2,941.3	$ 6,922.2	2.4x
CEP I	12/1997	1,003.6	972.0	2,119.5	2.2x	972.0	2,119.5	2.2x
CEP II	9/2003	1,805.4	2,039.8	3,702.3	1.8x	864.8	2,489.5	2.9x
CAP I	12/1998	$ 750.0	$ 627.7	$ 2,605.0	4.2x	$ 627.7	$ 2,605.0	4.2x
CAP II	2/2006	$ 1,810.0	$ 1,599.1	$ 2,520.1	1.6x	$ 305.1	$ 1,097.0	3.6x
CJP I	10/2001	¥ 50,000.0	¥ 47,291.4	¥ 113,602.8	2.4x	¥ 30,009.4	¥ 104,486.3	3.5x
All Other Funds(7)	Various		$ 2,931.6	$ 4,485.5	1.5x	$ 2,050.8	$ 3,431.8	1.7x
Co-investments and Other(8)	Various		$ 6,045.9	$ 15,721.9	2.6x	$ 3,838.1	$ 12,784.2	3.3x
Total Fully Invested Funds			$ 29,129.2	$ 62,540.6	2.1x	$ 17,976.1	$ 48,603.2	2.7x
Funds in the Investment Period(6)								
CP V	5/2007	$ 13,719.7	$ 8,361.7	$ 11,759.3	1.4x			
CEP III	12/2006	5,294.9	3,230.3	3,379.2	1.0x			
CAP III	5/2008	$ 2,551.6	$					