STREAMLINE HEALTH SOLUTIONS INC.
Form 10-Q
June 06, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

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

For the quarterly period ended April 30, 2008

or

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

For the transition period from _______________ to _________________

Commission File Number: 0-28132

STREAMLINE HEALTH SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	31-1455414 (I.R.S. Employer Identification No.)

10200 Alliance Road, Suite 200
Cincinnati, Ohio 45242-4716
(Address of principal executive offices) (Zip Code)
(513) 794-7100
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No 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 o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

Number of shares of Registrant s Common Stock ($.01 par value per share) issued and outstanding, as of June 1, 2008: 9,260,320.

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PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

STREAMLINE HEALTH SOLUTIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

Assets

	(Unaudited) April 30, 2008	(Audited) January 31, 2008
Current assets:		
Cash	$ 1,246,151	$ 2,189,010
Accounts receivable, net of allowance for doubtful accounts of $100,000, respectively	1,763,443	2,832,852
Contract receivables	1,456,801	1,833,842
Prepaid hardware and third party software for future delivery	562,181	484,247
Prepaid other, including prepaid customer maintenance contracts	687,406	501,803
Deferred tax asset	185,000	185,000
Total current assets	5,900,982	8,026,754
Property and equipment:		
Computer equipment	2,423,579	2,235,104
Computer software	1,147,123	1,086,691
Office furniture, fixtures and equipment	736,441	731,346
Leasehold improvements	574,257	574,257
	4,881,400	4,627,398
Accumulated depreciation and amortization	(3,323,950)	(3,153,675)
	1,557,450	1,473,723
Capitalized software development costs, net of accumulated amortization of $7,162,568 and $6,643,235, respectively	5,259,361	4,878,694
Other, including deferred taxes of $1,690,000, respectively	1,730,431	1,720,114
	$ 14,448,224	$ 16,099,285

See Notes to Condensed Consolidated Financial Statements.

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STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
Liabilities and Stockholders Equity

	(Unaudited) April 30, 2008	(Audited) January 31, 2008
Current liabilities:		
Accounts payable	$ 1,135,141	$ 1,518,682
Accrued compensation	423,168	536,599
Accrued other expenses	499,090	521,210
Deferred revenues	4,850,352	5,183,333
Total current liabilities	6,907,751	7,759,824
Non-current lease incentives	122,104	146,525
Stockholders equity:		
Convertible redeemable preferred stock, $.01 par value per share 5,000,000 shares authorized		
Common stock, $.01 par value per share, 25,000,000 shares authorized, 9,260,320 shares issued, respectively	92,603	92,603
Capital in excess of par value	35,582,276	35,542,222
Accumulated (deficit)	(28,256,510)	(27,441,889)
Total stockholders equity	7,418,369	8,192,936
	$ 14,448,224	$ 16,099,285

See Notes to Condensed Consolidated Financial Statements.

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STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended April 30,
(Unaudited)

	2008	2007
Revenues:		
Systems sales	$ 309,491	$ 763,124
Services, maintenance and support	2,402,766	2,129,489
Application-hosting services	891,493	886,787
Total revenues	3,603,750	3,779,400
Operating expenses:		
Cost of systems sales	750,971	783,307
Cost of services, maintenance and support	1,059,148	943,588
Cost of application-hosting services	288,191	275,429
Selling, general and administrative	1,599,423	1,417,334
Product research and development	719,255	806,455
Total operating expenses	4,416,988	4,226,113
Operating (loss)	(813,238)	(446,713)
Other income (expense):		
Interest income	5,554	14,090
Interest expense	(438)	(10,689)
Loss before income taxes	(808,122)	(443,312)
Provision for income taxes	(6,500)	
Net (loss)	$ (814,622)	$ (443,312)
Basic net (loss) per common share	$ (.09)	$ (.05)
Diluted net (loss) per common share	$ (.09)	$ (.05)
Number of shares used in per common share computations:		
Basic	9,260,320	9,211,534
Diluted	9,260,320	9,211,534

See Notes to Condensed Consolidated Financial Statements.

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STREAMLINE HEALTH SOLUTIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Months Ended April 30,
(Unaudited)

	2008	2007
Operating activities:		
Net (loss)	$ (814,622)	$ (443,312)
Adjustments to reconcile net (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization	689,609	555,212
Share-based compensation expense	40,054	29,998
Cash provided by (used for) assets and liabilities:		
Accounts and contract receivables	1,446,450	267,514
Other current assets	(263,537)	(111,822)
Accounts payable and accrued expenses	(519,091)	(174,615)
Deferred revenues	(332,982)	(930,951)
Net cash provided by (used for) operating activities	245,881	(807,976)
Investing activities:		
Purchases of property and equipment	(254,002)	(221,393)
Capitalization of software development costs	(900,000)	(499,998)
Other	(34,738)	(19,015)
Net cash (used for) investing activities	(1,188,740)	(740,406)
Financing activities:		
Payment of long-term debt		(1,000,000)
Payment of capitalized leases		(22,167)
Exercise of stock options		2,938
Net cash (used for) financing activities		(1,019,229)
(Decrease) in cash	(942,859)	(2,567,611)
Cash at beginning of period	2,189,010	3,316,614
Cash at end of period	$ 1,246,151	$ 749,003
Supplemental cash flow disclosures:		
Income taxes paid	$ 8,740	$ 7,893
Interest paid	$ 438	$ 4,705

See Notes to Condensed Consolidated Financial Statements.

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STREAMLINE HEALTH SOLUTIONS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared by Streamline Health Solutions, Inc. (Streamline Health® or the Company) without audit, in accordance with accounting principles generally accepted in the United States for interim financial information, pursuant to the rules and regulations applicable to quarterly reports on Form 10-Q of the U. S. Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Condensed Consolidated Financial Statements have been included. These Condensed Consolidated Financial Statements should be read in conjunction with the financial statements and notes thereto included in the most recent Streamline Health Solutions, Inc. Annual Report on Form 10-K, Commission File Number 0-28132. Operating results for the three months ended April 30, 2008, are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2009.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company s significant accounting policies is presented beginning on page 43 of its fiscal year 2007 Annual Report on Form 10-K. Users of financial information for interim periods are encouraged to refer to the footnotes contained in the Annual Report when reviewing interim financial results. There has been no material change in the accounting policies followed by the Company during fiscal year 2008.

Note 3 CHANGES IN BALANCE SHEET ACCOUNT BALANCES

The decrease in cash during the quarter results primarily from investing activities primarily capitalized software and acquisition of fixed assets, mitigated somewhat by changes in working capital items.

The decrease in accounts receivable is the result of lower revenues during the quarter and a significant reduction in past due accounts in the current quarter when compared to the last quarter.

The increase in property and equipment is primarily the result of the acquisition of additional equipment to accommodate additional employees, upgrading of the data centers for internal operations and Application Hosting Services.

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The increase in capitalized software development costs, net is the result of the development of the next generation of core software products and expanded work flow module development.

The decrease in accounts payable results primarily from the payment of invoices within normal trade terms.

The decrease in accrued compensation results primarily from a lower bonus accrual for the first quarter.

The decrease in deferred revenues reflects the normal amortization of prepaid maintenance payments received in fiscal year 2007, net of any additions in the first quarter of 2008.

Note 4 EQUITY AWARDS

During the first quarter of the current fiscal year, the Company granted no equity awards. During the same period, no options were forfeited and no options were exercised under all plans during the quarter.

The Company adopted the standards of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment,* in fiscal year 2006, using the modified-prospective-transition method which requires expensing the fair value of the equity awards. The expense relating to the fair value of equity awards included in the first quarter of fiscal year 2008 and 2007 operating expenses amounted to $40,054 and 29,998, respectively. The increase reflects the amortization of the cumulative effect of option grants over the past three years.

The assumptions used to calculate the fair value of equity awards granted are evaluated and revised, as necessary, to reflect current market conditions and prior experience.

Note 5 INCOME TAXES

The Company adopted Financial Accounting Standards Board Interpretation 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), at the beginning of fiscal year 2007. FIN 48 requires the Company to evaluate whether the tax positions taken by the Company will more likely than not be sustained upon examination by the appropriate taxing authority. It also provides guidance on how a company should measure the amount of the benefit that that the Company recognizes in its financial statements. The Company believes that its income tax positions and deductions will be sustained on audit and does not anticipate adjustments that will result in a material change to its financial position. Therefore, no reserves for uncertain tax positions have been recorded pursuant to FIN 48.

The Company and its subsidiary are subject to U.S. Federal income tax as well as income taxes in multiple state and local jurisdictions. The Company has concluded all U.S. Federal tax matters for years through January 31, 2006. All material state and local income tax matters have been concluded for years through January 31, 2003.

The first quarter expense reflects the estimated minimum state expenses (amounts to be paid) in

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the various states in which the company does business notwithstanding the year to date loss.

Note 6 EARNINGS PER SHARE

The basic (loss) per common share is calculated using the weighted average number of common shares outstanding during the period.

The 2008 diluted net (loss) per common share calculation, excludes the effect of the common stock equivalents (stock options and warrants), as the inclusion thereof would be antidilutive. The Company had approximately 409,000 equity award shares and 750,000 warrant shares outstanding at April 30, 2008 that were not included in the diluted net (loss) per share calculation as the inclusion thereof would be antidilutive.

The 2007 diluted net (loss) per common share calculation, excludes the effect of the common stock equivalents (stock options and warrants), as the inclusion thereof would be antidilutive. The Company had approximately 460,000 equity award shares and 750,000 warrant shares outstanding at April 30, 2007 that were not included in the diluted net (loss) per share calculation as the inclusion thereof would be antidilutive.

Note 7 CONTRACTUAL OBLIGATIONS

The following table details the remaining obligations, by fiscal year, as of the end of the quarter for the capitalized leases, long-term debt, other commitments and the operating leases. There are no obligations beyond fiscal year 2010.

	Total	2008	2009	2010	2011
Operating leases	863,853	306,177	380,738	176,938	

Note 8 DEBT

On January 7, 2008, Streamline Health, Inc., a wholly owned subsidiary of Streamline Health Solutions, Inc., entered into a new revolving loan agreement with the Fifth Third Bank, Cincinnati, OH, in the principal amount of $500,000. The interest rate on amounts borrowed will accrue at a variable rate from the Prime Rate to the Prime Rate plus 3%, (or an effective rate of 9% at January 31, 2008) based on the ratio of the funded indebtedness to the trailing twelve months earnings before interest, taxes, depreciation and amortization (EBITDA). The agreement contains other covenants including; Minimum Tangible Net Worth, Fixed Charge Coverage Ratio and Funded Indebtedness to EBITDA. The loan is guaranteed by the Registrant and is secured by a first lien on all of the assets of the Registrant and its subsidiary. The Company was in compliance with all of the covenants at April 30, 2008 and had the ability to borrow up to $500,000 on the facility. This facility was scheduled to expire on April 30, 2008, but was extended until July 30, 2008 while the Company is negotiating with several lenders for a larger multi year facility which it expects to enter into prior to July 30, 2008.

In 1998, Streamline Health issued a $6,000,000 note which was repaid in full in July, 2004. In connection with the issuance of the note, Streamline Health issued Warrants to purchase 750,000 shares of Common Stock of Streamline Health at $3.87 per share at any time through July 16, 2008. The Warrants are subject to customary antidilution and registration rights provisions.

Note 9 WARRANTIES AND INDEMNITIES

Streamline Health provides for the estimated cost of the product warranties at the time revenue is recognized. Should products fail to meet certain performance standards for an initial warranty period, Streamline Health s estimated warranty liability might need to be increased. Streamline Health bases its warranty estimates on the nature of any performance complaint, the effort necessary to resolve the issue, customer requirements and any potential concessions, which may be required to be granted to a customer, which result from performance issues. Streamline Health s ASP*e*N application-hosting services guarantees specific up-time and response time performance standards, which, if not met may result in reduced revenues, as a penalty, for the month in which the standards are not met. Streamline Health s standard agreements with its customers also usually include provisions to indemnify them from and against third party claims, liabilities, damages, and expenses arising out of Streamline Health s operation of its business or any negligent act or omission of Streamline Health. To date, Streamline Health has always maintained the ASP*e*N performance standards and has not been required to make any material penalty payments to customers or indemnify any customers for any material third party claims. At April 30, 2008 and 2007, Streamline Health had a warranty reserve in the amount of $178,500 and $250,000, respectively. Each contract is reviewed quarterly with the appropriate Streamline Health Client Manager to determine the need for a warranty reserve based upon the most currently available information as to the status of the contract, the customer comments, if any, and the status of any open or unresolved issues with the customer.

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In addition to historical information contained herein, this Report on Form 10-Q contains forward-looking statements relating to the Company s plans, strategies, expectations, intentions, etc. and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements contained herein are no guarantee of future performance and are subject to certain risks and uncertainties that are difficult to predict and actual results could differ materially from those reflected in the forward-looking statements. These risks and uncertainties include, but are not limited to, the timing of contract negotiations and executions and the related timing of the revenue recognition related thereto, the potential cancellation of existing contracts or clients not completing projects included in the backlog, the impact of competitive products and pricing, product demand and market acceptance, new product development, key strategic alliances with vendors that resell Streamline Health products, the ability of Streamline Health to control costs, availability of products obtained from third-party vendors, the healthcare regulatory environment, healthcare information system budgets, availability of healthcare information systems trained personnel for implementation of new systems, as well as maintenance of legacy systems, fluctuations in operating results and other risk factors that might cause such differences including those discussed herein, and including, but not limited to, discussions in the most recent Form 10-K, Part I, Item 1 Business , Item 1A Risk Factors , Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8 Financial Statements and Supplemental Data. In addition, other written or oral statements that constitute forward-looking statements may be made by or on behalf of the Company. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management s analysis only as of the date thereof. The Registrant undertakes no obligation to publicly revise these forward-looking statements, to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in this and other documents Streamline Health Solutions, Inc. files from time to time with the Securities and Exchange Commission, including future Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K.

Streamline Health s discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Streamline Health to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of contingent liabilities. On an ongoing basis, Streamline Health evaluates its estimates, including those related to product revenues, bad debts, capitalized software development costs, income taxes, warranty obligations, support contracts, contingencies, and litigation. Streamline Health bases its estimates on historical experience and on various other assumptions that Streamline Health believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and revenue and expense recognition. Actual results may differ from these estimates under different assumptions or conditions.

RESULTS OF OPERATIONS

GENERAL

Streamline Health Solutions, Inc. (Streamline Health® or the Company) is a healthcare information technology company, which is focused on developing and licensing proprietary software solutions that improve document-centric information flows and complement and enhance existing transaction-centric hospital healthcare information systems. The Company s workflow and document management solutions bridge the gap between current, predominantly paper-based processes and transaction-based healthcare information systems by 1) electronically capturing document-centric information from disparate sources, 2) electronically directing that information through vital business processes, and 3) providing access to the information to authenticated users (such as physicians, nurses, administrative and financial personnel and payers) across the continuum of care. Streamline Health s systems are designed for enterprise wide deployment to seamlessly connect disparate departmental systems, or silos of independent technologies which create Friction Points™, in a common interoperable document management workflow solution.

The Company s workflow-based products and services offer solutions to specific healthcare business processes within the Health Information Management (HIM) and revenue cycle, such as: remote coding, abstracting and chart completion, remote physician order processing, pre-admission registration scanning, insurance verification, secondary billing services, explanation of benefits

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processing, release of information processing and other departmental workflow processes.

The Company s products and services also create an integrated document-centric repository of historical health information that is complementary to, and can be seamlessly bolted on to existing transaction-centric clinical, financial and management information systems, allowing healthcare providers to aggressively move toward fully Electronic Medical Record (EMR) processes while improving service levels and convenience for all stakeholders. These integrated systems allow providers and administrators to dramatically improve the availability of patient information while decreasing direct costs associated with document retrieval, work-in-process, chart completion, document retention and archiving.

The Company s software solutions can be provided on a subscription basis via remote application-hosting services or licensed and installed locally. Streamline Health provides ASP*e*N^{SM}, Application Service Provider-based remote hosting services to, The University Hospital, a member of the Health Alliance of Greater Cincinnati, T.J. Sampson Community Hospital, Bronx Lebanon Hospital Center, Patty A. Clay Medical Center, and Children s Medical Center of Columbus, OH, among others. In addition, Streamline Health has licensed its workflow and document management solutions, which are installed at leading healthcare providers including Parkview Health, Pro Health Care, Peace Health, University Community Health, Texas Health Resources, Sarasota Memorial Hospital, the Albert Einstein Healthcare Network, Beth Israel Medical Centers, and Memorial Sloan-Kettering Cancer Center, among others.

The Company s applications allow authenticated users, such as physicians, nurses, administrative and financial personnel, and payers with access to patient healthcare information that exists in disparate systems across the continuum of care and improve operational efficiencies through business process re-engineering and automating labor-intensive and demanding paper environments. Streamline Health s applications and services are complementary to existing clinical and financial systems, and use document management and advanced workflow tools to ensure users can electronically access both structured (transaction-centric) and unstructured (document-centric) patient data and all the various forms of clinical and financial healthcare information from a single permanent and secure repository, including clinician s handwritten notes, laboratory reports, photographs, insurance cards, etc.

The Company s workflow solutions offer value to all of the constituents in the healthcare delivery process by enabling them to simultaneously access and utilize Streamline Health s advanced technological workflow applications to process information, on a real-time basis from virtually any location, including the Physician s desktop, using web-based technology. Streamline Health s solutions integrate its own proprietary document management platform, application workflow modules and image and web-enabling tools that allow for the seamless merger of back office functionality with existing Clinical and Financial Information Systems at the desktop.

The Company offers its own document management infrastructure (accessANYware^{TM}) that is built for high volume transaction processing and is specifically designed for the healthcare industry. In addition to providing access to information not previously available at the desktop, Streamline Health s applications fulfill the administrative and regulatory needs of the Health Information Management, Patient Financial Services and other hospital administrative departments. Furthermore, these systems have been specifically designed to integrate with any Clinical

Information System. For example, Streamline Health has integrated its products with selected systems from Emergis, Inc. (a Telus Company) (Oacis Electronic Medical Record), Siemens Medical Solutions USA Inc. (Siemens), Cerner Corporation, and GE Healthcare (see below) applications, thus enabling customers to use our solutions without the expense of replacing entire software systems to gain the software functionality. By offering electronic access to all the patient information components of the medical record, this integration completes one of the most difficult tasks necessary to provide a true Electronic Medical Record. Streamline Health s systems deliver on-line enterprise wide access to fully updated patient information, which historically was maintained on a variety of media, including paper, magnetic disk, optical disk, and microfilm.

The Company operates in one segment as a provider of health information technology solutions that streamline healthcare information flows within a healthcare facility.

Historically, Streamline Health has derived most of its revenues from recurring application-hosting services, recurring maintenance fees, professional services and system sales involving the licensing, either directly or through remarketing partners, of its Health Information Management Workflow and Revenue Cycle Management Workflow solutions to Integrated Healthcare Delivery Networks (IDNs). In a typical transaction, Streamline Health, or its remarketing partners, enter into a perpetual license or fee-for-service subscription agreement for Streamline Health s software application suite and may license or sell other third-party software and hardware components to the IDN. Additionally, Streamline Health provides professional services, including implementation, training, and product support.

Streamline Health earns its highest margins on proprietary Streamline Health software and application-hosting services and the lowest margins on third-party hardware and software. Sales to customers may include different configurations of Streamline Health software, hardware, third party software, and professional services, resulting in varying margins among contracts. The margins on professional services revenues fluctuate based upon the negotiated terms of the agreement with each customer and Streamline Health s ability to fully utilize its professional services, maintenance, and support services staff.

Beginning in 1998, Streamline Health began offering customers the ability to obtain its workflow solutions on an application-hosting basis as an Application Service Provider (ASP). Streamline Health established a hosting data center and installed Streamline Health s suite of workflow products, called ASP*e*N (Application Service Provider eHealth Network) within the hosting data center. Under this arrangement, customers electronically capture information and securely transmit the data to the hosting data center. The ASP*e*N services store and manage the data using Streamline Health s suite of applications, and customers can view, print, fax, and process the information from anywhere using the Streamline Health web-based applications. Streamline Health charges and recognizes revenue for these ASP*e*N services on a subscription basis as information is captured, stored, retrieved and processed.

The decisions by a healthcare provider to replace, substantially modify, or upgrade its information systems are strategic decisions and often involve a large capital commitment requiring an extended approval process. Since inception, Streamline Health has experienced extended sales cycles. It is not uncommon for sales cycles to take six to eighteen months from initial contact to the execution of an agreement. As a result, the sales cycles can cause significant variations in quarter-to-quarter operating results. These agreements cover the licensing, implementation and maintenance of the system, which typically takes place in one or more phases. The licensing agreements generally provide for the licensing of Streamline Health s proprietary software and third-party software with a perpetual or term license fee on either an unlimited number of users (site license) or a specific number of users (concurrent users license) that is adjusted upward depending on the number of concurrent users using the software. Site-specific customization, interfaces with existing customer systems and other consulting services are sold on a fixed fee or a time and materials basis. Alternatively, with Streamline Health s ASP services solution, the application-hosting services agreements generally provide for utilizing Streamline Health s software and third-party software on a recurring subscription basis.

ASP*e*N services was designed to overcome obstacles in the buying decision such as large capital commitment, length of implementation, and the scarcity of time for Healthcare Information Systems personnel to implement new systems. Streamline Health believes that large IDN s and smaller healthcare providers are looking for this type of ASP application because of the ease of implementation and lower entry-level costs. Streamline Health believes its business model is especially well suited for the medium to small acute care facility marketplace as well as the ambulatory marketplace and is actively pursuing remarketing agreements, in addition to those discussed below, with other Healthcare Information Systems and staff outsourcing providers to distribute Streamline Health s workflow solutions.

Streamline Health s quarterly operating results have varied in the past and may continue to do so in the future because of various reasons including: demand for Streamline Health s products and services, long sales cycles, and extended installation and implementation cycles based on customer s schedules. Sales are often delayed because of customers budgets and competing capital expenditure needs as well as customers personnel resource constraints.

Delays in anticipated sales or installations may have a significant impact on Streamline Health s quarterly revenues and operating results, because substantial portions of the operating expenses are fixed and the revenues are more variable.

UNEVEN PATTERNS OF QUARTERLY OPERATING RESULTS

The Company s revenues from systems sales have varied, and may continue to vary, significantly from quarter-to-quarter because of the volume and timing of systems sales and delivery. Professional services revenues also fluctuate from quarter-to-quarter because of the timing of the implementation services, project management and customized programming provided. Revenues from maintenance services do not fluctuate significantly from quarter-to-quarter, but have been increasing, on an annual basis, as the number of customers increase

The Company s revenues and operating results may also vary significantly from quarter-to-quarter because of a number of other factors, many of which are outside the Company s control. These factors include the relatively high purchase price of a system, unpredictability in the number and timing of systems sales, length of the sales cycle, delays in the implementation process and changes in the customer s financial condition or budget and the sales activities of the remarketing partners. As a result, period-to-period comparisons may not be meaningful with respect to the past operations of the Company nor are they necessarily indicative of the future operations of the Company.

REVENUES

Revenues for the first fiscal quarter ended April 30, 2008, were $3,603,750, compared with $3,779,400 reported in the comparable quarter of 2007. The decrease was primarily a result of decreased software licenses offset to some extent by increases in professional services revenues. Traditionally, the first two quarters are the most challenging because of the seasonality of software licensing revenues, which the Company has experienced in the past, with a greater portion of the annual revenues recorded in the later two quarters.

OPERATING EXPENSES

Cost of Systems Sales

The cost of systems sales includes amortization of capitalized software development costs on a straight-line basis, royalties and the cost of third party software and hardware. Cost of systems sales as a percentage of systems sales may vary from period-to-period depending on the mix of hardware and software of the systems or add-on sales delivered. The cost of systems sales as a percentage of systems sales for the first quarter of fiscal 2008 and 2007 were 243% and 102%, respectively. The increased percentage is primarily reflective of the decrease in software licensing revenues during the quarter and increased capitalized software amortization during the current period when compared to the comparable prior period.

Cost of Services, Maintenance and Support

The cost of services, maintenance and support includes compensation and benefits for support and professional services personnel and the cost of third party maintenance contracts. As a percentage of services, maintenance and support revenues, the cost of such services, maintenance and support was 44% for the first quarter of fiscal 2008 and 2007, respectively. Maintenance revenues and expenses were substantially the same as the comparable prior quarter.

Cost of Application-hosting services

The cost of application-hosting services operations remained approximately the same for the first quarter of 2008 when compared to the first quarter of 2007, as the cost of providing these services is relatively fixed. As a percentage of application-hosting revenues, the cost of application-hosting was 32% and 31% for the first quarter of fiscal 2008 and 2007, respectively. Application-hosting services revenues and expenses were substantially the same as the comparable prior quarter.

Selling, General and Administrative

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Selling, General and Administrative expenses consist primarily of compensation and related benefits and reimbursable travel and living expenses related to the Company s sales, marketing and administrative personnel; advertising and marketing expenses, including trade shows and similar type sales and marketing expenses; and general corporate expenses, including occupancy costs. During the first quarter of fiscal 2008, Selling, General and Administrative expenses were 13% more than the comparable prior quarter primarily because of planned increased salary cost related to normal pay raises and the planned increased headcount in the sales organization.

Product Research and Development

Product research and development expenses consist primarily of compensation and related benefits; the use of independent contractors for specific development projects; and an allocated portion of general overhead costs, including occupancy. During the first quarter, research and development expenses declined 11% when compared with the comparable prior quarter primarily as a result of the increase in capitalized software development costs. The Company capitalized, in accordance with Statement of Financial Accounting Standards No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed* approximately $900,000 and $500,000 of product research and development costs in the first quarter of fiscal 2008 and 2007, respectively.

Operating (loss)

The operating (loss) for the first quarter of fiscal 2008 was ($813,238) compared with an operating (loss) of ($446,713) in the first quarter of fiscal 2007. The increase in the operating (loss) is the result of the lower systems sales, primarily software licensing revenues and planned increased operating expenses.

Interest income consists primarily of interest on invested cash. The decrease in interest income results from decreased average cash balances.

Net (loss)

The net (loss) for the first quarter of fiscal 2008 was ($814,622) ($.09 per share) compared with a net (loss) of ($443,312) ($.05 per share) in the first quarter of fiscal 2006. The increase in the net (loss) is the result of the decreased systems sales, especially software licensing revenues, increased operating expenses, and lower interest income and expense, net as noted above.

Management continues to believe that the healthcare document management and workflow market is going to be a significant market. Management believes it has made, and continues to make, significant investments in the talent and technology necessary to establish the Company as a leader in this marketplace, and continues to believe the Company is well positioned to experience significant revenue growth.

Since commencing operations in 1989, the Company has incurred operating losses. Although the Company achieved profitability in fiscal years 1992, 1993, and 2000 through 2006, the

Company incurred a net (loss) in fiscal years 1994 through 1999 and 2007. In view of the Company s prior operating history, there can be no assurance that the Company will be able to achieve consistent profitability on a quarterly or annual basis or that it will be able to sustain or increase its revenue growth in future periods. Based upon the expenses associated with current and planned staffing levels, profitability is dependent upon increasing revenues.

LIQUIDITY AND CAPITAL RESOURCES

During the last five fiscal years, Streamline Health has funded its operations, working capital needs, and capital expenditures primarily from cash generated by operations. Streamline Health s liquidity is dependent upon numerous factors that include: the timing and amount of revenues and collection of contractual amounts from customers, amounts invested in research and development, capital expenditures, and the level of operating expenses, all of which can vary significantly from quarter-to-quarter.

Streamline Health s customers typically have been well-established hospitals or medical facilities or major HIS companies that resell Streamline Health products which have good credit histories and payments have been received within normal time frames for the industry. However, some healthcare organizations have experienced significant operating losses as a result of limits on third-party reimbursements from insurance companies and governmental entities. Agreements with customers often involve significant amounts and contract terms typically require customers to make progress payments.

Streamline Health has no significant obligations for capital resources, other than the noncancelable operating leases of approximately $864,000 payable over the next three years. Capital expenditures for property and equipment in 2008 are not expected to exceed $800,000.

During the four prior fiscal years, Streamline Health has made significant investments for capital expenditures, increased its sales and marketing, product research and development and its support and consulting expenses, and made significant debt reductions. This resulted in significant net cash outlays over the last four fiscal years. Although Streamline Health reduced staffing levels and related expenses during 2003 and 2004, the stringent expense controls and reduced staffing, caused by the necessity to retire the long-term debt, hampered the growth of revenues in fiscal year 2003 and 2004. Accordingly, to continue to achieve increasing revenues and profitability it was necessary for the Company to significantly increase the sales and marketing and product development expenses, including capitalized software in fiscal 2007 and 2008. The Company believes that this strategic initiative to expand sales and marketing and expand our product offerings, especially in the area of workflows, should produce improved results in 2008 and beyond as the expanded sales and marketing efforts begin to produce results. However, there can be no assurance Streamline Health will be able to do so. At April 30, 2008, Streamline Health had cash of $1,246,151.

Streamline Health carefully monitors operating expenses. As a result of the current levels of revenues and operating loss, for the foreseeable future, Streamline Health will need to continually assess its revenue prospects compared to its then current expenditure levels. If it does not appear likely that revenues will increase, it may be necessary to reduce operating expenses or raise cash through additional borrowings, the sale of assets, or issue additional equity, or a combination thereof. Certain of these actions will require current lender approval. However, there can be no assurance Streamline Health will be successful in any of these efforts. If it is necessary to significantly reduce operating expenses, this could have an adverse effect on future operating performance.

Streamline Health believes that its present cash position, combined with cash generation currently anticipated from operations and the available credit facility, will be sufficient to meet anticipated cash requirements for the short term. However, continued expansion of the Company in 2008 will require additional resources. The Company may need to incur debt, obtain an additional infusion of capital, or a combination of both, depending on the extent of the expansion of the Company and future revenues. However, there can be no assurance Streamline Health will be able to do so.

To date, inflation has not had a material impact on Streamline Health s revenues or expenses.

SIGNED AGREEMENTS BACKLOG

Streamline Health, or its remarketing partners, enter into master agreements with customers to specify the scope of the system to be installed and services to be provided, the agreed upon aggregate price and the timetable for implementation. The master agreement typically provides that the Company, or its remarketing partner, will deliver the system in phases pursuant to the customer s purchase orders, thereby allowing the customer flexibility in the timing of its receipt of systems and to make adjustments that may arise based upon changes in technology or changes in customer needs. The master agreement also allows the customer to request additional components as the installation progresses, which additions are then separately negotiated as to price and terms. Historically, customers have ultimately purchased systems and services in addition to those originally contemplated by the master agreement. Although there can be no assurance that customers will continue in the future to expand their systems and purchase additional licenses and services, Streamline Health believes, based on its past experience, that its customers will expand their existing systems.

At April 30, 2008, Streamline Health has master agreements, purchase orders or royalty reports from remarketing partners for systems and related services which have not been delivered, installed and accepted which, if fully performed, will generate future revenues of $15,315,390 as follows:

Streamline Health Software Licenses	$1,988,165
Custom Software	335,250
Hardware and Third Party Software	1,408,891
Professional Services	5,189,164
Application Hosting Services	2,355,997
Recurring Maintenance	4,037,923

The related products and services are expected to be delivered over the next two to three years.

Streamline Health s master agreements also generally provide for an initial maintenance period and give the customer the right to subscribe for maintenance and support services on a monthly, quarterly, or annual basis. Maintenance and support revenues for fiscal years 2007, 2006 and 2005 were approximately $6,740,000, $5,617,000 and $5,104,000, respectively. Maintenance and support revenues are expected to increase in 2008.

The commencement of revenue recognition varies depending on the size and complexity of the system; the implementation schedule requested by the customer and usage by customers of the application-hosting services. Therefore, Streamline Health is unable to predict accurately the revenue it expects to achieve in any particular period. Streamline Health s master agreements generally provide that the customer may terminate its agreement upon a material breach by Streamline Health, or may delay certain aspects of the installation. There can be no assurance that a customer will not cancel all or any portion of a master agreement or delay installations. A termination or installation delay of one or more phases of an agreement, or the failure of Streamline Health to procure additional agreements, could have a material adverse effect on Streamline Health s business, financial condition, and results of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk, see Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of the annual report on Form 10-K for the fiscal year ending January 31, 2008. The Company exposures to market risk have not changed materially since January 31, 2008.

Item 4. Controls and Procedures

Streamline Health maintains disclosure controls and procedures that are designed to ensure that there is reasonable assurance that the information required to be disclosed in Streamline Health s Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to Streamline Health s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of disclosure controls and procedures in Exchange Act Rules 13a-15(e) and 15d-14(e). In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of Streamline Health s senior management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Streamline Health s disclosure controls and procedures to provide reasonable assurance of achieving the desired objectives of the disclosure controls and procedures. Based on that evaluation, Streamline Health s management, including the Chief Executive and Chief Financial Officer, concluded that there is reasonable assurance that Streamline Health s disclosure controls and procedures were effective as of the end of the period covered by this report and there have been no material changes in Streamline Health s internal control or in the other controls during the quarter ended April 30, 2008 that could materially affect, or is reasonably likely to materially affect, internal controls over financial reporting.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Streamline Health is, from time-to-time, a party to various legal proceedings and claims, which arise, in the ordinary course of business. Streamline Health is not aware of any legal matters that will have a material adverse effect on Streamline Health s consolidated results of operations or consolidated financial position.

Item 1A. Risk Factors

1,208.5

1,936.6

Total partners’ capital

6,697.5

9,094.5

Total liabilities and partners’ capital

$

32,796.7

$

35,994.3

See accompanying notes.

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The Carlyle Group L.P.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in millions, except unit and per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Fund management fees	$278.3	$307.4	$830.1	$885.0
Performance fees				
Realized	329.2	176.9	1,251.0	843.9
Unrealized	(575.8)	10.5	(629.7)	506.4
Total performance fees	(246.6)	187.4	621.3	1,350.3
Investment income (loss)				
Realized	12.5	(0.5)	24.2	29.4
Unrealized	(22.0)	4.3	(17.7)	4.2
Total investment income (loss)	(9.5)	3.8	6.5	33.6
Interest and other income	5.0	9.1	15.9	16.6
Interest and other income of Consolidated Funds	259.4	234.1	742.7	728.5
Revenue of a consolidated real estate VIE	10.9	13.2	73.9	27.2
Total revenues	297.5	755.0	2,290.4	3,041.2
Expenses				
Compensation and benefits				
Base compensation	163.5	190.7	472.2	615.8
Equity-based compensation	86.8	79.7	291.0	262.9
Performance fee related				
Realized	155.2	78.4	561.7	368.3
Unrealized	(228.1)	(14.3)	(146.2)	316.3
Total compensation and benefits	177.4	334.5	1,178.7	1,563.3
General, administrative and other expenses	289.6	117.4	539.2	370.4
Interest	14.5	14.4	43.6	41.1
Interest and other expenses of Consolidated Funds	296.9	240.1	791.7	756.4
Interest and other expenses of a consolidated real estate VIE	26.8	38.3	124.4	129.5
Other non-operating income	(9.9)	(39.6)	(11.7)	(14.0)
Total expenses	795.3	705.1	2,665.9	2,846.7
Other income (loss)				
Net investment gains (losses) of Consolidated Funds	(31.3)	125.5	935.8	994.5
Income (Loss) before provision for income taxes	(529.1)	175.4	560.3	1,189.0
Provision (benefit) for income taxes	(4.1)	(5.9)	12.4	63.9
Net income (loss)	(525.0)	181.3	547.9	1,125.1
Net income (loss) attributable to non-controlling interests in consolidated entities	(152.4)	53.2	657.5	747.4
Net income (loss) attributable to Carlyle Holdings	(372.6)	128.1	(109.6)	377.7
Net income (loss) attributable to non-controlling interests in Carlyle Holdings	(288.7)	102.7	(95.8)	308.2
Net income (loss) attributable to The Carlyle Group L.P.	$(83.9)	$25.4	$(13.8)	$69.5
Net income (loss) attributable to The Carlyle Group L.P. per common unit (see Note 15)				
Basic	$(1.05)	$0.38	$(0.19)	$1.11
Diluted	$(1.11)	$0.35	$(0.28)	$1.01

Weighted-average common units				
Basic	78,849,332	66,474,689	72,812,892	61,422,816
Diluted	301,558,908	72,086,875	299,143,320	67,440,601
Distributions declared per common unit	$0.89	$0.16	$2.83	$1.72

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

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The Carlyle Group L.P.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income (loss)	$(525.0)	$181.3	$547.9	$1,125.1
Other comprehensive income (loss)				
Foreign currency translation adjustments	156.8	(273.4)	(734.8)	(185.0)
Cash flow hedges				
Reclassification adjustment for loss included in interest expense	0.7	0.7	1.7	1.8
Defined benefit plans				
Unrealized gain (loss) for the period	(0.9)	0.9	0.1	3.2
Less: reclassification adjustment for loss during the period, included in base compensation expense	—	0.1	0.2	0.3
Other comprehensive income (loss)	156.6	(271.7)	(732.8)	(179.7)
Comprehensive income (loss)	(368.4)	(90.4)	(184.9)	945.4
Comprehensive (income) loss attributable to partners' capital appropriated for Consolidated Funds	(35.3)	124.9	26.5	303.5
Comprehensive income attributable to non-controlling interests in consolidated entities	(104.5)	(122.7)	(263.5)	(1,008.4)
Comprehensive loss attributable to redeemable non-controlling interests in consolidated entities	128.7	138.6	214.5	72.2
Comprehensive income (loss) attributable to Carlyle Holdings	(379.5)	50.4	(207.4)	312.7
Comprehensive (income) loss attributable to non-controlling interests in Carlyle Holdings	293.9	(33.0)	175.5	(248.1)
Comprehensive income (loss) attributable to The Carlyle Group L.P.	$(85.6)	$17.4	$(31.9)	$64.6

See accompanying notes.

The Carlyle Group L.P.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in millions)

	Nine Months Ended September 30,			
	2015		2014	
Cash flows from operating activities				
Net income	$547.9		$1,125.1	
Adjustments to reconcile net income to net cash flows from operating activities:				
Depreciation and amortization	281.7		125.4	
Equity-based compensation	291.0		262.9	
Excess tax benefits related to equity-based compensation	(1.4	)	(2.5	)
Non-cash performance fees	601.0		(526.0	)
Other non-cash amounts	41.8		20.8	
Consolidated Funds related:				
Realized/unrealized gain on investments of Consolidated Funds	(770.6	)	(1,098.6	)
Realized/unrealized (gain) loss from loans payable of Consolidated Funds	(197.0	)	168.1	
Purchases of investments by Consolidated Funds	(7,577.3	)	(8,318.8	)
Proceeds from sale and settlements of investments by Consolidated Funds	9,359.9		7,805.0	
Non-cash interest income, net	(3.0	)	(26.1	)
Change in cash and cash equivalents held at Consolidated Funds	1,670.3		2,115.6	
Change in other receivables held at Consolidated Funds	5.4		190.2	
Change in other liabilities held at Consolidated Funds	(223.0	)	177.3	
Investment (income) loss	2.7		(24.1	)
Purchases of investments	(51.5	)	(191.9	)
Proceeds from the sale of investments and trading securities	371.4		500.2	
Payments of contingent consideration	(17.8	)	(57.9	)
Changes in deferred taxes, net	(12.0	)	11.6	
Change in due from affiliates and other receivables	(3.4	)	(3.0	)
Change in receivables and inventory of a consolidated real estate VIE	(49.5	)	3.0	
Change in deposits and other	(9.3	)	(11.4	)
Change in other assets of a consolidated real estate VIE	(10.5	)	(0.9	)
Change in accounts payable, accrued expenses and other liabilities	(0.1	)	(35.6	)
Change in accrued compensation and benefits	(212.8	)	189.1	
Change in due to affiliates	253.5		(71.1	)
Change in other liabilities of a consolidated real estate VIE	43.9		(13.2	)
Change in deferred revenue	111.4		203.1	
Net cash provided by operating activities	4,442.7		2,516.3	
Cash flows from investing activities				
Change in restricted cash	(217.9	)	65.3	
Purchases of fixed assets, net	(49.8	)	(15.1	)
Acquisitions, net of cash acquired	—		(3.1	)
Net cash provided by (used in) investing activities	(267.7	)	47.1	
Cash flows from financing activities				
Issuance of 5.625% senior notes due 2043, net of financing costs	—		210.8	
Net payments on loans payable of a consolidated real estate VIE	(53.1	)	(15.9	)
Net payments on loans payable of Consolidated Funds	(40.0	)	(1,087.6	)

Payments of contingent consideration	(8.0)	(38.1)
Excess tax benefits related to equity-based compensation	1.4	2.5
Distributions to common unitholders	(206.0)	(91.9)
Distributions to non-controlling interest holders in Carlyle Holdings	(702.4)	(446.8)
Net proceeds from issuance of common units, net of offering costs	209.9	449.5
Acquisition of non-controlling interests in Carlyle Holdings	(209.9)	(303.4)
Contributions from non-controlling interest holders	1,629.9	1,923.9
Distributions to non-controlling interest holders	(4,325.2)	(2,593.9)
Change in due to/from affiliates financing activities	4.4	(47.9)
Change in due to/from affiliates and other receivables of Consolidated Funds	(341.1)	(33.2)
Net cash used in financing activities	(4,040.1)	(2,072.0)
Effect of foreign exchange rate changes	(69.4)	(63.8)
Increase in cash and cash equivalents	65.5	427.6
Cash and cash equivalents, beginning of period	1,242.0	966.6
Cash and cash equivalents, end of period	$1,307.5	$1,394.2
Supplemental non-cash disclosures		
Net increase in partners' capital and accumulated other comprehensive income related to reallocation of ownership interest in Carlyle Holdings	$25.4	$40.5
Non-cash contributions from non-controlling interest holders	$—	$5.8
Initial consolidation of Consolidated Funds	$36.0	$—
Deconsolidation of Consolidated Funds	$(36.0)	$—
Tax effect from acquisition of Carlyle Holdings partnership units:		
Deferred tax asset	$57.9	$73.5
Deferred tax liability	$2.6	$—
Tax receivable agreement liability	$49.8	$63.1
Total partners' capital	$5.5	$10.4

See accompanying notes.

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The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Basis of Presentation

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

Carlyle provides investment management services to, and has transactions with, various private equity funds, real estate funds, business development companies, collateralized loan obligations (“CLOs”), hedge funds and other investment products sponsored by the Partnership for the investment of client assets in the normal course of business. Carlyle typically serves as the general partner, investment manager or collateral manager, making day-to-day investment decisions concerning the assets of these products. Carlyle operates its business through four reportable segments: Corporate Private Equity, Global Market Strategies, Real Assets and Investment Solutions (see Note 18).

Basis of Presentation

The accompanying financial statements include the accounts of the Partnership and its consolidated subsidiaries. In addition, certain Carlyle-affiliated funds, related co-investment entities, certain CLOs managed by the Partnership (collectively the “Consolidated Funds”) and a real estate development company (see Note 17) have been consolidated in the accompanying financial statements pursuant to accounting principles generally accepted in the United States (“U.S. GAAP”), as described in Note 2. The consolidation of the Consolidated Funds generally has a gross-up effect on assets, liabilities and cash flows, and has no effect on the net income attributable to the Partnership. The majority economic ownership interests of the investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities, partners’ capital appropriated for Consolidated Funds and redeemable non-controlling interests in consolidated entities in the accompanying condensed consolidated financial statements.

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. These statements, including notes, have not been audited, exclude some of the disclosures required for annual financial statements, and should be read in conjunction with the audited consolidated financial statements included in the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission (“SEC”). The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair presentation of the financial condition and results of operations for the interim periods presented.

June 2015 Public Offering of Partnership Common Units

On June 5, 2015, the Partnership completed a public offering of 7,000,000 common units priced at $30.07 per common unit. The Partnership received net proceeds of approximately $209.9 million after deduction of offering expenses. The Partnership’s wholly owned subsidiaries used the net proceeds to acquire 7,000,000 Carlyle Holdings partnership units from the other limited partners of Carlyle Holdings, including certain of the Partnership’s directors and executive officers.

As the sole general partner of Carlyle Holdings, the Partnership consolidates the financial position and results of operations of Carlyle Holdings into its financial statements, and the other ownership interests in Carlyle Holdings are reflected as non-controlling interests in the Partnership’s consolidated financial statements. The Partnership accounted for this public offering as an acquisition of ownership interests in a subsidiary while retaining a controlling interest in the subsidiary. Accordingly, the carrying value of the non-controlling interest was adjusted to reflect the change in the ownership interests in Carlyle Holdings. The excess of the fair value consideration paid by the Partnership over the carrying amount of the non-controlling interest acquired was recognized directly as a reduction to partners' capital.

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The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The adjustment to partners' capital for the excess of fair value of the consideration transferred over the carrying value of the non-controlling interest acquired was derived as follows (Dollars in millions):

Acquisition-date fair value of consideration transferred:		
Cash	$209.9	
Carrying value of non-controlling interest acquired	(45.4	)
Excess of fair value of consideration transferred over carrying value of non-controlling interest acquired	$164.5	

The following summarizes the adjustments within partners' capital related to the June 2015 public offering (Dollars in millions):

	Partners' Capital/Accumulated Other Comprehensive Loss		Non-controlling interests in Carlyle Holdings		Total Partners' Capital	
Proceeds from The Carlyle Group L.P. common units issued	$ 209.9		$—		$209.9	
Acquisition of non-controlling interest in Carlyle Holdings	(164.5	)	(45.4	)	(209.9	)
Total increase (decrease)	$ 45.4		$(45.4	)	$—	

The acquisition by the Partnership of the 7,000,000 Carlyle Holdings partnership units from the other limited partners of Carlyle Holdings also is subject to the terms of the tax receivable agreement. Accordingly, the Partnership recorded a deferred tax asset of $57.9 million, an increase to the liability owed under the tax receivable agreement of $49.8 million, and an increase in partners' capital of $8.1 million based on estimated tax information available at the time. The liability is expected to be paid as the deferred tax asset is realized as a reduction in taxes payable.

Additionally, the Partnership recorded a deferred tax liability related to outside tax basis difference as a result of the Partnership's acquisition of additional interests in Carlyle Holdings. Accordingly, the Partnership recorded a deferred tax liability of $2.6 million with a corresponding decrease to partners' capital.

Following the issuance of common units in the June 2015 public offering, the vesting of deferred restricted common units, and the cancellation of certain unvested common units (see Note 16), the total number of Partnership common units outstanding as of September 30, 2015 was 80,241,015.

March 2014 Public Offering of Partnership Common Units

On March 10, 2014, the Partnership completed a public offering of 13,800,000 common units priced at $33.50 per common unit. The Partnership received net proceeds of approximately $449.5 million, after deduction of the underwriting discount and offering expenses. The Partnership's wholly-owned subsidiaries used $146.1 million of the net proceeds to acquire 4,500,000 newly issued Carlyle Holdings partnership units from Carlyle Holdings. These proceeds are being used by Carlyle Holdings for general corporate purposes, including investments in Carlyle's funds as well as investment capital for acquisitions of new fund platforms and strategies or other growth initiatives, to drive innovation across the broader Carlyle platform. The Partnership's wholly-owned subsidiaries used the remaining net proceeds of $303.4 million to acquire 9,300,000 Carlyle Holding partnership units from the other limited partners of Carlyle Holdings, including certain of the Partnership's directors and executive officers.

As it relates to the 4,500,000 newly issued Carlyle Holdings partnership units that the Partnership acquired, because the Partnership acquired these partnership units at a valuation in excess of the proportion of the book value of the net assets acquired, the Partnership incurred an immediate dilution of approximately $116.8 million. This dilution was reflected within partners' capital as a reallocation from partners' capital to non-controlling interests in Carlyle Holdings.

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The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

As it relates to the 9,300,000 Carlyle Holdings partnership units that the Partnership acquired from the other limited partners of Carlyle Holdings, the Partnership accounted for this transaction as an acquisition of ownership interests in a subsidiary while retaining a controlling interest in the subsidiary. Accordingly, the carrying value of the non-controlling interest was adjusted to reflect the change in the ownership interests in Carlyle Holdings. The excess of the fair value of the consideration issued by the Partnership over the carrying amount of the non-controlling interest acquired on the transaction date was $237.0 million, which was recognized directly as a reduction to partners' capital. Additionally, the acquisition by the Partnership of the 9,300,000 Carlyle Holdings partnership units from the other limited partners of Carlyle Holdings is subject to the terms of the tax receivable agreement. Accordingly, the Partnership recorded a deferred tax asset of $70.0 million, an increase to the liability owed under the tax receivable agreement of $60.1 million, and an increase in partners' capital of $9.9 million based on estimated tax information available at the time. The Partnership recorded subsequent adjustments for this exchange due to updated relevant tax calculations, which increased the deferred tax asset by $3.5 million, increased the liability to the limited partners by $3.0 million and increased partners' capital by $0.5 million. The liability is expected to be paid as the deferred tax asset is realized as a reduction in taxes payable.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

As of September 30, 2015, assets and liabilities of consolidated VIEs reflected in the condensed consolidated balance sheets were $23.1 billion and $18.0 billion, respectively. Except to the extent of the assets of the VIEs which are consolidated, the holders of the consolidated VIEs' liabilities generally do not have recourse to the Partnership. The assets and liabilities of the consolidated VIEs that are Consolidated Funds are comprised primarily of investments and loans payable, respectively.

The loans payable issued by the CLOs are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. In exchange for managing the collateral for the CLOs, the Partnership earns investment management fees, including in some cases subordinated management fees and contingent incentive fees. In cases where the Partnership consolidates the CLOs, those management fees have been eliminated as intercompany transactions. As of September 30, 2015, the Partnership held $186.4 million of investments in these CLOs which represents its maximum risk of loss. The Partnership’s investments in these CLOs are generally subordinated to other interests in the entities and entitle the Partnership to receive a pro rata portion of the residual cash flows, if any, from the entities. Investors in the CLOs have no recourse against the Partnership for any losses sustained in the CLO structure.

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

Investments in Unconsolidated Variable Interest Entities
The Partnership holds variable interests in certain VIEs that are not consolidated because the Partnership is not the primary beneficiary, including its strategic investment in NGP Management Company, L.L.C. ("NGP Management" and, together with its affiliates, "NGP"). Refer to Note 6 for information on this investment. The Partnership's involvement with such entities is in the form of direct equity interests and fee arrangements. The maximum exposure to loss represents the loss of assets recognized by the Partnership relating to these unconsolidated entities. The assets recognized in the Partnership's condensed consolidated balance sheets related to the Partnership's interests in these non-consolidated VIEs and the Partnership's maximum exposure to loss relating to non-consolidated VIEs were as follows:

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Investments	$482.5	$511.8
Receivables	13.9	3.7
Maximum Exposure to Loss	$496.4	$515.5

Basis of Accounting
The accompanying financial statements are prepared in accordance with U.S. GAAP. Management has determined that the Partnership's Funds are investment companies under U.S. GAAP for the purposes of financial reporting. U.S. GAAP for an investment company requires investments to be recorded at estimated fair value and the unrealized gains and/or losses in an investment's fair value are recognized on a current basis in the statements of operations. Additionally, the Funds do not consolidate their majority-owned and controlled investments (the "Portfolio Companies"). In the preparation of these condensed consolidated financial statements, the Partnership has retained the specialized accounting for the Funds.
All of the investments held and notes issued by the Consolidated Funds are presented at their estimated fair values in the Partnership's condensed consolidated balance sheets. Interest and other income of the Consolidated Funds as well as interest expense and other expenses of the Consolidated Funds are included in the Partnership's condensed consolidated statements of operations. The excess of the CLO assets over the CLO liabilities upon consolidation is reflected in the Partnership's condensed consolidated balance sheets as partners' capital appropriated for Consolidated Funds. Net income attributable to the investors in the CLOs is included in net income (loss) attributable to non-controlling interests in consolidated entities in the condensed consolidated statements of operations and partners' capital appropriated for Consolidated Funds in the condensed consolidated balance sheets.
Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates are based on historical experiences and other factors, including expectations of future events that management believes to be reasonable under the circumstances. It also requires management to exercise judgment in the process of applying the Partnership's accounting policies. Assumptions and estimates regarding the valuation of

investments and their resulting impact on performance fees involve a higher degree of judgment and complexity and these assumptions and estimates may be significant to the consolidated financial statements and the resulting impact on performance fees. Actual results could differ from these estimates and such differences could be material.

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Business Combinations
The Partnership accounts for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. Contingent consideration obligations that are elements of consideration transferred are recognized as of the acquisition date as part of the fair value transferred in exchange for the acquired business. Acquisition-related costs incurred in connection with a business combination are expensed.
Revenue Recognition
Fund Management Fees
The Partnership provides management services to funds in which it holds a general partner interest or has a management agreement. For corporate private equity, certain global market strategies funds and real assets funds, management fees are calculated based on (a) limited partners' capital commitments to the funds, (b) limited partners' remaining capital invested in the funds at cost or at the lower of cost or aggregate remaining fair value, (c) gross assets, excluding cash and cash equivalents or (d) the net asset value ("NAV") of certain of the funds, less offsets for the non-affiliated limited partners' share of transaction advisory and portfolio fees earned, as defined in the respective partnership agreements.
Management fees for corporate private equity, closed-end carry funds in the global market strategies segment and real assets funds generally range from 1% to 2% of commitments during the investment period of the relevant fund. Following the expiration or termination of the investment period of such funds, the management fees generally step-down to between 0.6% and 2.0% generally on the lower of cost or fair value of capital invested; however, certain of our managed accounts base management fees at all times on contributions for unrealized investments or the current value of the investment. The Partnership will receive management fees for corporate private equity and real assets funds during a specified period of time, which is generally ten years from the initial closing date, or, in some instances, from the final closing date, but such termination date may be earlier in certain limited circumstances or later if extended for successive one-year periods, typically up to a maximum of two years. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees are generally called semi-annually in advance and are recognized as earned over the subsequent six month period.
For certain global market strategies funds, management fees are calculated based on assets under management of the funds with generally lower fee rates. Hedge funds typically pay management fees quarterly that generally range from 1.5% to 2.0% of NAV per year. Management fees for the business development companies are due quarterly in arrears at annual rates that range from 0.25% to 1.0% of gross assets, excluding cash and cash equivalents. Management fees for the CLOs and other structured products typically range from 0.15% to 1.0% on the total par amount of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semi-annually based on the terms and recognized over the respective period. Management fees for the CLOs/structured products and credit opportunities are governed by indentures and collateral management agreements. The Partnership will receive management fees for the CLOs until redemption of the securities issued by the CLOs, which is generally five to ten years after issuance. Open-ended funds typically do not have stated termination dates.
Management fees for our private equity and real estate fund of funds vehicles generally range from 0.3% to 1.0% on the vehicle's capital commitments during the commitment fee period of the relevant fund or the weighted-average investment period of the underlying funds. Following the expiration of the commitment fee period or weighted-average investment period of such funds, the management fees generally range from 0.3% to 1.0% on the lower of cost or fair value of the capital invested, the net asset value for unrealized investments, or the contributions for unrealized investments. The management fees for our fund of hedge fund vehicles generally range from 0.2% to 1.5% of net asset value. Management fees for our Investment Solutions segment are generally due quarterly and recognized over the related quarter.

The Partnership also provides transaction advisory and portfolio advisory services to the Portfolio Companies, and where covered by separate contractual agreements, recognizes fees for these services when the service has been provided and collection is reasonably assured. Fund management fees includes transaction and portfolio advisory fees of $4.0 million and $21.9 million for the three months ended September 30, 2015 and 2014, respectively, and $16.4 million and $62.1 million for the nine months ended September 30, 2015 and 2014, respectively, net of any offsets as defined in the respective partnership agreements. Fund management fees exclude the reimbursement of any partnership expenses paid by the Partnership on behalf of the Carlyle funds pursuant to the limited partnership agreements, including amounts related to the pursuit of actual, proposed, or unconsummated investments, professional fees, expenses associated with the acquisition, holding and disposition of investments, and other fund administrative expenses.

Performance Fees

Performance fees consist principally of the allocation of profits from certain of the funds to which the Partnership is entitled (commonly known as carried interest). The Partnership is generally entitled to a 20% allocation (or 10% to 20% on external coinvestment vehicles, with some earning no carried interest, or approximately 2% to 10% in the case of most of the Partnership's fund of funds vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 8% to 9% and return of certain fund costs (generally subject to catch-up provisions as set forth in the fund limited partnership agreement) from its corporate private equity and real assets funds and closed-end carry funds in the global market strategies segment. Carried interest is recognized upon appreciation of the funds' investment values above certain return hurdles set forth in each respective partnership agreement. The Partnership recognizes revenues attributable to performance fees based upon the amount that would be due pursuant to the fund partnership agreement at each period end as if the funds were terminated at that date. Accordingly, the amount recognized as performance fees reflects the Partnership's share of the gains and losses of the associated funds' underlying investments measured at their then-current fair values relative to the fair values as of the end of the prior period. Because of the inherent uncertainty, these estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and it is reasonably possible that the difference could be material.

Carried interest is ultimately realized when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the fund's cumulative returns are in excess of the preferred return and (iv) the Partnership has decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by the Partnership in future periods if the funds' investment values decline below certain levels. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance fees are reversed. In all cases, each fund is considered separately in this regard, and for a given fund, performance fees can never be negative over the life of a fund. If upon a hypothetical liquidation of a fund's investments at their then-current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established for the potential giveback obligation. As of September 30, 2015 and December 31, 2014, the Partnership has recognized $264.0 million and $104.4 million, respectively, for giveback obligations.

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

Investment Income (Loss)

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

Interest Income

Interest income is recognized when earned. Interest income earned by the Partnership is included in interest and other income in the accompanying condensed consolidated statements of operations. Interest income of the Consolidated Funds was $219.0 million and $217.0 million for the three months ended September 30, 2015 and 2014, respectively, and $654.7 million and $653.0 million for the nine months ended September 30, 2015 and 2014, respectively, and is included in interest and other income of Consolidated Funds in the accompanying condensed consolidated statements of operations.

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Compensation and Benefits
Base Compensation – Base compensation includes salaries, bonuses (discretionary awards and guaranteed amounts), performance payment arrangements and benefits paid and payable to Carlyle employees. Bonuses are accrued over the service period to which they relate.
Equity-Based Compensation – Compensation expense relating to the issuance of equity-based awards to Carlyle employees is measured at fair value on the grant date. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis, adjusted for estimated forfeitures of awards that are not expected to vest. The compensation expense for awards that do not require future service is recognized immediately. Upon the end of the service period, compensation expense is adjusted to account for the actual forfeiture rate. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved; in certain instances, such compensation expense may be recognized prior to the grant date of the award.
Equity-based awards issued to non-employees are recognized as general, administrative and other expenses. The grant-date fair value of equity-based awards granted to Carlyle's non-employee directors is expensed on a straight-line basis over the vesting period. The cost of services received in exchange for an equity-based award issued to non-employees who are not directors is measured at each vesting date, and is not measured based on the grant-date fair value of the award unless the award is vested at the grant date. Equity-based awards that require the satisfaction of future service criteria are recognized over the relevant service period, adjusted for estimated forfeitures of awards that are not expected to vest, based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. Accordingly, the measured value of the award will not be finalized until the vesting date.
Performance Fee Related Compensation – A portion of the performance fees earned is due to employees and advisors of the Partnership. These amounts are accounted for as compensation expense in conjunction with the recognition of the related performance fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon any reversal of performance fee revenue, the related compensation expense is also reversed. As of September 30, 2015 and December 31, 2014, the Partnership had recorded a liability of $1.5 billion and $1.8 billion, respectively, related to the portion of accrued performance fees due to employees and advisors, which was included in accrued compensation and benefits in the accompanying condensed consolidated financial statements.
Income Taxes
Certain of the wholly-owned subsidiaries of the Partnership and the Carlyle Holdings partnerships are subject to federal, state, local and foreign corporate income taxes at the entity level and the related tax provision attributable to the Partnership's share of this income is reflected in the condensed consolidated financial statements. Based on applicable federal, foreign, state and local tax laws, the Partnership records a provision for income taxes for certain entities. Tax positions taken by the Partnership are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

The Partnership accounts for income taxes under the provisions of Accounting Standards Codification ("ASC") 740, Income Taxes ("ASC 740"), using the liability method. ASC 740 requires the recognition of deferred tax liabilities and assets for the expected future consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement reporting and the tax basis of assets and liabilities using enacted tax rates in effect for the period in which the difference is expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change in the provision for income taxes. Further, deferred tax assets are recognized for the expected realization of available net operating loss and tax credit carry forwards. A valuation allowance is recorded on the Partnership’s gross deferred tax assets when it is “more likely than not” that such asset will not be realized. When evaluating the realizability of the Partnership’s deferred tax assets, all evidence, both positive and negative, is evaluated. Items considered in this analysis include the ability to carry back losses, the reversal of temporary differences, tax planning strategies, and expectations of future earnings.

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

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financial statements. The Partnership recognizes accrued interest and penalties related to unrecognized tax positions in the provision for income taxes. If recognized, the entire amount of unrecognized tax positions would be recorded as a reduction in the provision for income taxes.

Tax Receivable Agreement

Exchanges of Carlyle Holdings partnership units for the Partnership's common units that are executed by the limited partners of the Carlyle Holdings partnerships result in transfers of and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, primarily attributable to a portion of the goodwill inherent in the business. These transfers and increases in tax basis will increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that certain of the Partnership's subsidiaries, including Carlyle Holdings I GP Inc., which are referred to as the "corporate taxpayers," would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The Partnership has entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships whereby the corporate taxpayers have agreed to pay to the limited partners of the Carlyle Holdings partnerships involved in any exchange transaction 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax or foreign or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and, in limited cases, transfers or prior increases in tax basis. The corporate taxpayers expect to benefit from the remaining 15% of cash tax savings, if any, in income tax they realize. Payments under the tax receivable agreement will be based on the tax reporting positions that the Partnership will determine. The corporate taxpayers will not be reimbursed for any payments previously made under the tax receivable agreement if a tax basis increase is successfully challenged by the Internal Revenue Service.

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

All of the effects to the deferred tax asset of changes in any of the Partnership's estimates after the tax year of the exchange will be reflected in the provision for income taxes. Similarly, the effect of subsequent changes in the enacted tax rates will be reflected in the provision for income taxes.

Non-controlling Interests

Non-controlling interests in consolidated entities represent the component of equity in consolidated entities held by third-party investors. These interests are adjusted for general partner allocations and by subscriptions and redemptions in hedge funds which occur during the reporting period. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and non-controlling interests. Transaction costs incurred in connection with such changes in ownership of a subsidiary are recorded as a direct charge to partners' capital.

Non-controlling interests related to hedge funds are subject to quarterly or monthly redemption by investors in these funds following the expiration of a specified period of time, or may be withdrawn subject to a redemption fee during the period when capital may not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third-party interests in such consolidated funds are presented as redeemable non-controlling interests in consolidated entities within the condensed consolidated balance sheets. When redeemable amounts become contractually payable to investors, they are classified as a liability and included in other liabilities of Consolidated Funds in the condensed consolidated balance sheets.

Non-controlling interests in Carlyle Holdings relate to the ownership interests of the other limited partners of the Carlyle Holdings partnerships. The Partnership, through wholly-owned subsidiaries, is the sole general partner of Carlyle Holdings. Accordingly, the Partnership consolidates Carlyle Holdings into its consolidated financial statements, and the other ownership interests in Carlyle Holdings are reflected as non-controlling interests in the Partnership's condensed consolidated financial statements. Any change to the Partnership's ownership interest in Carlyle Holdings while it retains the controlling financial

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interest in Carlyle Holdings is accounted for as a transaction within partners' capital as a reallocation of ownership interests in Carlyle Holdings.

Earnings Per Common Unit

The Partnership computes earnings per common unit in accordance with ASC 260, Earnings Per Share ("ASC 260"). Basic earnings per common unit is calculated by dividing net income (loss) attributable to the common units of the Partnership by the weighted-average number of common units outstanding for the period. Diluted earnings per common unit reflects the assumed conversion of all dilutive securities. Net income (loss) attributable to the common units excludes net income (loss) and dividends attributable to any participating securities under the two-class method of ASC 260.

Investments

Investments include (i) the Partnership's ownership interests (typically general partner interests) in the Funds, (ii) the investments held by the Consolidated Funds (all of which are presented at fair value in the Partnership's condensed consolidated financial statements), (iii) strategic investments made by the Partnership and (iv) certain credit-oriented investments.

The valuation procedures utilized for investments of the Funds vary depending on the nature of the investment. The fair value of investments in publicly-traded securities is based on the closing price of the security with adjustments to reflect appropriate discounts if the securities are subject to restrictions.

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

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

Upon the sale of a security or other investment, the realized net gain or loss is computed on a weighted average cost basis, with the exception of the CLOs, which compute the realized net gain or loss on a first in, first out basis. Securities transactions are recorded on a trade date basis.

Equity-Method Investments

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

Cash and Cash Equivalents

Cash and cash equivalents include cash held at banks and cash held for distributions, including temporary investments with original maturities of less than three months when purchased. Included in cash and cash equivalents is cash withheld from carried interest distributions for potential giveback obligations of $19.7 million and $29.9 million at September 30, 2015 and December 31, 2014, respectively.

Cash and Cash Equivalents Held at Consolidated Funds

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

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Restricted Cash

Restricted cash at September 30, 2015 and December 31, 2014 includes $11.9 million and $8.7 million, respectively, of cash received on behalf of certain non-consolidated Carlyle funds that was paid out in October 2015 and January 2015, respectively. At December 31, 2014, restricted cash also included €4.4 million ($5.4 million as of December 31, 2014) in escrow related to a tax contingency at one of the Partnership's real estate funds (see Note 11). This amount was repaid during the third quarter of 2015. Further, at December 31, 2014, restricted cash also included $13.2 million which is no longer restricted at September 30, 2015.

Also included in restricted cash at September 30, 2015 is $247.7 million of proceeds received on behalf of a non-consolidated Carlyle Fund related to the pending sale of an investment by that fund; these proceeds will be disbursed upon closing of the transaction. The Partnership has recorded a corresponding liability in due to affiliates for this amount. The remaining balance in restricted cash at September 30, 2015 and December 31, 2014 primarily represents cash held by the Partnership's foreign subsidiaries due to certain government regulatory capital requirements.

Restricted Cash and Securities of Consolidated Funds

Certain CLOs receive cash from various counterparties to satisfy collateral requirements on derivative transactions. Cash received to satisfy these collateral requirements of $1.9 million and $2.3 million is included in restricted cash and securities of Consolidated Funds at September 30, 2015 and December 31, 2014, respectively.

Certain CLOs hold U.S. Treasury notes and corporate bonds as collateral for specific classes of loans payable in the CLOs. As of September 30, 2015 and December 31, 2014, securities of $16.5 million and $12.6 million, respectively, are included in restricted cash and securities of Consolidated Funds.

Derivative Instruments

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

Fixed Assets

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

Intangible Assets and Goodwill

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

The Partnership's intangible assets include acquired contractual rights for fee income related to open-ended funds. Open-ended funds are subject to redemptions on a quarterly or more frequent basis and investors can generally decide to exit their fund investments at any time. The resulting inherent volatility in fee income derived from these contractual rights increases the degree of judgment and estimates used by management in evaluating such intangible assets for impairment. Actual results could differ from management's estimates and assumptions and such differences could result in a material impairment.

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

Deferred Revenue

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

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). The Partnership's other comprehensive income (loss) is comprised of unrealized gains and losses on cash flow hedges, foreign currency translation adjustments and gains and losses on defined benefit plans sponsored by AlpInvest. The components of accumulated other comprehensive income (loss) as of September 30, 2015 and December 31, 2014 were as follows:

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Unrealized losses on cash flow hedge instruments	$(0.6)	$(0.9)
Currency translation adjustments	(70.5)	(35.8)
Unrealized losses on defined benefit plans	(2.6)	(2.3)
Total	$(73.7)	$(39.0)

Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the condensed consolidated statements of operations are translated at rates of exchange in effect throughout the period. Foreign currency (gains) losses resulting from transactions outside of the functional currency of an entity of ($9.9 million) and $1.1 million for the three months ended September 30, 2015 and 2014, respectively, and $8.6 million and $5.6 million for the nine months ended September 30, 2015 and 2014, respectively, are included in general, administrative and other expenses in the condensed consolidated statements of operations.

Recent Accounting Pronouncements

In May 2015, the FASB issued ASU 2015-7, Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2015-7 provides amended guidance on the disclosures for investments in certain entities that calculate NAV per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015 and for interim periods within those years. Early application is permitted. The guidance is not expected to have a material impact on the Partnership's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-3, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs. ASU 2015-3 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and premiums. This guidance is effective for the Partnership on January 1, 2016 and the ASU requires the guidance to be applied on a retrospective basis. This guidance is not expected to have a material impact on the Partnership's consolidated financial statements upon adoption.

In February 2015, the FASB issued ASU 2015-2, Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The

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revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. This guidance in ASU 2015-2 will be effective for the Partnership beginning on January 1, 2016. The Partnership is currently assessing the impact that this guidance will have on its consolidated financial statements; however, the guidance is expected to reduce the number of funds consolidated by the Partnership. The expected deconsolidation would reduce the Partnership's total assets, total liabilities and total partners' capital, as well as impact net income, but there would be no impact to net income attributable to the Partnership.

In August 2014, the FASB issued ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. ASU 2014-13 relates to reporting entities that elect to measure all eligible financial assets and financial liabilities of a consolidated collateralized financing entity at fair value. Under the Partnership's current practice, the difference between the fair value of the financial assets and the fair value of the financial liabilities is classified within partners' capital appropriated for Consolidated Funds. ASU 2014-13 provides the option for a reporting entity to initially measure both the financial assets and financial liabilities using the fair value of the financial assets or financial liabilities, whichever is more observable. As a result, the reporting entity will no longer have a difference to report within appropriated partners' capital. This guidance will be effective for the Partnership on January 1, 2016. The Partnership's consolidated CLOs are consolidated collateralized financing entities for which the Partnership has measured financial assets and financial liabilities at fair value. The guidance is expected to change the measurement of the financial assets or financial liabilities of the Partnership's consolidated CLOs, which will impact net income but not impact net income attributable to the Partnership. Upon adoption, substantially all the balance within partners' capital appropriated for Consolidated Funds will be reclassified to investments of Consolidated Funds or loans payable of Consolidated Funds. At September 30, 2015 partners' capital appropriated for Consolidated Funds was $158.0 million.

In May 2014, the FASB issued ASU 2014-9, Revenue from Contracts with Customers (Topic 606). ASU 2014-9 provides comprehensive guidance for recognizing revenue from contracts with customers. Entities will be able to recognize revenue when the entity transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The guidance includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation. The guidance in ASU 2014-9 is effective for the Partnership beginning on January 1, 2018, with early adoption permitted as of the original effective date of January 1, 2017. The Partnership is still assessing the potential impact of this guidance, however, this may have a material impact on the Partnership's consolidated financial statements by significantly delaying the recognition of performance fee revenue.

3. Acquisitions

Acquisition of Diversified Global Asset Management Corporation

On February 3, 2014, the Partnership acquired 100% of the equity interests in Diversified Global Asset Management Corporation ("DGAM"), a Toronto, Canada-based alternative investment manager with $2.9 billion in fee-earning assets under management. As of February 3, 2014, DGAM also advised on $3.6 billion in assets, for which it earned a nominal advisory fee. The purchase price consisted of approximately $8.0 million in cash and 662,134 newly issued common units (approximately $23.1 million). The transaction also included contingent compensation of up to $23.7 million in cash and $47.3 million in common units, which are issuable through 2021 upon the achievement of certain performance and service-based requirements. The Partnership consolidated the financial position and results of operations of DGAM effective February 3, 2014 and accounted for this transaction as a business combination. DGAM

is the Partnership’s fund of hedge funds platform and is included in the Partnership’s Investment Solutions business segment.
See Note 3 to the consolidated financial statements included in the Partnership’s 2014 Annual Report on Form 10-K for additional information on other acquisitions made in the last three years.

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4. Fair Value Measurement

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

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

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

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

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

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

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

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The following table summarizes the Partnership's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of September 30, 2015:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$237.1	$71.8	$956.0	$1,264.9
Bonds	—	—	1,229.2	1,229.2
Loans	—	—	15,482.2	15,482.2
Partnership and LLC interests(1)	—	—	3,350.2	3,350.2
Hedge funds	—	2,660.3	—	2,660.3
Other	—	—	3.3	3.3
	237.1	2,732.1	21,020.9	23,990.1
Trading securities	—	—	1.6	1.6
Foreign currency forward contracts	—	13.3	—	13.3
Restricted securities of Consolidated Funds	7.8	—	8.7	16.5
Total	$244.9	$2,745.4	$21,031.2	$24,021.5
Liabilities				
Loans payable of Consolidated Funds	$—	$—	$16,665.1	$16,665.1
Derivative instruments of the CLOs	—	—	25.8	25.8
Contingent consideration(2)	—	—	16.6	16.6
Loans payable of a consolidated real estate VIE	—	—	109.1	109.1
Interest rate swaps	—	1.4	—	1.4
Foreign currency forward contracts	—	9.3	—	9.3
Total	$—	$10.7	$16,816.6	$16,827.3

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

(2) Balance relates to contingent cash and equity consideration associated with the acquisitions of Claren Road, AlpInvest, ESG, Carlyle Commodity Management L.L.C. ("Carlyle Commodity Management", formerly, Vermillion) and Metropolitan, excluding employment-based contingent consideration (see Note 9).

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The following table summarizes the Partnership's assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2014:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$346.8	$156.8	$1,968.5	$2,472.1
Bonds	—	—	1,235.8	1,235.8
Loans	—	—	15,084.9	15,084.9
Partnership and LLC interests(1)	—	—	3,481.0	3,481.0
Hedge funds	—	3,753.5	—	3,753.5
Other	—	—	1.5	1.5
	346.8	3,910.3	21,771.7	26,028.8
Trading securities	—	—	3.3	3.3
Restricted securities of Consolidated Funds	4.0	—	8.6	12.6
Total	$350.8	$3,910.3	$21,783.6	$26,044.7
Liabilities				
Loans payable of Consolidated Funds	$—	$—	$16,052.2	$16,052.2
Derivative instruments of the CLOs	—	—	17.2	17.2
Contingent consideration(2)	—	—	51.1	51.1
Loans payable of a consolidated real estate VIE	—	—	146.2	146.2
Interest rate swaps	—	3.2	—	3.2
Total	$—	$3.2	$16,266.7	$16,269.9

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

(2) Balance relates to contingent cash and equity consideration associated with the acquisitions of Claren Road, AlpInvest, ESG, Carlyle Commodity Management and Metropolitan, excluding employment-based contingent consideration (see Note 9).

Transfers from Level II to Level I during the nine months ended September 30, 2015 were due to the expiration of transferability restrictions on certain equity securities of Consolidated Funds that were previously classified as Level II. There were no transfers from Level II to Level I during the nine months ended September 30, 2014.

Investment professionals with responsibility for the underlying investments are responsible for preparing the investment valuations pursuant to the policies, methodologies and templates prepared by the Partnership's valuation group, which is a team made up of dedicated valuation professionals reporting to the Partnership's chief accounting officer. The valuation group is responsible for maintaining the Partnership's valuation policy and related guidance, templates and systems that are designed to be consistent with the guidance found in ASC 820, Fair Value Measurement. These valuations, inputs and preliminary conclusions are reviewed by the fund accounting teams. The valuations are then reviewed and approved by the respective fund valuation subcommittees, which are comprised of the respective fund head(s), segment head, chief financial officer and chief accounting officer, as well as members of the valuation group. The valuation group compiles the aggregate results and significant matters and presents them for review and approval by the global valuation committee, which is comprised of the Partnership's co-chief executive officers, president and chief operating officer, chief risk officer, chief financial officer, chief accounting officer, deputy chief investment officers for Corporate Private Equity, the business segment heads, and observed by the chief

compliance officer, the director of internal audit and the Partnership's audit committee. Additionally, each quarter a sample of valuations are reviewed by external valuation firms.
In the absence of observable market prices, the Partnership values its investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist. Management's determination of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors, including the appropriate risk adjustments for non-performance and liquidity risks. Investments for which market prices are not observable include private

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investments in the equity of operating companies and real estate properties, and certain debt positions. The valuation technique for each of these investments is described below:

Private Equity and Real Estate Investments – The fair values of private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), the discounted cash flow method, public market or private transactions, valuations for comparable companies or sales of comparable assets, and other measures which, in many cases, are unaudited at the time received. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rate ("cap rate") analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., applying a key performance metric of the investment such as EBITDA or net operating income to a relevant valuation multiple or cap rate observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar models. Adjustments to observable valuation measures are frequently made upon the initial investment to calibrate the initial investment valuation to industry observable inputs. Such adjustments are made to align the investment to observable industry inputs for differences in size, profitability, projected growth rates, geography and capital structure if applicable. The adjustments are reviewed with each subsequent valuation to assess how the investment has evolved relative to the observable inputs. Additionally, the investment may be subject to certain specific risks and/or development milestones which are also taken into account in the valuation assessment. Option pricing models and similar tools do not currently drive a significant portion of private equity or real estate valuations and are used primarily to value warrants, derivatives, certain restrictions and other atypical investment instruments.

Credit-Oriented Investments – The fair values of credit-oriented investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments. Specifically, for investments in distressed debt and corporate loans and bonds, the fair values are generally determined by valuations of comparable investments. In some instances, the Partnership may utilize other valuation techniques, including the discounted cash flow method.

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

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

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

Loans Payable of a Consolidated Real Estate VIE – The Partnership has elected the fair value option to measure the loans payable of a consolidated real estate VIE at fair value. The fair values of the loans are primarily based on discounted cash flows analyses, which consider the liquidity and current financial condition of the consolidated real estate VIE. These loans are classified as Level III.

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

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

	Financial Assets Three Months Ended September 30, 2015 Investments of Consolidated Funds							
	Equity securities	Bonds	Loans	Partnership and LLC interests	Other	Trading securities and other	Restricted securities of Consolidated Funds	Total
Balance, beginning of period	$1,023.8	$1,193.7	$15,460.9	$3,390.1	$4.0	$2.0	$8.7	$21,083.2
Transfers out [1]	(115.1)	—	—	—	—	—	—	(115.1)
Purchases	32.6	177.8	2,948.7	112.3	—	—	—	3,271.4
Sales	(21.0)	(117.1)	(1,543.2)	(390.3)	—	—	—	(2,071.6)
Settlements	—	—	(1,195.6)	—	—	—	—	(1,195.6)
Realized and unrealized gains (losses), net								
Included in earnings	11.1	(27.7)	(204.7)	121.3	(0.7)	(0.4)	—	(101.1)
Included in other comprehensive income	24.6	2.5	16.1	116.8	—	—	—	160.0
Balance, end of period	$956.0	$1,229.2	$15,482.2	$3,350.2	$3.3	$1.6	$8.7	$21,031.2
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$3.3	$(24.9)	$(199.8)	$(98.5)	$(0.7)	$(0.1)	$—	$(320.7)

	Financial Assets Nine Months Ended September 30, 2015 Investments of Consolidated Funds							
	Equity securities	Bonds	Loans	Partnership and LLC interests	Other	Trading securities and other	Restricted securities of Consolidated Funds	Total
Balance, beginning of period	$1,968.5	$1,235.8	$15,084.9	$3,481.0	$1.5	$3.3	$8.6	$21,783.6
Transfers out [1]	(115.1)	—	—	—	—	—	(3.9)	(119.0)
Purchases	60.6	403.2	6,223.0	350.8	—	—	3.9	7,041.5
Sales	(1,043.3)	(324.9)	(2,682.1)	(884.2)	—	—	—	(4,934.5)
Settlements	—	—	(2,693.1)	—	—	—	—	(2,693.1)
Realized and unrealized gains (losses), net								
Included in earnings	261.0	(4.4)	(88.3)	809.8	1.9	(1.7)	0.1	978.4
Included in other comprehensive income	(175.7)	(80.5)	(362.2)	(407.2)	(0.1)	—	—	(1,025.7)

Balance, end of period	$956.0	$1,229.2	$15,482.2	$3,350.2	$3.3	$1.6	$8.7	$21,031.2
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$(299.2)	$(4.9)	$(112.7)	$349.2	$2.1	$(1.4)	$(0.1)	$(67.0)

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Financial Assets
Three Months Ended September 30, 2014
Investments of Consolidated Funds

	Equity securities	Bonds	Loans	Partnership and LLC interests	Other	Trading securities and other	Restricted securities of Consolidated Funds	Total
Balance, beginning of period	$2,582.4	$1,345.8	$14,344.7	$3,761.8	$1.5	$ 4.7	$8.4	$22,049.3
Transfers out (1)	(47.7)	—	—	—	—	—	—	(47.7)
Purchases	1.1	167.2	2,572.3	101.3	—	—	—	2,841.9
Sales	(4.1)	(180.5)	(607.3)	(252.1)	(0.8)	(0.2)	—	(1,045.0)
Settlements	—	—	(1,054.2)	—	—	—	—	(1,054.2)
Realized and unrealized gains (losses), net								
Included in earnings	44.0	(2.8)	(47.0)	199.8	0.2	(0.8)	0.1	193.5
Included in other comprehensive income	(190.2)	(80.9)	(391.3)	(22.5)	(0.1)	—	—	(685.0)
Balance, end of period	$2,385.5	$1,248.8	$14,817.2	$3,788.3	$0.8	$ 3.7	$8.5	$22,252.8
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$55.5	$(3.0)	$(50.0)	$44.7	$0.2	$ (0.8)	$0.1	$46.7

Financial Assets
Nine Months Ended September 30, 2014
Investments of Consolidated Funds

	Equity securities	Bonds	Loans	Partnership and LLC interests	Other	Trading securities and other	Restricted securities of Consolidated Funds	Total
Balance, beginning of period	$2,714.1	$1,249.5	$14,067.8	$3,815.2	$2.0	$ 6.9	$8.6	$21,864.1
Transfers in (1)	4.5	—	—	—	—	—	—	4.5
Transfers out (1)	(135.2)	—	—	—	—	—	—	(135.2)
Purchases	27.5	557.2	6,331.7	274.3	—	—	—	7,190.7
Sales	(430.6)	(486.2)	(1,805.4)	(931.4)	(0.8)	(3.8)	—	(3,658.2)
Settlements	—	—	(3,285.7)	—	—	—	—	(3,285.7)
Realized and unrealized gains (losses), net								
Included in earnings	389.7	14.4	(65.9)	584.7	(0.3)	0.6	(0.1)	923.1
	(184.5)	(86.1)	(425.3)	45.5	(0.1)	—	—	(650.5)

Included in other comprehensive income								
Balance, end of period	$2,385.5	$1,248.8	$14,817.2	$3,788.3	$0.8	$ 3.7	$8.5	$22,252.8
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$81.8	$9.3	$(36.3)	$31.6	$0.1	$ 0.6	$(0.1)	$87.0

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

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	Financial Liabilities Three Months Ended September 30, 2015				
	Loans Payable of Consolidated Funds	Derivative Instruments of Consolidated Funds	Contingent Consideration	Loans Payable of a consolidated real estate VIE	Total
Balance, beginning of period	$16,727.5	$29.1	$47.9	$ 112.4	$16,916.9
Initial consolidation of funds	584.2	—	—	—	584.2
Borrowings	959.5	—	—	—	959.5
Paydowns	(1,315.9)	—	(21.4)	(20.4)	(1,357.7)
Sales	—	(0.9)	—	—	(0.9)
Realized and unrealized (gains) losses, net					
Included in earnings	(303.8)	(2.4)	(10.0)	12.8	(303.4)
Included in other comprehensive income	13.6	—	0.1	4.3	18.0
Balance, end of period	$16,665.1	$25.8	$16.6	$ 109.1	$16,816.6
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$(324.7)	$3.3	$(10.6)	$ 12.8	$(319.2)

	Financial Liabilities Nine Months Ended September 30, 2015				
	Loans Payable of Consolidated Funds	Derivative Instruments of Consolidated Funds	Contingent Consideration	Loans Payable of a consolidated real estate VIE	Total
Balance, beginning of period	$16,052.2	$17.2	$51.1	$ 146.2	$16,266.7
Initial consolidation of funds	1,248.6	—	—	—	1,248.6
Borrowings	2,584.6	—	—	—	2,584.6
Paydowns	(2,627.6)	—	(22.5)	(53.1)	(2,703.2)
Sales	—	(5.6)	—	—	(5.6)
Realized and unrealized (gains) losses, net					
Included in earnings	(198.8)	15.1	(11.8)	43.9	(151.6)
Included in other comprehensive income	(393.9)	(0.9)	(0.2)	(27.9)	(422.9)
Balance, end of period	$16,665.1	$25.8	$16.6	$ 109.1	$16,816.6
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$(244.8)	$(12.3)	$(12.4)	$ 43.9	$(225.6)

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	Financial Liabilities Three Months Ended September 30, 2014				
	Loans Payable of Consolidated Funds	Derivative Instruments of Consolidated Funds	Contingent Consideration	Loans Payable of a consolidated real estate VIE	Total
Balance, beginning of period	$16,136.4	$15.2	$120.2	$147.7	$16,419.5
Initial consolidation of funds	811.0	—	—	—	811.0
Borrowings	592.6	—	—	8.8	601.4
Paydowns	(673.6)	—	(21.9)	(19.5)	(715.0)
Sales	—	(0.6)	—	—	(0.6)
Realized and unrealized losses, net					
Included in earnings	53.3	4.4	(27.6)	9.1	39.2
Included in other comprehensive income	(498.8)	(1.2)	(0.4)	14.0	(486.4)
Balance, end of period	$16,420.9	$17.8	$70.3	$160.1	$16,669.1
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$16.5	$(3.9)	$(27.6)	$9.1	$(5.9)

	Financial Liabilities Nine Months Ended September 30, 2014				
	Loans Payable of Consolidated Funds	Derivative Instruments of Consolidated Funds	Contingent Consideration	Loans Payable of a consolidated real estate VIE	Total
Balance, beginning of period	$15,220.7	$13.1	$178.8	$122.1	$15,534.7
Initial consolidation of funds	811.0	—	—	—	811.0
Borrowings	3,066.9	—	—	45.5	3,112.4
Paydowns	(2,308.7)	—	(95.6)	(61.4)	(2,465.7)
Sales	—	(3.9)	—	—	(3.9)
Realized and unrealized losses, net					
Included in earnings	171.5	9.9	(12.5)	35.5	204.4
Included in other comprehensive income	(540.5)	(1.3)	(0.4)	18.4	(523.8)
Balance, end of period	$16,420.9	$17.8	$70.3	$160.1	$16,669.1
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$18.2	$(8.0)	$(12.5)	$35.5	$33.2

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

Realized and unrealized gains and losses included in earnings for Level III contingent consideration liabilities are included in other non-operating expense (income), and such gains and losses for loans payable of a consolidated real estate VIE are included in interest and other expenses of a consolidated real estate VIE in the condensed consolidated statement of operations.

Gains and losses included in other comprehensive income for all Level III financial asset and liabilities are included in accumulated other comprehensive loss, partners' capital appropriated for Consolidated Funds, non-controlling interests in consolidated entities and non-controlling interests in Carlyle Holdings in the condensed consolidated balance sheets.

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The following table summarizes quantitative information about the Partnership's Level III inputs as of September 30, 2015:

(Dollars in millions)	Fair Value at September 30, 2015	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	$938.3	Comparable Multiple	LTM EBITDA Multiple	4.6x - 15.6x (11.3x)
	17.7	Consensus Pricing	Indicative Quotes ($ per share)	$0 - $245 ($0)
Bonds	1,229.2	Consensus Pricing	Indicative Quotes (% of Par)	1 - 142 (98)
Loans	15,427.6	Consensus Pricing	Indicative Quotes (% of Par)	2 - 138 (98)
	54.6	Market Yield Analysis	Market Yield	5% - 16% (11%)
Partnership and LLC interests	3,350.2	NAV of Underlying Fund(1)	N/A	N/A
Other	3.3	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	0 - 15 (5)
	21,020.9			
Trading securities and other	1.6	Comparable Multiple	LTM EBITDA Multiple	5.8x - 5.8x (5.8x)
Restricted securities of Consolidated Funds	8.7	Consensus Pricing	Indicative Quotes (% of Par)	87 - 87 (87)
Total	$21,031.2			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	$15,460.0	Discounted Cash Flow with Consensus Pricing	Discount Rates	1% - 11% (3%)
			Default Rates	1% - 4% (3%)
			Recovery Rates	60% - 75% (66%)
			Indicative Quotes (% of Par)	35 - 102 (98)
Subordinated notes and preferred shares	1,186.2	Discounted Cash Flow with Consensus Pricing	Discount Rates	8% - 15% (11%)
			Default Rates	1% - 4% (2%)
			Recovery Rates	60% - 75% (66%)
			Indicative Quotes (% of Par)	1 - 116 (59)
Combination notes	18.9	Consensus Pricing		90 - 96 (94)

			Indicative Quotes (% of Par)	
Loans payable of a consolidated real estate VIE	109.1	Discounted Cash Flow	Discount to Expected Payment	0% - 100% (32%)
			Discount Rate	20% - 30% (23%)
Derivative instruments of the CLOs	25.8	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	6 - 35 (20)
Contingent consideration(2)	16.6	Discounted Cash Flow	Assumed % of Total Potential Contingent Payments	0% - 100% (6%)
			Discount Rate	5% - 21% (11%)
Total	$16,816.6			

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

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The following table summarizes quantitative information about the Partnership's Level III inputs as of December 31, 2014:

(Dollars in millions)	Fair Value at December 31, 2014	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	$1,783.7	Comparable Multiple	LTM EBITDA Multiple	4.8x- 16.2x (12.1x)
	168.7	Comparable Multiple	Forward EBITDA Multiple	8.4x-8.4x (8.4x)
	16.1	Consensus Pricing	Indicative Quotes ($ per share)	$0 - $246 ($0)
Bonds	1,235.8	Consensus Pricing	Indicative Quotes (% of Par)	1 - 133 (99)
Loans	14,873.4	Consensus Pricing	Indicative Quotes (% of Par)	0 - 126 (98)
	211.5	Market Yield Analysis	Market Yield	5% - 17% (11%)
Partnership and LLC interests	3,481.0	NAV of Underlying Fund[(1)]	N/A	N/A
Other	1.5	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	0 - 6 (3)
	21,771.7			
Trading securities and other	3.0	Comparable Multiple	LTM EBITDA Multiple	5.8x - 5.8x (5.8x)
	0.3	Discounted Cash Flow	Discount Rate	10% - 10% (10%)
Restricted securities of Consolidated Funds	8.6	Consensus Pricing	Indicative Quotes (% of Par)	87 - 87 (87)
Total	$21,783.6			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	$14,757.5	Discounted Cash Flow with Consensus Pricing	Discount Rates	1% - 11% (3%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	63% - 75% (68%)
			Indicative Quotes (% of Par)	35 - 100 (98)
Subordinated notes and preferred shares	1,278.8	Discounted Cash Flow with Consensus Pricing	Discount Rates	8% - 15% (10%)
			Default Rates	1% - 3% (2%)

			Recovery Rates	63% - 75% (68%)
			Indicative Quotes (% of Par)	1 - 132 (63)
Combination notes	15.9	Consensus Pricing	Indicative Quotes (% of Par)	97 - 98 (98)
Loans payable of a consolidated real estate VIE	146.2	Discounted Cash Flow	Discount to Expected Payment	0% - 100% (36%)
			Discount Rate	23% - 33% (26%)
Derivative instruments of the CLOs	17.2	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	2 - 22 (11)
Contingent consideration(2)	51.1	Discounted Cash Flow	Assumed % of Total Potential Contingent Payments	0% - 100% (20%)
			Discount Rate	5% - 18% (13%)
Total	$16,266.7			

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

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

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

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

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

The significant unobservable inputs used in the fair value measurement of the Partnership's restricted securities of Consolidated Funds include indicative quotes. Significant decreases in indicative quotes in isolation would result in a significantly lower fair value measurement.

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

The significant unobservable inputs used in the fair value measurement of the Partnership's loans payable of a consolidated real estate VIE are discount to expected payment and discount rate. A significant increase in either of these inputs in isolation would result in a significantly lower fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Partnership's derivative instruments of Consolidated Funds include indicative quotes. Significant decreases in indicative quotes in isolation would result in a significantly lower fair value measurement.

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

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5. Accrued Performance Fees
The components of accrued performance fees are as follows:

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Corporate Private Equity	$2,074.0	$2,932.6
Global Market Strategies	96.6	129.9
Real Assets	318.5	272.9
Investment Solutions	526.7	460.2
Total	$3,015.8	$3,795.6

Approximately 44% and 55% of accrued performance fees at September 30, 2015 and December 31, 2014, respectively, are related to Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., two of the Partnership's Corporate Private Equity funds.
Accrued performance fees are shown gross of the Partnership's accrued performance fee-related compensation, and accrued giveback obligations (see Note 10), which are separately presented in the condensed consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Corporate Private Equity	$(50.3)	$(52.4)
Real Assets	(213.7)	(52.0)
Total	$(264.0)	$(104.4)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Corporate Private Equity	$(257.8)	$217.1	$522.4	$981.8
Global Market Strategies	(52.3)	(19.4)	(29.9)	91.6
Real Assets	32.1	31.9	3.3	108.8
Investment Solutions	31.4	(42.2)	125.5	168.1
Total	$(246.6)	$187.4	$621.3	$1,350.3

Approximately 97% or ($239.5 million) of performance fees for the three months ended September 30, 2015 are related to Carlyle Partners IV, L.P., Carlyle Partners V, L.P., and Carlyle Asia Growth Partners IV, L.P., three of the Partnership's Corporate Private Equity funds, and Carlyle Energy Mezzanine Opportunities Fund, one of the Partnership's Global Market Strategies funds, and Carlyle Realty Partners V, L.P., Carlyle Realty Partners VI, L.P., and Carlyle/Riverstone Global Energy and Power Fund IV, L.P., three of the Partnership's Real Assets funds. Total revenues recognized from Carlyle Partners IV, L.P., Carlyle Partners V, L.P., Carlyle Asia Growth Partners IV, L.P., Carlyle Energy Mezzanine Opportunities Fund, Carlyle Realty Partners V, L.P., Carlyle Realty Partners VI, L.P. and Carlyle/Riverstone Global Energy and Power Fund IV, L.P. were ($25.1

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million), ($120.0 million), ($53.5 million), ($43.7 million), $38.5 million, $29.7 million, and $(41.0) million, respectively, for the three months ended September 30, 2015.

Approximately 33% or $206.3 million of performance fees for the nine months ended September 30, 2015 are related to Carlyle Partners V, L.P., and Carlyle Europe Partners III, L.P., two of the Partnership's Corporate Private Equity funds, and Carlyle Realty Partners VI, L.P., Carlyle/Riverstone Global Energy and Power Fund III, L.P., and Carlyle/Riverstone Global Energy and Power Fund IV, L.P., three of the Partnership's Real Assets funds. Total revenues recognized from Carlyle Partners V, L.P., Carlyle Europe Partners III, L.P., Carlyle Realty Partners VI, L.P., Carlyle/Riverstone Global Energy and Power Fund III, L.P., and Carlyle/Riverstone Global Energy and Power Fund IV, L.P. were $154.2 million, $202.0 million, $96.6 million, ($102.1) million, and($63.7) million, respectively, for the nine months ended September 30, 2015.

Approximately 64% or $120.6 million of performance fees for the three months ended September 30, 2014 were related to Carlyle Partners IV, L.P., Carlyle Partners V, L.P., Carlyle Europe Partners III, L.P., Carlyle U.S. Equity Opportunity Fund, L.P., four of the Partnership’s Corporate Private Equity funds, and Carlyle Realty Partners VI, L.P., one of the Partnership's Real Assets funds, as well as Claren Road's Master Fund and Credit Opportunities Fund and AlpInvest’s Main Fund III Secondary Investments (2006) and Main Fund III Co-Investments (2006). Total revenues recognized from Carlyle Partners IV, L.P., Carlyle Partners V, L.P., Carlyle Europe Partners III, L.P., Carlyle U.S. Equity Opportunity Fund, L.P. and Carlyle Realty Partners VI, L.P., were $(28.5) million, $107.9 million, $142.1 million, $38.4 million and $29.5 million, respectively, for the three months ended September 30, 2014. For the three months ended September 30, 2014 total revenue from Claren Road's Master Fund and Credit Opportunities Fund was $(6.0) million and $(7.4) million, respectively, and AlpInvest’s Main Fund III Secondary Investments (2006) and Main Fund III Co-Investments (2006) collectively was $(75.8) million. The revenue reversal from these AlpInvest vehicles resulted in a corresponding decrease to performance fee compensation expense of $56.9 million and a decrease to the provision for income taxes of $18.9 million, resulting in no net impact to the net income attributable to Carlyle Holdings for this period.

Approximately 66% or $897.2 million of performance fees for the nine months ended September 30, 2014 were related to Carlyle Partners V, L.P., and Carlyle Europe Partners III, L.P. Total revenues recognized from Carlyle Partners V, L.P., and Carlyle Europe Partners III, L.P., were $487.8 million and $527.2 million, respectively, for the nine months ended September 30, 2014.

6. Investments

Investments consist of the following:

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Equity method investments, excluding accrued performance fees	$874.3	$918.7
Trading securities and other investments	22.9	12.9
Total investments	$897.2	$931.6

Strategic Investment in NGP

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

The Partnership’s equity interests in NGP Management entitle the Partnership to an allocation of income equal to 55.0% of the management fee-related revenues of the NGP entities that serve as the advisors to certain private equity funds, and future interests in the general partners of certain future carry funds advised by NGP that entitle the Partnership to an allocation of income equal to 47.5% of the carried interest received by such fund general partners.

For periods prior to 2015, the Partnership's allocation of income related to management fee-related revenues of NGP was 47.5%. This increase in the allocation of income did not result in a change in accounting for the investment as an equity method investment. The

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Partnership has an option, exercisable by the Partnership in approximately 10 years, to purchase from ECM Capital, L.P. and its affiliates, for a formulaic purchase price in cash based upon a measure of the earnings of NGP, the remaining equity interests in NGP Management.

In July 2014, the Partnership exercised another option granted in 2012 to acquire from BNRI its interests in the general partner of the NGP Natural Resources X, L.P. fund (“NGP X”), which entitles the Partnership to an allocation of income equal to 40% of the carried interest received by the fund’s general partner. The Partnership additionally acquired certain general partner investments in the NGP X fund. As of September 30, 2015 there was no carrying value of the Partnership’s investment in the NGP X general partner attributable to the carried interest allocation, while at December 31, 2014 it was approximately $18.5 million. The carrying value of the Partnership’s general partner investments in the NGP X fund was $20.7 million as of September 30, 2015 and $20.4 million as of December 31, 2014.

In consideration for these interests and option, the Partnership paid an aggregate of $504.6 million in cash to ECM Capital, L.P. and BNRI, and issued 996,572 Carlyle Holdings partnership units to ECM Capital, L.P. that vest ratably over a period of five years. The transaction also includes contingent consideration payable to ECM Capital, L.P. of up to $45.0 million in cash, 597,944 Carlyle Holdings partnership units that were issued at closing but vest upon the achievement of performance conditions, and contingently issuable Carlyle Holdings partnership units with a value of up to $15.0 million that will be issued if the performance conditions are met. The contingent consideration is payable in 2018, depending on NGP’s achievement of certain business performance goals. Additionally, the transaction includes contingent consideration payable to BNRI of up to $183.0 million, which will be payable in 2016 approximately one-third in cash and approximately two-thirds by a six year promissory note issued by the Partnership, if the performance conditions are met. The promissory note will accrue interest at the three month LIBOR plus 2.5%.

As of September 30, 2015, the NGP Natural Resources XI, L.P. fund (“NGP XI”) had closed on aggregate commitments of approximately $5.3 billion. The management fees for this fund will turn on January 1, 2016 or sooner as the fund deploys capital. Based on the amount of NGP XI commitments raised through September 30, 2015, it is probable that BNRI will be entitled to receive the contingent consideration when such payment becomes due. Accordingly, as of September 30, 2015, the Partnership has accrued $183.0 million related to this future payment obligation. The timing of the cash payment and issuance of the promissory note to BNRI is based on the contractual agreement between the Partnership and BNRI, which is estimated to be in early 2016.

The Partnership also has a senior advisor consulting agreement with the chief executive officer of NGP and granted in 2012 deferred restricted common units to a group of NGP personnel who are providing the Partnership with consulting services.

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

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The Partnership records investment income (loss) for its equity income allocation from NGP management fees and performance fees, and also records its share of any allocated expenses from NGP Management, expenses associated with the compensatory elements of the transaction, and the amortization of the basis differences related to the definitive-lived identifiable intangible assets of NGP Management. The net investment earnings (loss) recognized in the Partnership's condensed consolidated statements of operations for the three and nine months ended September 30, 2015 and 2014 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Management fees	$14.5	$13.8	$41.4	$43.4
Performance fees	(3.4)	3.1	(18.5)	3.1
Investment income (loss)	(2.0)	—	(2.5)	—
Expenses and amortization of basis differences	(15.3)	(19.3)	(53.1)	(57.6)
Net investment income (loss)	$(6.2)	$(2.4)	$(32.7)	$(11.1)

The difference between the Partnership's carrying value of its investment and its share of the underlying net assets of the investee was $99.1 million and $141.6 million as of September 30, 2015 and December 31, 2014, respectively; these differences are amortized over a period of 10 years from the initial investment date.

Equity-Method Investments

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

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Corporate Private Equity	$228.1	$246.3
Global Market Strategies	24.0	25.3
Real Assets	622.2	647.1
Total	$874.3	$918.7

The Partnership evaluates each of its equity method investments to determine if disclosure of summarized income statement information is required under Article 10 of Regulation S-X. As of September 30, 2015 and for the three and nine months then ended, no individual equity method investment held by the Partnership met the threshold for disclosure of summarized income statement information.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Income (loss) from equity investments	$(14.7)	$4.3	$0.5	$32.3
Income (loss) from trading securities	(1.3)	(0.9)	(1.5)	0.5
Other investment income	6.5	0.4	7.5	0.8
Total	$(9.5)	$3.8	$6.5	$33.6

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Corporate Private Equity	$(10.0)	$12.1	$20.2	$40.1
Global Market Strategies	(1.3)	0.7	(0.4)	2.4
Real Assets	(3.4)	(8.5)	(19.3)	(10.2)
Total	$(14.7)	$4.3	$0.5	$32.3

Trading Securities and Other Investments

Trading securities and other investments as of September 30, 2015 and December 31, 2014 primarily consisted of $22.9 million and $12.9 million, respectively, of investments in derivative instruments and corporate mezzanine securities and bonds, as well as other cost method investments.

Investments of Consolidated Funds

During the nine months ended September 30, 2015, the Partnership formed five new CLOs. The Partnership has concluded that these CLOs are VIEs and the Partnership is the primary beneficiary. As a result, the Partnership consolidated the financial positions and results of operations of these CLOs into its condensed consolidated financial statements beginning on their respective closing dates. As of September 30, 2015, the total assets of these CLOs included in the Partnership's condensed consolidated financial statements were approximately $3.2 billion.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Interest income from investments	$219.0	$217.0	$654.7	$653.0
Other income	40.4	17.1	88.0	75.5
Total	$259.4	$234.1	$742.7	$728.5

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Gains (losses) from investments of Consolidated Funds	$(337.8)	$169.5	$738.1	$1,151.4
Gains (losses) from liabilities of CLOs	306.6	(45.3)	197.0	(158.4)
Gains (losses) on other assets of CLOs	(0.1)	1.3	0.7	1.5
Total	$(31.3)	$125.5	$935.8	$994.5

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Realized gains	$433.8	$248.2	$867.9	$1,194.4
Net change in unrealized losses	(771.6)	(78.7)	(129.8)	(43.0)
Total	$(337.8)	$169.5	$738.1	$1,151.4

7. Intangible Assets and Goodwill
The following table summarizes the carrying amount of intangible assets as of September 30, 2015 and December 31, 2014:

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Acquired contractual rights	$833.7	$843.0
Acquired trademarks	6.6	6.7
Accumulated amortization	(714.4)	(455.1)
Finite-lived intangible assets, net	125.9	394.6

Goodwill	45.7	47.5
Intangible assets, net	$171.6	$442.1

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The following table summarizes the changes in the carrying amount of goodwill by segment as of September 30, 2015. There was no goodwill associated with the Partnership’s Corporate Private Equity and Real Assets segments.

	Global Market Strategies	Investment Solutions	Total
	(Dollars in millions)		
Balance as of December 31, 2014	$28.0	$19.5	$47.5
Foreign currency translation	—	(1.8)	(1.8)
Balance as of September 30, 2015	$28.0	$17.7	$45.7

As discussed in Note 2, the Partnership reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. During the three months ended September 30, 2015, the Partnership evaluated for indicators of impairment certain definite-lived intangible assets associated with acquired contractual rights for fee income. This evaluation was performed on the intangible assets related to the open-ended credit hedge funds in the Global Market Strategies segment. In the third quarter of 2015, Claren Road received approximately $1.9 billion of investor redemption notices, which are expected to be paid over the next several quarters, starting in the fourth quarter of 2015. These redemptions, and any future reductions in assets managed by Claren Road, will result in lower management fees by Claren Road in subsequent periods and lower earnings contributions to the Partnership from Claren Road. As a result of these events, the Partnership concluded that the carrying value of its intangible assets associated with the acquisition of Claren Road was impaired and recorded an impairment of $186.6 million during the three months ended September 30, 2015. When including the reduction of the related liabilities for contingent consideration associated with Claren Road, the pre-tax net impact to the Partnership's financial results for the three months ended September 30, 2015 was $162.4 million.

Separately, the Partnership recorded an impairment loss of $11.8 million and $30.6 million during the nine months ended September 30, 2015 and 2014, respectively, to reduce the carrying value of other Global Market Strategies intangible assets to their estimated fair value.

The fair value determinations were based on a probability-weighted discounted cash flow model. These fair value measurements were based on significant inputs not observable in the market (primarily discount rates ranging from 10% to 20%) and thus represented Level III measurements as defined in the accounting guidance for fair value measurements. The impairment losses were included in general, administrative and other expenses in the accompanying condensed consolidated financial statements for the three and nine months ended September 30, 2015, respectively, and the nine months ended September 30, 2014.

Intangible asset amortization expense, excluding impairment losses, was $20.4 million and $25.1 million during the three months ended September 30, 2015 and 2014, respectively, and $64.1 million and $78.0 million during the nine months ended September 30, 2015 and 2014, respectively, and is included in general, administrative, and other expenses in the condensed consolidated statements of operations.

The following table summarizes the expected amortization expense for October 1, 2015 through December 31, 2019 and thereafter (Dollars in millions):

2015	$12.1
2016	38.3
2017	35.2
2018	19.2
2019	9.0

Thereafter	12.1
	$125.9

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8. Borrowings

The Partnership borrows and enters into credit agreements for its general operating and investment purposes. The Partnership's borrowings consist of the following (Dollars in millions):

	As of September 30, 2015		As of December 31, 2014	
	Borrowing Outstanding	Carrying Value	Borrowing Outstanding	Carrying Value
Senior Credit Facility Term Loan Due 5/05/2020	$25.0	$25.0	$25.0	$25.0
CLO Term Loan (1)	14.1	14.1	15.2	15.2
3.875% Senior Notes Due 2/01/2023	500.0	499.9	500.0	499.9
5.625% Senior Notes Due 3/30/2043	600.0	606.6	600.0	606.8
	$1,139.1	$1,145.6	$1,140.2	$1,146.9

(1) Due the earlier of September 28, 2018 or the date that the CLO is dissolved.

Senior Credit Facility

As of September 30, 2015, the senior credit facility included $25.0 million in a term loan and $750.0 million in a revolving credit facility. As of September 30, 2015, the term loan and revolving credit facility were scheduled to mature on May 5, 2020. Principal amounts outstanding under the term loan and revolving credit facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.75%, or (b) at LIBOR plus an applicable margin not to exceed 1.75% (at September 30, 2015, the interest rate was 1.33%). There was no amount outstanding under the revolving credit facility at September 30, 2015. Interest expense under the senior credit facility was not significant for the three and nine months ended September 30, 2015 and 2014. The fair value of the outstanding balances of the term loan and revolving credit facility at September 30, 2015 and December 31, 2014 approximated par value based on current market rates for similar debt instruments and are classified as Level III within the fair value hierarchy.

On May 5, 2015, the Partnership entered into Amendment No. 2 to the senior credit facility, which: (i) extended the maturity date of the term loan and revolving credit facility from August 9, 2018 to May 5, 2020, (ii) revised the management fee earning assets covenant to remove the step up requirement to add a percentage of future acquired AUM to set the minimum management fee earning assets amount, (iii) changed the definition of Indebtedness to provide for a deduction of unrestricted cash, and (iv) reduced the corporate ratings-based pricing grid. The costs related to the amendment to the senior credit facility were not material.

CLO Term Loan

On October 3, 2013, the Partnership borrowed €12.6 million ($14.1 million at September 30, 2015) under a term loan and security agreement with a financial institution. Proceeds from the borrowing were used to fund the Partnership's investment in a CLO. Interest on the term loan accrues at EURIBOR plus 1.75% (1.75% at September 30, 2015). The Partnership may prepay the facility in whole or in part at any time without penalty. The facility is scheduled to mature on the earlier of 5 years after closing or the date that the CLO is dissolved. The facility is secured by the Partnership's investment in the CLO. Interest expense on the term loan was not significant for the three and nine months ended September 30, 2015 and 2014. The fair value of the outstanding balance of the term loan at September 30, 2015 and December 31, 2014 approximated par value based on current market rates for similar debt instruments and is classified as Level III within the fair value hierarchy.

3.875% Senior Notes

In January 2013, an indirect finance subsidiary of the Partnership issued $500.0 million in aggregate principal amount of 3.875% senior notes due February 1, 2023 at 99.966% of par. Interest is payable semi-annually on February 1 and August 1, beginning August 1, 2013. This subsidiary may redeem the senior notes in whole at any time or in part from time to time at a price equal to the greater of 100% of the principal amount of the notes being redeemed and the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semi-annual basis at the Treasury rate plus 30 basis points plus accrued and unpaid interest on the principal amounts being redeemed to the redemption date.

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Interest expense on the notes was $5.0 million for the three months ended September 30, 2015 and 2014, and $14.9 million for the nine months ended September 30, 2015 and 2014. At September 30, 2015 and December 31, 2014, the fair value of the notes, including accrued interest, was approximately $516.2 million and $521.2 million, respectively, based on indicative quotes. The notes are classified as Level II within the fair value hierarchy.

5.625% Senior Notes

In March 2013, an indirect finance subsidiary of the Partnership issued $400.0 million in aggregate principal amount of 5.625% senior notes due March 30, 2043 at 99.583% of par. Interest is payable semi-annually on March 30 and September 30, beginning September 30, 2013. This subsidiary may redeem the senior notes in whole at any time or in part from time to time at a price equal to the greater of 100% of the principal amount of the notes being redeemed and the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semi-annual basis at the Treasury rate plus 40 basis points plus accrued and unpaid interest on the principal amounts being redeemed to the redemption date.

In March 2014, an indirect finance subsidiary of the Partnership issued $200.0 million of 5.625% Senior Notes due March 30, 2043 at 104.315% of par. The net proceeds from the issuance of these notes are being used for general corporate purposes, including investments in Carlyle's funds as well as investment capital for acquisitions of new fund platforms and strategies or other growth initiatives, to drive innovation across the broader Carlyle platform. These notes were issued as additional 5.625% Senior Notes and will be treated as a single class with the already outstanding $400.0 million aggregate principal amount of these senior notes.

Interest expense on the notes was $8.4 million for the three months ended September 30, 2015 and 2014, and $25.3 million and $23.1 million for the three and nine months ended September 30, 2015 and 2014, respectively. At September 30, 2015 and December 31, 2014, the fair value of the notes, including accrued interest, was approximately $633.9 million and $707.6 million, respectively, based on indicative quotes. The notes are classified as Level II within the fair value hierarchy.

Interest Rate Swaps

The Partnership is subject to interest rate risk associated with its variable rate debt financing. To manage this risk, the Partnership has an outstanding interest rate swap to fix the base LIBOR interest rate on its term loan borrowings with a notional amount of $293.8 million at September 30, 2015 that amortizes through September 30, 2016.

In the first quarter of 2013, $475.0 million of term loan principal was prepaid. As a result of these term loan prepayments, the interest rate swap is no longer accounted for as a cash flow hedge; the interest rate swap is accounted for as a freestanding derivative instrument recorded at fair value each period with changes in fair value recorded through earnings. The pre-existing hedge loss included in accumulated other comprehensive loss for this interest rate swap of $8.8 million is being reclassified into earnings as the original forecasted transactions affect earnings.

In March 2013, the Partnership entered into a second interest rate swap with a notional amount of $268.8 million at September 30, 2015 that amortizes through September 30, 2016. This interest rate swap is accounted for as a freestanding derivative instrument recorded at fair value each period with changes in fair value recorded through earnings.

Debt Covenants

The Partnership is subject to various financial covenants under its loan agreements including, among other items, maintenance of a minimum amount of management fee-earning assets. The Partnership is also subject to various non-financial covenants under its loan agreements and the indentures governing its senior notes. The Partnership was in compliance with all financial and non-financial covenants under its various loan agreements as of September 30, 2015.

The consolidated real estate VIE was not in compliance with the debt covenants related to substantially all of its loans payable as of September 30, 2015 (see Note 17); such violations do not cause a default or event of default under the

Partnership’s senior credit facility, CLO term loan, senior notes, or the loans payable of Consolidated Funds.

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Loans Payable of Consolidated Funds

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

As of September 30, 2015 and December 31, 2014, the following borrowings were outstanding, which includes preferred shares classified as liabilities (Dollars in millions):

	As of September 30, 2015				
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior secured notes	$15,731.6	$15,460.0	1.86	%	9.32
Subordinated notes and preferred shares	1,193.9	1,186.2	N/A	(a)	8.52
Combination notes	20.0	18.9	N/A	(b)	6.51
Total	$16,945.5	$16,665.1			

	As of December 31, 2014				
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior secured notes	$15,104.2	$14,757.5	1.68	%	9.21
Subordinated notes and preferred shares	1,242.3	1,278.8	N/A	(a)	8.28
Combination notes	15.0	15.9	N/A	(b)	7.14
Total	$16,361.5	$16,052.2			

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

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

Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consisted of cash and cash equivalents, corporate loans, corporate bonds and other securities. As of September 30, 2015 and December 31, 2014, the fair value of the CLO assets was $18.0 billion and $17.6 billion, respectively.

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9. Contingent Consideration

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

	Rollforward For The Three Months Ended September 30, 2015				
	Amounts payable to the sellers who are Carlyle professionals				
	Performance-based contingent cash consideration	Performance-based contingent equity consideration	Employment-based contingent consideration	Contingent cash and other consideration payable to non-Carlyle personnel	Total
	(Dollars in millions)				
Balance, beginning of period	$28.5	$ —	$101.6	$224.1	$354.2
Change in carrying value	0.2	—	(11.2)	(7.8)	(18.8)
Payments	(20.2)	—	—	(1.1)	(21.3)
Issuances of equity	—	—	—	—	—
Balance, end of period	$8.5	$ —	$90.4	$215.2	$314.1

	Rollforward For The Nine Months Ended September 30, 2015				
	Amounts payable to the sellers who are Carlyle professionals				
	Performance-based contingent cash consideration	Performance-based contingent equity consideration	Employment-based contingent consideration	Contingent cash and other consideration payable to non-Carlyle personnel	Total
	(Dollars in millions)				
Balance, beginning of period	$26.8	$ —	$156.8	$201.0	$384.6
Change in carrying value	1.9	—	(60.9)	16.5 (a)	(42.5)
Payments	(20.2)	—	(3.3)	(2.3)	(25.8)
Issuances of equity	—	—	(2.2)	—	(2.2)
Balance, end of period	$8.5	$ —	$90.4	$215.2	$314.1

	Rollforward For The Three Months Ended September 30, 2014				
	Amounts payable to the sellers who are senior Carlyle professionals				
	Performance-based contingent cash consideration	Performance-based contingent equity consideration	Employment-based contingent consideration	Contingent cash and other consideration payable to non-Carlyle personnel	Total
	(Dollars in millions)				
Balance, beginning of period	$88.4	$ 26.2	$184.3	$43.9	$342.8
Change in carrying value	(29.9)	(12.0)	(26.0)	157.3	89.4

Payments	(20.2)	—	(0.4)	(1.7)	(22.3)
Issuance of equity	$—	$ —	$ (0.6)	$—	$ (0.6)
Balance, end of period	$ 38.3	$ 14.2	$ 157.3	$ 199.5	$ 409.3

	Rollforward For The Nine Months Ended September 30, 2014				
	Amounts payable to the sellers who are senior Carlyle professionals				
	Performance-based contingent cash consideration	Performance-based contingent equity consideration	Employment-based contingent consideration	Contingent cash and other consideration payable to non-Carlyle personnel	Total
	(Dollars in millions)				
Balance, beginning of period	$ 145.1	$ 15.7	$ 148.7	$ 40.8	$ 350.3
Change in carrying value	(16.1)	(1.5)	9.6	163.6	155.6
Payments	(90.7)	—	(0.4)	(4.9)	(96.0)
Issuance of equity	$—	$ —	$ (0.6)	$—	$ (0.6)
Balance, end of period	$ 38.3	$ 14.2	$ 157.3	$ 199.5	$ 409.3

(a) - Refer to Note 6 for information on the contingent consideration payable to BNRI from the strategic investment in NGP.

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The fair value of the performance-based contingent cash and equity consideration payable to the sellers who are Carlyle professionals has been recorded in due to affiliates in the accompanying condensed consolidated balance sheets. These payments are not contingent upon the Carlyle professional being employed by Carlyle at the time that the performance conditions are met. Changes in the fair value of these amounts are recorded in other non-operating expense (income) in the condensed consolidated statements of operations. The portion of the contingent consideration payment attributable to the initial amount recorded as part of the consideration transferred is classified as cash flows from financing activities. The portion of the contingent consideration payment that is attributable to the subsequent changes in the fair value of the contingent consideration is classified as cash flows from operating activities in the condensed consolidated statements of cash flows.

The amount of employment-based contingent cash consideration payable to the sellers who are Carlyle professionals has been recorded as accrued compensation and benefits in the accompanying condensed consolidated balance sheets. Changes in the value of these amounts are recorded as compensation expense in the condensed consolidated statements of operations. In June 2015, the Partnership amended the agreements relating to the original acquisition of Vermillion, now called Carlyle Commodity Management. As a result of the amendment, the Partnership's economic interest in Carlyle Commodity Management increased from 55% to approximately 83% effective July 1, 2015; no consideration was paid by the Partnership for the increase in economic interest. Also, as a result of the amendment, the estimated value of the employment-based contingent consideration liability decreased by $46.3 million, which was recognized by the Partnership as a reduction in base compensation expense for the nine months ended September 30, 2015.

The fair value of contingent consideration payable to non-Carlyle personnel is included in accounts payable, accrued expenses and other liabilities, or due to affiliates for amounts payable to NGP, in the accompanying condensed consolidated balance sheets. Changes in the fair value of this contingent consideration are recorded in other non-operating expense (income), or investment income in the case of amounts payable to NGP, in the condensed consolidated statements of operations. Included in the change in carrying value for the nine months ended September 30, 2015 is $23.2 million related to the accrual of additional contingent consideration payable to BNRI (See Note 6). This amount was capitalized into the carrying value of the Partnership's equity method investment in NGP.

The fair values of the performance-based contingent cash consideration for business acquisitions were based on probability-weighted discounted cash flow models. These fair value measurements are based on significant inputs not observable in the market and thus represent Level III measurements as defined in the accounting guidance for fair value measurement. Refer to Note 4 for additional disclosures related to the fair value of these instruments as of September 30, 2015 and December 31, 2014.

The following table represents the maximum amounts that could be paid from contingent cash obligations associated with the business acquisitions and the strategic investment in NGP Management:

	As of September 30, 2015			
	Business Acquisitions	NGP Investment	Total	Liability Recognized on Financial Statements (1)
		(Dollars in millions)		
Performance-based contingent cash consideration	$209.3	$183.0	$392.3	$223.7
Employment-based contingent cash consideration	180.7	45.0	225.7	90.4
Total maximum cash obligations	$390.0	$228.0	$618.0	$314.1

(1) On the condensed consolidated balance sheet, the liability for performance-based contingent cash consideration is included in due to affiliates (for amounts owed to Carlyle professionals and NGP) and accounts payable, accrued

expenses, and other liabilities (for amounts owed to other sellers), and the liability for employment-based contingent cash consideration is included in accrued compensation and benefits.

Some of the employment-based contingent cash consideration agreements do not contain provisions limiting the amount that could be paid by the Partnership. For purposes of the table above, the Partnership has used its current estimate of the amount to be paid upon the determination dates for such payments. In the consolidated financial statements, the Partnership records the performance-based contingent cash consideration from business acquisitions at fair value at each reporting period. For the employment-based contingent cash consideration, the Partnership accrues the compensation liability over the implied service period.

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10. Accrued Compensation and Benefits

Accrued compensation and benefits consist of the following:

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Accrued performance fee-related compensation	$1,525.3	$1,815.4
Accrued bonuses	305.6	229.6
Employment-based contingent cash consideration	90.4	156.8
Other	124.1	110.7
Total	$2,045.4	$2,312.5

11. Commitments and Contingencies

Capital Commitments

The Partnership and its unconsolidated affiliates have unfunded commitments to entities within the following segments as of September 30, 2015 (Dollars in millions):

	Unfunded Commitments
Corporate Private Equity	$2,011.4
Global Market Strategies	351.6
Real Assets	734.1
Investment Solutions	35.7
	$3,132.8

Of the $3.1 billion of unfunded commitments, approximately $2.7 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership. In addition to these unfunded commitments, the Partnership may from time to time exercise its right to purchase additional interests in its investment funds that become available in the ordinary course of their operations.

Guaranteed Loans

On August 4, 2001, the Partnership entered into an agreement with a financial institution pursuant to which the Partnership is the guarantor on a credit facility for eligible employees investing in Carlyle sponsored funds. This credit facility renews on an annual basis, allowing for annual incremental borrowings up to an aggregate of $11.3 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 3%, reset quarterly (3.28% weighted-average rate at September 30, 2015). As of September 30, 2015 and December 31, 2014, approximately $7.2 million and $7.9 million, respectively, were outstanding under the credit facility and payable by the employees. The amount funded by the Partnership under this guarantee as of September 30, 2015 was not material. The Partnership believes the likelihood of any material funding under this guarantee to be remote. The fair value of this guarantee is not significant to the consolidated financial statements.

Contingent Obligations (Giveback)

A liability for potential repayment of previously received performance fees of $264.0 million at September 30, 2015, is shown as accrued giveback obligations in the condensed consolidated balance sheets, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at September 30, 2015. However, the ultimate giveback obligation, if any, does not become realized until the end of a fund’s life (see Note 2). The Partnership has recorded $30.4 million and $27.7 million of unbilled receivables from former and current employees and senior Carlyle professionals as

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of September 30, 2015 and December 31, 2014, respectively, related to giveback obligations, which are included in due from affiliates and other receivables, net in the accompanying condensed consolidated balance sheets. Current and former senior Carlyle professionals and employees are personally responsible for their giveback obligations. The receivables are collateralized by investments made by individual senior Carlyle professionals and employees in Carlyle-sponsored funds. In addition, $363.7 million and $336.5 million have been withheld from distributions of carried interest to senior Carlyle professionals and employees for potential giveback obligations as of September 30, 2015 and December 31, 2014, respectively. Such amounts are held by an entity not included in the accompanying condensed consolidated balance sheets.

If, at September 30, 2015, all of the investments held by the Partnership's Funds were deemed worthless, a possibility that management views as remote, the amount of realized and distributed carried interest subject to potential giveback would be $1.9 billion, on an after-tax basis where applicable.

Leases

The Partnership leases office space in various countries around the world and maintains its headquarters in Washington, D.C., where it leases its primary office space under a non-cancelable lease agreement expiring on July 31, 2026. Office leases in other locations expire in various years from 2015 through 2031. These leases are accounted for as operating leases. Rent expense was approximately $13.7 million and $13.3 million for the three months ended September 30, 2015 and 2014, respectively, and $42.6 million and $40.0 million for the nine months ended September 30, 2015 and 2014, respectively, and is included in general, administrative and other expenses in the condensed consolidated statements of operations.

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

2015	$13.3
2016	54.4
2017	50.6
2018	46.2
2019	40.6
Thereafter	336.7
	$541.8

The Partnership records contractual escalating minimum lease payments on a straight-line basis over the term of the lease. Deferred rent payable under the leases was $52.5 million and $40.4 million as of September 30, 2015 and December 31, 2014, respectively, and is included in accounts payable, accrued expenses and other liabilities in the accompanying condensed consolidated balance sheets.

Legal Matters

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

Along with many other companies and individuals in the financial sector, the Partnership and Carlyle Mezzanine Partners, L.P. ("CMP") are named as defendants in Foy v. Austin Capital, a case filed in June 2009, pending in the State of New Mexico's First Judicial District Court, County of Santa Fe, which purports to be a qui tam suit on behalf of the State of New Mexico under the state Fraud Against Taxpayers Act ("FATA"). The suit alleges that investment decisions by New Mexico public investment funds were improperly influenced by campaign contributions and payments to politically connected placement agents. The plaintiffs seek, among other things, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including the Partnership and CMP on the grounds that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has

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brought two civil actions against certain of those defendants, not including the Partnership defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions. Foy v. Austin Capital had been stayed while the plaintiff pursued an interlocutory appeal on the question of whether FATA could be applied retroactively to events that occurred prior to its effective date. In June 2015, the New Mexico Supreme Court ruled that FATA could be applied retroactively in certain circumstances. A new judge has been appointed to hear the case and the Attorney General recently indicated that it intended to file a motion to dismiss the entire litigation so that the Attorney General can pursue its own recovery from the defendants in the action. The judge has set a schedule for hearing that motion to dismiss with oral argument scheduled for April 2016.

Carlyle Capital Corporation Limited ("CCC") was a fund sponsored by the Partnership that invested in AAA-rated residential mortgage backed securities on a highly leveraged basis. In March of 2008, amidst turmoil throughout the mortgage markets and money markets, CCC filed for insolvency protection in Guernsey. The Guernsey liquidators who took control of CCC in March 2008 filed a suit on July 7, 2010 against the Partnership, certain of its affiliates and the former directors of CCC in the Royal Court of Guernsey seeking $1.0 billion in damages in a case styled Carlyle Capital Corporation Limited v. Conway et al. The Guernsey liquidators allege that the Partnership and the CCC board of directors were negligent, grossly negligent or willfully mismanaged the CCC investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. The liquidators further allege (among other things) that the directors and the Partnership put the interests of the Partnership ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing the Partnership's reputation and its "brand" over the best interests of CCC. On July 24, 2013, plaintiffs filed an amended complaint, which contained further detail in support of the existing claims but no new defendants or claims. On December 20, 2013, defendants filed a defense to the amended complaint and on June 30, 2014 plaintiffs filed their reply. In September 2015, the liquidators served expert reports. Expert witness reports for the Partnership and the CCC directors are due on February 1, 2016. The Court has set the case schedule and trial is scheduled for June 2016.

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

Other Contingencies

From 2007 to 2009, a Luxembourg subsidiary of CEREP I, a real estate fund, received proceeds from the sale of real estate located in Paris, France. Based on a provision in the Luxembourg-France tax treaty, it did not report or pay tax in France on gain from the sale. The French tax authorities asserted that CEREP I was ineligible to claim exemptions from French tax under the tax treaty, and issued a tax assessment seeking to collect taxes, interest and penalties.

On April 15, 2015, the French tax court issued an opinion in this matter that was adverse to CEREP I, holding the Luxembourg property company liable for approximately €105 million (including penalties and interest accrued since the beginning of the tax dispute). The Partnership disagrees with the outcome and filed a petition of appeal on July 3, 2015. In June 2015, in satisfaction of the obligation to the French government, CEREP I paid approximately €30 million of the tax obligations and the Partnership paid approximately €67 million in its capacity as a guarantor. The remaining €7 million of the tax obligations was paid in the third quarter of 2015. CEREP I has approximately €1 million in net assets as of September 30, 2015. Additionally, the French Ministry of Justice is expected to continue its investigation of the actions of the Luxembourg property company and its former directors, managers and representatives in claiming the tax treaty exemptions.

The Partnership was required to provide a financial guarantee to the French government in July 2012 for the amount of French tax assessed against CEREP I. Since that time, the Partnership has consolidated CEREP I into its consolidated financial statements. CEREP I recognized a loss of approximately $34 million which has been included in net investment gains/losses of Consolidated Funds for the three months ended March 31, 2015 and the nine months ended September 30, 2015, and this amount reduced net income attributable to Carlyle Holdings in the Partnership’s condensed consolidated financial statements for those periods. In 2013 and 2014, the Partnership had previously recognized losses of approximately €42 million for the French tax matter, which were reflected in net investment gains/losses of Consolidated Funds and reduced net income attributable to Carlyle Holdings.

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Indemnifications

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

Risks and Uncertainties

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

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

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

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

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

The Partnership considers cash, cash equivalents, securities, receivables, equity-method investments, accounts payable, accrued expenses, other liabilities, loans payable, senior notes, assets and liabilities of Consolidated Funds and contingent and other consideration for acquisitions to be its financial instruments. Except for the senior notes, the carrying amounts reported in the condensed consolidated balance sheets for these financial instruments equal or closely approximate their fair values. The fair value of the senior notes is disclosed in Note 8.

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12. Related Party Transactions

Due from Affiliates and Other Receivables, Net

The Partnership had the following due from affiliates and other receivables at September 30, 2015 and December 31, 2014:

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Unbilled receivable for giveback obligations from current and former employees	$30.4	$27.7
Notes receivable and accrued interest from affiliates	20.8	11.1
Other receivables from unconsolidated funds and affiliates, net	153.9	160.6
Total	$205.1	$199.4

Notes receivable represent loans that the Partnership has provided to certain unconsolidated funds to meet short-term obligations to purchase investments. Other receivables from certain of the unconsolidated funds and portfolio companies relate to management fees receivable from limited partners, advisory fees receivable and expenses paid on behalf of these entities. These costs represent costs related to the pursuit of actual or proposed investments, professional fees and expenses associated with the acquisition, holding and disposition of the investments. The affiliates are obligated at the discretion of the Partnership to reimburse the expenses. Based on management's determination, the Partnership accrues and charges interest on amounts due from affiliate accounts at interest rates ranging up to 7.10% as of September 30, 2015. The accrued and charged interest to the affiliates was not significant for any period presented.

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

Due to Affiliates

The Partnership had the following due to affiliates balances at September 30, 2015 and December 31, 2014:

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Due to affiliates of Consolidated Funds	$0.8	$0.6
Due to non-consolidated affiliates (1)	282.6	37.1
Performance-based contingent cash and equity consideration related to acquisitions	32.6	43.6
Amounts owed under the tax receivable agreement	138.0	89.0
Other	16.1	13.9
Total	$470.1	$184.2

(1) Refer to Note 2 for information on the restricted cash due to one of the Partnership's non-consolidated funds.

The Partnership has recorded obligations for amounts due to certain of its affiliates. The Partnership periodically offsets expenses it has paid on behalf of its affiliates against these obligations. The amount owed under the tax receivable agreement is related primarily to the acquisition by the Partnership of 7,000,000 and 9,300,000 Carlyle

Holdings partnership units in June 2015 and March 2014, respectively, (see Note 1) as well as the exchange in May 2012 by CalPERS of its Carlyle Holdings partnership units for Partnership common units.

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Other Related Party Transactions

In the normal course of business, the Partnership has made use of aircraft owned by entities controlled by senior Carlyle professionals. The senior Carlyle professionals paid for the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by the Partnership for the business use of these aircraft by senior Carlyle professionals and other employees is made at market rates, which totaled $1.4 million and $1.3 million for the three months ended September 30, 2015 and 2014, respectively, and $4.0 million and $4.2 million for the nine months ended September 30, 2015 and 2014, respectively. These fees are included in general, administrative, and other expenses in the condensed consolidated statements of operations.

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

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

The Partnership does business with some of its portfolio companies; all such arrangements are on a negotiated basis. Substantially all revenue is earned from affiliates of Carlyle.

13. Income Taxes

The Partnership is generally organized as a series of pass through entities pursuant to the United States Internal Revenue Code. As such, the Partnership is not responsible for the tax liability due on certain income earned during the year. Such income is taxed at the unitholder and non-controlling interest holder level, and any income tax is the responsibility of the unitholders and is paid at that level. For income taxes on income earned for which the Partnership is responsible for the tax liability, the Partnership’s income tax expense (benefit) was $(4.1) million and $(5.9) million for the three months ended September 30, 2015 and 2014, respectively, and $12.4 million and $63.9 million for the nine months ended September 30, 2015 and 2014, respectively.

In the normal course of business, the Partnership is subject to examination by federal and certain state, local and foreign tax regulators. As of September 30, 2015, the Partnership’s U.S. federal income tax returns for the years 2012 through 2014 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 2011 to 2014. Foreign tax returns are generally subject to audit from 2008 to 2014. Certain of the Partnership’s affiliates are currently under audit by federal, state and foreign tax authorities.

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

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14. Non-controlling Interests in Consolidated Entities

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

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	$4,677.4	$6,160.1
Non-Carlyle interests in majority-owned subsidiaries	336.1	301.4
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	(118.8)	(15.1)
Non-controlling interests in consolidated entities	$4,894.7	$6,446.4

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Non-Carlyle interests in Consolidated Funds	$(22.0)	$333.4	$1,005.6	$1,162.2
Non-Carlyle interests in majority-owned subsidiaries	(9.2)	(17.9)	(25.6)	(55.6)
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	(22.5)	(11.2)	(85.1)	1.1
Net income (loss) attributable to other non-controlling interests in consolidated entities	(53.7)	304.3	894.9	1,107.7
Net income (loss) attributable to partners' capital appropriated for CLOs	30.0	(112.5)	(22.9)	(288.1)
Net income (loss) attributable to redeemable non-controlling interests in consolidated entities	(128.7)	(138.6)	(214.5)	(72.2)
Non-controlling interests in income (loss) of consolidated entities	$(152.4)	$53.2	$657.5	$747.4

There have been no significant changes in the Partnership's ownership interests in its consolidated entities for the periods presented other than the Partnership's acquisition of 7,000,000 and 13,800,000 Carlyle Holdings partnership units in June 2015 and March 2014, respectively (see Note 1).

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15. Earnings Per Common Unit
Basic and diluted net income (loss) per common unit are calculated as follows:

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	Basic	Diluted	Basic	Diluted
Net loss attributable to The Carlyle Group L.P.	$(83,900,000)	$(83,900,000)	$(13,800,000)	$(13,800,000)
Dilution of earnings due to participating securities with distribution rights	820,200	—	163,250	(1,423,000)
Incremental net loss from assumed exchange of Carlyle Holdings partnership units	—	(250,900,000)	—	(67,800,000)
Net loss attributable to common units	$(83,079,800)	$(334,800,000)	$(13,636,750)	$(83,023,000)
Weighted-average common units outstanding	78,849,332	301,558,908	72,812,892	299,143,320
Net loss per common unit	$(1.05)	$(1.11)	$(0.19)	$(0.28)

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Basic	Diluted	Basic	Diluted
Net income attributable to The Carlyle Group L.P.	$25,400,000	$25,400,000	$69,500,000	$69,500,000
Dilution of earnings due to participating securities with distribution rights	(304,000)	(290,600)	(1,077,500)	(1,105,300)
Net income attributable to common units	$25,096,000	$25,109,400	$68,422,500	$68,394,700
Weighted-average common units outstanding	66,474,689	72,086,875	61,422,816	67,440,601
Net income per common unit	$0.38	$0.35	$1.11	$1.01

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

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. weighted-average common units outstanding	78,849,332	78,849,332	72,812,892	72,812,892
Unvested deferred restricted common units	—	—	—	—
Weighted-average vested Carlyle Holdings Partnership units	—	216,864,271	—	216,956,438
Unvested Carlyle Holdings Partnership units	—	5,845,305	—	9,373,990
Weighted-average common units outstanding	78,849,332	301,558,908	72,812,892	299,143,320

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. weighted-average common units outstanding	66,474,689	66,474,689	61,422,816	61,422,816
Unvested deferred restricted common units	—	5,146,277	—	5,551,876
Contingently issuable Carlyle Holdings Partnership units	—	465,909	—	465,909
Weighted-average common units outstanding	66,474,689	72,086,875	61,422,816	67,440,601

The Carlyle Group L.P. weighted-average common units outstanding includes vested deferred restricted common units and common units associated with acquisitions that have been earned for which issuance of the related common units is deferred until future periods.

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The Partnership applies the treasury stock method to determine the dilutive weighted-average common units represented by the unvested deferred restricted common units. Also included in the determination of dilutive weighted-average common units are contingently issuable Carlyle Holdings partnership units and common units associated with the Claren Road, Carlyle Commodity Management, Metropolitan, and DGAM acquisitions. For purposes of determining the dilutive weighted-average common units, it is assumed that September 30, 2015 and 2014 represent the end of the contingency period, the “if-converted” method is applied to any Carlyle Holdings partnership units issuable therefrom, and the treasury stock method is applied.

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

In computing the dilutive effect that the exchange of Carlyle Holdings partnership units would have on earnings per common unit, the Partnership considered that net income available to holders of common units would increase due to the elimination of non-controlling interests in Carlyle Holdings (including any tax impact). Based on these calculations, 216,864,271 and 216,956,438 of vested Carlyle Holdings partnership units and 5,845,305 and 9,373,990 of unvested Carlyle Holdings partnership units for the three and nine months ended September 30, 2015, respectively, were dilutive. As a result, the net loss of non-controlling interests in Carlyle Holdings associated with this assumed exchange of $250.9 million and $67.8 million for the three and nine months ended September 30, 2015 has been included in net income (loss) attributable to The Carlyle Group L.P. for purposes of the dilutive earnings per common unit calculation. However, for the three and nine months ended September 2015, 3,501,505 and 4,625,233 of unvested deferred restricted common units were antidilutive, and therefore have been excluded.

Further, based on these calculations, the incremental 228,449,290 and 229,987,569 of vested and unvested Carlyle Holdings partnership units for the three and nine months ended September 30, 2014, respectively, were antidilutive, and therefore have been excluded.

On August 1, 2013, as part of acquiring the remaining 40% equity interests in AlpInvest, the Partnership issued 914,087 common units that are subject to vesting conditions. As of September 30, 2015, 766,991 common units remain unvested. The common units participate immediately in any Partnership distributions. Under ASC 260, these common units are considered participating securities and are required to be included in the computation of earnings per common unit pursuant to the two-class method.

16. Equity-Based Compensation

In May 2012, Carlyle Group Management L.L.C., the general partner of the Partnership, adopted The Carlyle Group L.P. 2012 Equity Incentive Plan (the “Equity Incentive Plan”). The Equity Incentive Plan is a source of equity-based awards permitting the Partnership to grant to Carlyle employees, directors of the Partnership’s general partner and consultants non-qualified options, unit appreciation rights, common units, restricted common units, deferred restricted common units, phantom restricted common units and other awards based on the Partnership’s common units and Carlyle Holdings partnership units. The total number of the Partnership’s common units and Carlyle Holdings partnership units which were initially available for grant under the Equity Incentive Plan was 30,450,000. The Equity Incentive Plan contains a provision which automatically increases the number of the Partnership’s common units and Carlyle Holdings partnership units available for grant based on a pre-determined formula; this increase occurs annually on January 1. As of January 1, 2015, pursuant to the formula, the total number of the Partnership’s common units and Carlyle Holdings partnership units available for grant under the Equity Incentive Plan was 31,895,630.

Unvested Partnership Common Units

On August 1, 2013, the Partnership acquired the remaining 40% equity interest in AlpInvest. As part of the transaction, the Partnership issued 914,087 common units to AlpInvest sellers who are employees of the Partnership that are subject to vesting conditions. In June 2015, 11,674 unvested common units were forfeited and canceled by the Partnership. At the same time, in accordance with the Carlyle Holdings partnership agreements, Carlyle Holdings canceled a corresponding number of Carlyle Holdings partnership units held by the Partnership.

These newly issued common units were unvested at grant and vest over a period of up to five years. The unvested common units are accounted for as equity-based compensation in accordance with ASC Topic 718, Compensation – Stock Compensation ("ASC 718"). The grant-date fair value of the unvested common units is charged to equity-based compensation on a straight-line basis over the required service period. Additionally, the calculation of the expense assumes a forfeiture rate of up to 5%. For the three months ended September 30, 2015 and 2014, the Partnership recorded $1.8 million and $1.9 million in equity-based compensation expense associated with these awards, respectively. For the nine months ended September 30, 2015 and 2014, the Partnership recorded $6.9 million and $6.4 million in equity-based compensation expense associated with these awards, respectively. As of September 30, 2015, the total unrecognized equity-based compensation expense related to unvested common units, considering estimated forfeitures, is $3.9 million, which is expected to be recognized over a weighted-average term of 0.6 years.

Unvested Carlyle Holdings Partnership Units

Unvested Carlyle Holdings partnership units are held by senior Carlyle professionals and other individuals engaged in Carlyle's business and generally vest ratably over a six-year period. The unvested Carlyle Holdings partnership units are accounted for as equity-based compensation in accordance with ASC 718. The grant-date fair value of the unvested Carlyle Holdings partnership units are charged to equity-based compensation expense on a straight-line basis over the required service period. Additionally, the calculation of the expense assumes a forfeiture rate of up to 2.5%. The Partnership recorded equity-based compensation expense associated with these awards of $41.8 million and $43.3 million for the three months ended September 30, 2015 and 2014, respectively, and $147.9 million and $148.8 million for the nine months ended September 30, 2015 and 2014, respectively. No tax benefits have been recorded related to the unvested Carlyle Holdings partnership units, as the vesting of these units does not result in a tax deduction to the corporate taxpayers.

In connection with the Partnership's investment in NGP Management in December 2012, the Partnership issued 996,572 Carlyle Holdings partnership units to ECM Capital, L.P. which vest ratably over a period of five years. The Partnership also issued 597,944 Carlyle Holdings partnership units to ECM Capital, L.P. that were issued at closing but vest upon the achievement of performance conditions. The fair value of these units will be recognized as a reduction to the Partnership's investment income in NGP Management over the relevant service or performance period, based on the fair value of the units on each reporting date and adjusted for the actual fair value of the units at each vesting date. For the Carlyle Holdings partnership units that vest based on the achievement of performance conditions, the Partnership uses the minimum number of partnership units within the range of potential values for measurement and recognition purposes.

As of September 30, 2015, the total unrecognized equity-based compensation expense related to unvested Carlyle Holdings partnership units, considering estimated forfeitures, is $481.5 million, which is expected to be recognized over a weighted-average term of 2.6 years.

Deferred Restricted Common Units

The deferred restricted common units are unvested when granted and vest ratably over a service period, which ranges up to six years. The grant-date fair value of the deferred restricted common units granted to Carlyle's employees is charged to equity-based compensation expense on a straight-line basis over the required service period. Additionally, the calculation of the expense assumes a forfeiture rate that generally ranges from 2% to 10% and a per unit discount that generally ranges up to 25%, as these unvested awards do not participate in any Partnership distributions. During the first quarter of 2015, the Partnership revised its estimated forfeiture rates to a range of 2% to 10% from a previous range of 5% to 15%. As a result, the Partnership recognized $7.5 million of equity-based compensation expense for the nine months ended September 30, 2015 for the cumulative effect of the change in this estimate. The Partnership recorded compensation expense of $43.1 million and $33.9 million for the three months ended September 30, 2015 and 2014, respectively, with $4.0 million and $4.2 million of corresponding deferred tax benefits, respectively. The

Partnership recorded compensation expense of $134.5 million and $105.3 million for the nine months ended September 30, 2015 and 2014, respectively, with $12.7 million and $13.1 million of corresponding deferred tax benefits, respectively. As of September 30, 2015, the total unrecognized equity-based compensation expense related to unvested deferred restricted common units, considering estimated forfeitures, is $339.5 million, which is expected to be recognized over a weighted-average term of 2.6 years.

Equity-based awards issued to non-employees are recognized as general, administrative and other expenses. The expense associated with the deferred restricted common units granted to NGP personnel by the Partnership are recognized as a reduction of the Partnership’s investment income in NGP Management. The grant-date fair value of deferred restricted common units

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granted to Carlyle's non-employee directors is charged to expense on a straight-line basis over the vesting period. The cost of services received in exchange for an equity-based award issued to consultants is measured at each vesting date. Equity-based awards that require the satisfaction of future service criteria are recognized over the relevant service period, adjusted for estimated forfeitures of awards not expected to vest, based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. The expense for equity-based awards issued to non-employees was not significant for the three and nine months ended September 30, 2015 and 2014.

Phantom Deferred Restricted Common Units

The phantom deferred restricted common units are unvested when granted and vest ratably over a service period of three years. Upon vesting, the units will be settled in cash. As the phantom deferred restricted common units will be settled in cash, they are accounted for as liability awards. The fair value of the units is re-measured at each reporting period until settlement and charged to equity-based compensation expense over the vesting period. Additionally, the calculation of the expense assumes a forfeiture rate of 10%. During the first quarter of 2015, the Partnership revised its estimated forfeiture rate to 10% from 15%. The cumulative effect of the change in this estimate was not material. Equity-based compensation expense associated with these awards was not significant for the three months ended September 30, 2015 and 2014. The Partnership recorded $1.7 million and $2.4 million in equity-based compensation expense associated with these awards for the nine months ended September 30, 2015 and 2014, respectively. The tax benefits recognized from these awards were not material during these periods. As of September 30, 2015, the total unrecognized equity-based compensation expense related to unvested phantom deferred restricted common units, considering estimated forfeitures, is $0.1 million, which is expected to be recognized over a weighted-average term of 1.3 years.

A summary of the status of the Partnership's non-vested equity-based awards as of September 30, 2015 and a summary of changes for the nine months ended September 30, 2015, are presented below:

	Carlyle Holdings		The Carlyle Group, L.P. Equity Settled Awards				Cash Settled Awards	
Unvested Units	Partnership Units	Weighted-Average Grant Date Fair Value	Deferred Restricted Common Units	Weighted-Average Grant Date Fair Value	Unvested Common Units	Weighted-Average Grant Date Fair Value	Phantom Units	Weighted-Average Grant Date Fair Value
Balance, December 31, 2014	35,997,415	$22.16	18,929,270	$26.12	809,797	$27.19	104,070	$23.40
Granted	—	$—	5,317,631	$24.08	—	$—	—	$—
Vested	8,513,810	$22.00	5,268,467	$26.83	31,132	$21.53	93,109	$22.52
Forfeited	444,477	$22.00	1,744,997	$25.03	11,674	$27.99	3,956	$24.14
Balance, September 30, 2015	27,039,128	$22.21	17,233,437	$25.38	766,991	$27.41	7,005	$34.59

17. Consolidation of a Real Estate Development Company

The Partnership, indirectly through certain Carlyle real estate investment funds, has an investment in Urbplan Desenvolvimento Urbano S.A. ("Urbplan"), a Brazilian residential subdivision and land development company.

In late 2012, it was determined that Urbplan was facing serious liquidity problems and would require additional capital infusions to continue operations. The Partnership and certain of its senior Carlyle professionals provided capital to Urbplan through one of the Carlyle investment funds starting in 2013. The Partnership concluded that Urbplan was a VIE as of September 30, 2013 because Urbplan's equity investment at risk was not sufficient to permit it to finance its activities without additional financial support. The Partnership also concluded that it was the primary beneficiary of Urbplan since the Partnership has the power to direct the activities of Urbplan that most significantly impact its economic performance and the Partnership's investments in Urbplan will absorb losses incurred by Urbplan. As such, the Partnership began consolidating Urbplan into its consolidated financial statements as of September 30, 2013. Due to the timing and availability of financial information from Urbplan, the Partnership consolidates the financial position and results of operations of Urbplan on a financial reporting lag of 90 days. The Partnership will disclose the effect of intervening events at Urbplan that materially affect the financial position or results of operations of the Partnership, if any.

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The assets and liabilities of Urbplan are held in legal entities separate from the Partnership; the Partnership has not guaranteed or assumed any obligation for repayment of Urbplan's liabilities nor are the assets of Urbplan available to meet the liquidity requirements of the Partnership. However, if Urbplan fails to complete its construction projects, customers, partners, government agencies or municipalities or other creditors in certain circumstances might seek to assert claims against the Partnership and its assets unrelated to Urbplan under certain consumer protection or other laws.

Urbplan is currently a party to various litigation, government investigations and proceedings, disputes and other potential claims. The Partnership does not believe it is probable that the outcome of any existing Urbplan litigation, disputes or other potential claims will materially affect the Partnership or these consolidated financial statements.

From 2013 through September 30, 2015, $297.3 million has been funded to Urbplan by the Partnership and its senior Carlyle professionals (including losses from related foreign currency forward contracts). The Partnership has funded $71.9 million of the $297.3 million and the remaining $225.4 million has been funded by senior Carlyle professionals indirectly through the Partnership. For the three months ended September 30, 2015, $27.1 million was funded to Urbplan, of which the Partnership funded $6.8 million and the senior Carlyle professionals funded $20.3 million indirectly through the Partnership.

While no contractual or other obligations exist to provide additional financial support to Urbplan, the Partnership and its senior Carlyle professionals expect to provide additional capital funding to Urbplan in the future and Urbplan will continue to seek capital funding from unaffiliated parties. At this time, Urbplan is estimated to require approximately $60 million of additional capital over the next twelve months and it is possible that even further capital may be required. Whether and to what extent the Partnership and its senior Carlyle professionals continue to provide financial support will be based on the circumstances at the time (including levels of third-party funding participation).

The assets and liabilities recognized in the Partnership's condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014 related to Urbplan were as follows:

	As of September 30, 2015	December 31, 2014
	(Dollars in millions)	
Receivables and inventory of a consolidated real estate VIE:		
Customer and other receivables	$94.2	$91.5
Inventory costs in excess of billings and advances	78.6	72.4
	$172.8	$163.9
Other assets of a consolidated real estate VIE:		
Restricted investments	$19.7	$36.8
Fixed assets, net	1.1	1.8
Deferred tax assets	9.4	12.9
Other assets	38.6	34.9
	$68.8	$86.4
Loans payable of a consolidated real estate VIE, at fair value (principal amount of $167.8 million and $243.6 million as of September 30, 2015 and December 31, 2014, respectively)	$109.1	$146.2
Other liabilities of a consolidated real estate VIE:		
Accounts payable	$15.5	$26.1
Other liabilities	79.9	58.8
	$95.4	$84.9

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The revenues and expenses recognized in the Partnership's condensed consolidated statements of operations for the three and nine months ended September 30, 2015 and 2014, respectively, related to Urbplan were as follows:

	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2015
	(Dollars in millions)	
Revenue of a consolidated real estate VIE		
Land development services	$9.7	$71.0
Investment income	1.2	2.9
	$10.9	$73.9
Interest and other expenses of a consolidated real estate VIE:		
Costs of products sold and services rendered	$2.5	$45.7
Interest expense	13.3	33.6
Change in fair value of loans payable	3.0	12.6
Compensation and benefits	4.3	9.1
G&A and other expenses	3.7	23.4
	$26.8	$124.4

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Revenue of a consolidated real estate VIE		
Land development services	$6.0	$15.8
Investment income	7.2	11.4
	$13.2	$27.2
Interest and other expenses of a consolidated real estate VIE:		
Costs of products sold and services rendered	$8.8	$25.3
Interest expense	8.6	30.3
Change in fair value of loans payable	9.1	35.4
Compensation and benefits	3.0	8.5
G&A and other expenses	8.8	30.0
	$38.3	$129.5

The following is a summary of the significant classifications of assets and liabilities of Urbplan:
Customer and other receivables – This balance consists primarily of amounts owed for land development services using the completed contract method. Customer receivables accrue interest at rates ranging from 9% to 12% per year and are secured by the underlying real estate. Substantially all receivables are pledged as collateral for Urbplan's borrowings. The carrying value of the receivables includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the balances. Urbplan calculates this allowance based on its history of write-offs, the level of past-due accounts based on the contractual terms of the receivables, and its relationships with, and the economic status of, Urbplan's customers.
Inventory costs in excess of billings and advances – This balance consists primarily of capitalized land development cost, net of approximately $133.9 million and $190.4 million of customer advances received as of September 30, 2015 and December 31, 2014, respectively. Urbplan records valuation adjustments on inventory when events and circumstances indicate that the inventory may be impaired and when the cash flows estimated to be generated by the

real estate project are less than its carrying amount. Real estate projects that demonstrate potential impairment indicators are tested for impairment by Urbplan by comparing the expected undiscounted cash flows for the real estate project to its carrying value. For those real estate projects whose carrying values exceed the expected undiscounted cash flows, Urbplan estimates the fair value of the real estate projects.

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Impairment charges are recorded if the fair value of the inventory is less than its carrying value. The estimates used in the determination of the estimated fair value of the real estate projects were based on factors known to Urbplan at the time such estimates were made and the expectations of future operations and economic conditions. Should the estimates or expectations used in determining estimated fair value deteriorate in the future, Urbplan may be required to recognize additional impairment charges and write-offs related to real estate projects.

Loans payable of a consolidated real estate VIE – This balance consists of Urbplan's borrowings for its real estate development activities. The estimated fair value approximates 65% of the outstanding principal amounts of the loans as of September 30, 2015. The fair value of the loans was based on discounted cash flow analyses which considered the liquidity and current financial condition of Urbplan and applicable discount rates. The Partnership has elected to re-measure the loans at fair value at each reporting period through the term of the loans. The principal amounts of the loans accrue interest at a variable rate based on an index plus an applicable margin. Interest rates are based on: (i) CDI plus a margin ranging from 4.0% to 7.4% (18.1% to 21.6% as of September 30, 2015); (ii) IGP-M plus a margin of 12.0% (20.3% as of September 30, 2015); or (iii) IPCA plus a margin ranging from 11.0% to 13.5% (20.5% to 23.0% as of September 30, 2015). Outstanding principal amounts on the loans based on current contractual terms are payable as follows (Dollars in millions):

2015	$11.3
2016	22.1
2017	16.9
2018	14.5
2019	16.4
Thereafter	86.6
	$167.8

Substantially all of Urbplan's customer and other receivables and investments have been pledged as collateral for the loans. As of September 30, 2015, substantially all of Urbplan's loans payable are not in compliance with their related debt covenants or are otherwise in technical default. These violations do not cause a default or event of default under the Partnership's senior credit facility or senior notes. Urbplan management is in discussions with its lenders to cure or re-negotiate the loans in default. Currently there are no outstanding notices of acceleration of payment on the loans in default.

All of the loans payable of Urbplan are contractually non-recourse to the Partnership.

Other liabilities – This balance consists of amounts owed to landowners, commissions payable to brokers, real estate taxes, social charges and other liabilities.

Revenue of a consolidated real estate VIE – This balance consists primarily of amounts earned for land development services using the completed contract method and investment income earned on Urbplan's investments. Under the completed contract method of accounting, revenue is not recorded until the period in which the land development services contract is completed.

Interest and other expenses of a consolidated real estate VIE – This balance consists primarily of interest expense on Urbplan's borrowings, general and administrative expenses, compensation and benefits, and costs associated with land development services. Also included in this caption is the change in the Partnership's estimate of the fair value of Urbplan's loans payable during the period. Interest expense is recorded on Urbplan's borrowings at variable rates as defined. Costs related to Urbplan's land development services activities are capitalized until the services are complete. Costs associated with advertising, marketing and other selling activities are expensed when incurred.

Impairment – Urbplan evaluates its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable, but not less than annually.

As of September 30, 2015, Urbplan had outstanding commitments for land development services with an estimated $48.4 million of future costs to be incurred.

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18. Segment Reporting
Carlyle conducts its operations through four reportable segments:
Corporate Private Equity – The Corporate Private Equity segment is comprised of the Partnership's operations that advise a diverse group of funds that invest in buyout and growth capital transactions that focus on either a particular geography or a particular industry.
Global Market Strategies – The Global Market Strategies segment advises a group of funds that pursue investment opportunities across various types of credit, equities and alternative instruments, and (as regards certain macroeconomic strategies) currencies, commodities, sovereign debt, and interest rate products and their derivatives.
Real Assets – The Real Assets segment is comprised of the Partnership's operations that advise U.S. and international funds focused on real estate, infrastructure, energy and renewable energy transactions.
Investment Solutions – The Investment Solutions segment advises a global private equity fund of funds program and related co-investment and secondary activities through AlpInvest. This segment also includes Metropolitan, a global manager of real estate fund of funds, and DGAM, the Partnership's fund of hedge funds and liquid alternatives platform.
The Partnership's reportable business segments are differentiated by their various investment focuses and strategies. Overhead costs are allocated based on direct base compensation expense for each segment. The Partnership includes adjustments to reflect the Partnership's economic interests in Claren Road, ESG and Carlyle Commodity Management. Effective July 1, 2015, the Partnership's economic interest in Carlyle Commodity Management increased from 55% to approximately 83% as a result of the June 2015 restructuring of the original acquisition agreement. The Partnership's earnings from its investment in NGP Management are presented in the respective operating captions within the Real Assets segment. The net income or loss from the consolidation of Urbplan allocable to the Partnership (after consideration of amounts allocable to non-controlling interests) is presented within investment income in the Real Assets segment.
Economic Net Income ("ENI") and its components are key performance measures used by management to make operating decisions and assess the performance of the Partnership's reportable segments. ENI differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it includes certain tax expenses associated with performance fee compensation, and does not include net income (loss) attributable to non-Carlyle interests in Consolidated Funds or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include: charges associated with equity-based compensation that was issued in the initial public offering in May 2012 or is issued in acquisitions or strategic investments, amortization and any impairment charges associated with acquired intangible assets, transaction costs associated with acquisitions, charges associated with earnouts and contingent consideration including gains and losses associated with the mark to market on contingent consideration issued in conjunction with acquisitions or strategic investments, gains and losses from the retirement of debt, charges associated with lease terminations and employee severance and settlements of legal claims.

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

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

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

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The following table presents the financial data for the Partnership's four reportable segments for the three months ended September 30, 2015 and as of and for the nine months ended September 30, 2015:

	Three Months Ended September 30, 2015				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$152.5	$52.3	$69.3	$37.8	$311.9
Portfolio advisory fees, net	2.8	0.1	0.1	—	3.0
Transaction fees, net	0.9	—	0.1	—	1.0
Total fund level fee revenues	156.2	52.4	69.5	37.8	315.9
Performance fees					
Realized	258.6	11.8	57.7	5.0	333.1
Unrealized	(513.9)	(62.4)	(9.3)	31.4	(554.2)
Total performance fees	(255.3)	(50.6)	48.4	36.4	(221.1)
Investment income (loss)					
Realized	11.0	3.1	(4.9)	—	9.2
Unrealized	(12.7)	(5.0)	2.1	0.1	(15.5)
Total investment income (loss)	(1.7)	(1.9)	(2.8)	0.1	(6.3)
Interest and other income	3.1	0.7	0.9	0.3	5.0
Total revenues	(97.7)	0.6	116.0	74.6	93.5
Segment Expenses					
Compensation and benefits					
Direct base compensation	59.1	22.4	20.4	19.8	121.7
Indirect base compensation	23.3	6.9	9.7	2.9	42.8
Equity-based compensation	17.0	5.0	6.2	2.6	30.8
Performance fee related					
Realized	120.6	5.4	25.5	4.4	155.9
Unrealized	(235.0)	(28.6)	7.2	28.0	(228.4)
Total compensation and benefits	(15.0)	11.1	69.0	57.7	122.8
General, administrative, and other indirect expenses	36.4	14.0	17.0	10.7	78.1
Depreciation and amortization expense	3.3	1.3	1.2	0.8	6.6
Interest expense	7.8	2.6	2.6	1.4	14.4
Total expenses	32.5	29.0	89.8	70.6	221.9
Economic Net Income (Loss)	$(130.2)	$(28.4)	$26.2	$4.0	$(128.4)
(-) Net Performance Fees	(140.9)	(27.4)	15.7	4.0	(148.6)
(-) Investment Income (Loss)	(1.7)	(1.9)	(2.8)	0.1	(6.3)
(+) Equity-based Compensation	17.0	5.0	6.2	2.6	30.8
(=) Fee Related Earnings	$29.4	$5.9	$19.5	$2.5	$57.3
(+) Realized Net Performance Fees	138.0	6.4	32.2	0.6	177.2
(+) Realized Investment Income (Loss)	11.0	3.1	(4.9)	—	9.2
(=) Distributable Earnings	$178.4	$15.4	$46.8	$3.1	$243.7

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	September 30, 2015 and the Nine Months Then Ended				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$443.5	$162.6	$197.1	$116.1	$919.3
Portfolio advisory fees, net	11.3	0.6	0.4	—	12.3
Transaction fees, net	3.7	—	0.4	—	4.1
Total fund level fee revenues	458.5	163.2	197.9	116.1	935.7
Performance fees					
Realized	1,101.1	25.0	112.5	13.2	1,251.8
Unrealized	(583.0)	(40.1)	(38.3)	122.1	(539.3)
Total performance fees	518.1	(15.1)	74.2	135.3	712.5
Investment income (loss)					
Realized	22.0	5.9	(94.7)	0.1	(66.7)
Unrealized	(4.6)	(10.7)	58.4	0.3	43.4
Total investment income (loss)	17.4	(4.8)	(36.3)	0.4	(23.3)
Interest and other income	9.0	3.9	2.6	1.1	16.6
Total revenues	1,003.0	147.2	238.4	252.9	1,641.5
Segment Expenses					
Compensation and benefits					
Direct base compensation	169.3	75.3	56.4	60.6	361.6
Indirect base compensation	71.1	22.1	30.8	9.8	133.8
Equity-based compensation	49.6	14.5	19.6	7.3	91.0
Performance fee related					
Realized	494.8	11.8	46.0	10.9	563.5
Unrealized	(256.8)	(18.6)	28.4	113.6	(133.4)
Total compensation and benefits	528.0	105.1	181.2	202.2	1,016.5
General, administrative, and other indirect expenses	105.9	49.1	52.4	31.4	238.8
Depreciation and amortization expense	9.0	3.7	3.1	3.0	18.8
Interest expense	23.1	8.1	7.9	4.4	43.5
Total expenses	666.0	166.0	244.6	241.0	1,317.6
Economic Net Income (Loss)	$337.0	$(18.8)	$(6.2)	$11.9	$323.9
(-) Net Performance Fees	280.1	(8.3)	(0.2)	10.8	282.4
(-) Investment Income (Loss)	17.4	(4.8)	(36.3)	0.4	(23.3)
(+) Equity-based Compensation	49.6	14.5	19.6	7.3	91.0
(=) Fee Related Earnings	$89.1	$8.8	$49.9	$8.0	$155.8
(+) Realized Net Performance Fees	606.3	13.2	66.5	2.3	688.3
(+) Realized Investment Income (Loss)	22.0	5.9	(94.7)	0.1	(66.7)
(=) Distributable Earnings	$717.4	$27.9	$21.7	$10.4	$777.4
Segment assets as of September 30, 2015	$3,425.3	$714.3	$1,698.4	$888.8	$6,726.8

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The following table presents the financial data for the Partnership's four reportable segments for the three and nine months ended September 30, 2014:

	Three Months Ended September 30, 2014				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$151.5	$65.6	$55.7	$46.0	$318.8
Portfolio advisory fees, net	3.8	0.2	0.1	—	4.1
Transaction fees, net	17.0	0.2	0.6	—	17.8
Total fund level fee revenues	172.3	66.0	56.4	46.0	340.7
Performance fees					
Realized	125.0	11.3	28.4	10.6	175.3
Unrealized	100.8	(10.8)	9.5	(50.9)	48.6
Total performance fees	225.8	0.5	37.9	(40.3)	223.9
Investment income (loss)					
Realized	6.4	4.1	(13.2)	—	(2.7)
Unrealized	3.8	(4.3)	6.7	—	6.2
Total investment income (loss)	10.2	(0.2)	(6.5)	—	3.5
Interest and other income	4.7	1.9	1.4	0.5	8.5
Total revenues	413.0	68.2	89.2	6.2	576.6
Segment Expenses					
Compensation and benefits					
Direct base compensation	67.0	29.9	20.7	20.7	138.3
Indirect base compensation	25.9	6.9	9.9	4.3	47.0
Equity-based compensation	12.9	4.0	5.4	1.5	23.8
Performance fee related					
Realized	52.7	6.1	9.9	8.8	77.5
Unrealized	49.4	2.6	8.0	(52.8)	7.2
Total compensation and benefits	207.9	49.5	53.9	(17.5)	293.8
General, administrative, and other indirect expenses	35.5	14.0	21.1	11.5	82.1
Depreciation and amortization expense	2.7	1.0	0.8	0.9	5.4
Interest expense	7.9	2.5	2.6	1.5	14.5
Total expenses	254.0	67.0	78.4	(3.6)	395.8
Economic Net Income	$159.0	$1.2	$10.8	$9.8	$180.8
(-) Net Performance Fees	123.7	(8.2)	20.0	3.7	139.2
(-) Investment Income (Loss)	10.2	(0.2)	(6.5)	—	3.5
(+) Equity-based Compensation	12.9	4.0	5.4	1.5	23.8
(=) Fee Related Earnings	$38.0	$13.6	$2.7	$7.6	$61.9
(+) Realized Net Performance Fees	72.3	5.2	18.5	1.8	97.8
(+) Realized Investment Income (Loss)	6.4	4.1	(13.2)	—	(2.7)
(=) Distributable Earnings	$116.7	$22.9	$8.0	$9.4	$157.0

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	Nine Months Ended September 30, 2014				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$428.5	$192.9	$165.6	$137.4	$924.4
Portfolio advisory fees, net	10.6	0.4	0.6	—	11.6
Transaction fees, net	49.6	0.2	0.7	—	50.5
Total fund level fee revenues	488.7	193.5	166.9	137.4	986.5
Performance fees					
Realized	747.4	26.3	38.3	23.5	835.5
Unrealized	237.5	84.3	69.9	150.9	542.6
Total performance fees	984.9	110.6	108.2	174.4	1,378.1
Investment income (loss)					
Realized	10.3	6.8	(3.0)	—	14.1
Unrealized	13.2	(1.2)	(35.5)	0.3	(23.2)
Total investment income (loss)	23.5	5.6	(38.5)	0.3	(9.1)
Interest and other income	8.7	4.7	3.3	1.0	17.7
Total revenues	1,505.8	314.4	239.9	313.1	2,373.2
Segment Expenses					
Compensation and benefits					
Direct base compensation	189.4	83.7	60.7	62.4	396.2
Indirect base compensation	73.4	18.9	35.9	12.1	140.3
Equity-based compensation	30.1	9.9	14.0	3.3	57.3
Performance fee related					
Realized	326.4	12.4	10.6	16.9	366.3
Unrealized	122.1	39.0	39.2	142.5	342.8
Total compensation and benefits	741.4	163.9	160.4	237.2	1,302.9
General, administrative, and other indirect expenses	108.6	38.6	52.3	31.3	230.8
Depreciation and amortization expense	8.1	2.9	2.6	2.8	16.4
Interest expense	22.6	7.2	7.3	4.1	41.2
Total expenses	880.7	212.6	222.6	275.4	1,591.3
Economic Net Income	$625.1	$101.8	$17.3	$37.7	$781.9
(-) Net Performance Fees	536.4	59.2	58.4	15.0	669.0
(-) Investment Income (Loss)	23.5	5.6	(38.5)	0.3	(9.1)
(+) Equity-based Compensation	30.1	9.9	14.0	3.3	57.3
(=) Fee Related Earnings	$95.3	$46.9	$11.4	$25.7	$179.3
(+) Realized Net Performance Fees	421.0	13.9	27.7	6.6	469.2
(+) Realized Investment Income (Loss)	10.3	6.8	(3.0)	—	14.1
(=) Distributable Earnings	$526.6	$67.6	$36.1	$32.3	$662.6

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The following table reconciles the Total Segments to the Partnership's Income Before Provision for Taxes for the three months ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$93.5	$259.4	$(55.4)	(a)	$297.5
Expenses	$221.9	$355.5	$217.9	(b)	$795.3
Other income (loss)	$—	$(20.6)	$(10.7)	(c)	$(31.3)
Economic net income (loss)	$(128.4)	$(116.7)	$(284.0)	(d)	$(529.1)

	Three Months Ended September 30, 2014				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$576.6	$234.1	$(55.7)	(a)	$755.0
Expenses	$395.8	$283.9	$25.4	(b)	$705.1
Other income	$—	$127.4	$(1.9)	(c)	$125.5
Economic net income	$180.8	$77.6	$(83.0)	(d)	$175.4

The following table reconciles the Total Segments to the Partnership's Income Before Provision for Taxes for the nine months ended September 30, 2015 and 2014, and Total Assets as of September 30, 2015:

	September 30, 2015 and the Nine Months Then Ended				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$1,641.5	$742.7	$(93.8)	(a)	$2,290.4
Expenses	$1,317.6	$959.5	$388.8	(b)	$2,665.9
Other income	$—	$950.3	$(14.5)	(c)	$935.8
Economic net income	$323.9	$733.5	$(497.1)	(d)	$560.3
Total assets	$6,726.8	$26,304.5	$(234.6)	(e)	$32,796.7

	Nine Months Ended September 30, 2014				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$2,373.2	$728.5	$(60.5)	(a)	$3,041.2
Expenses	$1,591.3	$940.0	$315.4	(b)	$2,846.7
Other income	$—	$996.9	$(2.4)	(c)	$994.5
Economic net income	$781.9	$785.4	$(378.3)	(d)	$1,189.0

(a) The Revenues adjustment principally represents fund management and performance fees earned from the Consolidated Funds which were eliminated in consolidation to arrive at the Partnership's total revenues, adjustments for amounts attributable to non-controlling interests in consolidated entities, adjustments related to expenses associated with the investments in NGP Management and its affiliates that are included in operating captions or are excluded from the segment results, adjustments to reflect the Partnership's share of Urbplan's net losses as a component of investment

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income, and adjustments to reflect the Partnership's ownership interests in Claren Road, ESG and Carlyle Commodity Management that were included in Revenues in the Partnership's segment reporting.

(b) The Expenses adjustment represents the elimination of intercompany expenses of the Consolidated Funds payable to the Partnership, the inclusion of certain tax expenses associated with performance fee compensation, adjustments related to expenses associated with the investment in NGP Management that are included in operating captions, adjustments to reflect the Partnership's share of Urbplan's net losses as a component of investment income, charges and credits associated with Carlyle corporate actions and non-recurring items and adjustments to reflect the Partnership's economic interests in Claren Road, ESG and Carlyle Commodity Management, as detailed below (Dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	$54.5	$56.3	$202.1	$209.7
Acquisition related charges, including amortization of intangibles and impairment	209.6	24.5	247.9	166.6
Other non-operating (income) expense	(9.9)	(39.6)	(11.7)	(14.0)
Tax benefit (expense) associated with performance fee compensation	(5.1)	15.0	(19.4)	(23.5)
Non-Carlyle economic interests in acquired business	26.2	11.9	134.6	156.5
Other adjustments	0.1	1.6	3.1	2.5
Elimination of expenses of Consolidated Funds	(57.5)	(44.3)	(167.8)	(182.4)
	$217.9	$25.4	$388.8	$315.4

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Income (loss) before provision for income taxes	$(529.1)	$175.4	$560.3	$1,189.0
Adjustments:				
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	54.5	56.3	202.1	209.7
Acquisition related charges, including amortization of intangibles and impairment	209.6	24.5	247.9	166.6
Other non-operating (income) expense	(9.9)	(39.6)	(11.7)	(14.0)
Tax benefit (expense) associated with performance fee compensation	(5.1)	15.0	(19.4)	(23.5)
Net (income) loss attributable to non-controlling interests in consolidated entities	152.4	(53.2)	(657.5)	(747.4)
Other adjustments	(0.8)	2.4	2.2	1.5
Economic Net Income (Loss)	$(128.4)	$180.8	$323.9	$781.9

Net performance fees[1]	(148.6)	139.2	282.4	669.0
Investment income (loss)[1]	(6.3)	3.5	(23.3)	(9.1)
Equity-based compensation	30.8	23.8	91.0	57.3
Fee Related Earnings	$57.3	$61.9	$155.8	$179.3
Realized performance fees, net of related compensation	177.2	97.8	688.3	469.2
Realized investment income (loss)[1]	9.2	(2.7)	(66.7)	14.1
Distributable Earnings	$243.7	$157.0	$777.4	$662.6

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

	Three Months Ended September 30, 2015		
	Carlyle Consolidated	Adjustments [2]	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$329.2	$3.9	$333.1
Unrealized	(575.8)	21.6	(554.2)
Total performance fees	(246.6)	25.5	(221.1)
Performance fee related compensation expense			
Realized	155.2	0.7	155.9
Unrealized	(228.1)	(0.3)	(228.4)
Total performance fee related compensation expense	(72.9)	0.4	(72.5)
Net performance fees			
Realized	174.0	3.2	177.2
Unrealized	(347.7)	21.9	(325.8)
Total net performance fees	$(173.7)	$25.1	$(148.6)
Investment income (loss)			
Realized	$12.5	$(3.3)	$9.2
Unrealized	(22.0)	6.5	(15.5)
Investment income (loss)	$(9.5)	$3.2	$(6.3)

	Three Months Ended September 30, 2014		
	Carlyle Consolidated	Adjustments [2]	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$176.9	$(1.6)	$175.3
Unrealized	10.5	38.1	48.6
Total performance fees	187.4	36.5	223.9
Performance fee related compensation expense			
Realized	78.4	(0.9)	77.5
Unrealized	(14.3)	21.5	7.2
Total performance fee related compensation expense	64.1	20.6	84.7
Net performance fees			
Realized	98.5	(0.7)	97.8
Unrealized	24.8	16.6	41.4
Total net performance fees	$123.3	$15.9	$139.2
Investment income (loss)			
Realized	$(0.5)	$(2.2)	$(2.7)
Unrealized	4.3	1.9	6.2
Total investment income (loss)	$3.8	$(0.3)	$3.5

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	Nine Months Ended September 30, 2015		
	Carlyle Consolidated	Adjustments [2]	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$1,251.0	$0.8	$1,251.8
Unrealized	(629.7)	90.4	(539.3)
Total performance fees	621.3	91.2	712.5
Performance fee related compensation expense			
Realized	561.7	1.8	563.5
Unrealized	(146.2)	12.8	(133.4)
Total performance fee related compensation expense	415.5	14.6	430.1
Net performance fees			
Realized	689.3	(1.0)	688.3
Unrealized	(483.5)	77.6	(405.9)
Total net performance fees	$205.8	$76.6	$282.4
Investment income (loss)			
Realized	$24.2	$(90.9)	$(66.7)
Unrealized	(17.7)	61.1	43.4
Investment income (loss)	$6.5	$(29.8)	$(23.3)

	Nine Months Ended September 30, 2014		
	Carlyle Consolidated	Adjustments [2]	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$843.9	$(8.4)	$835.5
Unrealized	506.4	36.2	542.6
Total performance fees	1,350.3	27.8	1,378.1
Performance fee related compensation expense			
Realized	368.3	(2.0)	366.3
Unrealized	316.3	26.5	342.8
Total performance fee related compensation expense	684.6	24.5	709.1
Net performance fees			
Realized	475.6	(6.4)	469.2
Unrealized	190.1	9.7	199.8
Total net performance fees	$665.7	$3.3	$669.0
Investment income (loss)			
Realized	$29.4	$(15.3)	$14.1
Unrealized	4.2	(27.4)	(23.2)
Total investment income (loss)	$33.6	$(42.7)	$(9.1)

(2) Adjustments to performance fees and investment income (loss) relate to (i) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the segment results, (ii)

amounts attributable to non-controlling interests in consolidated entities, which were excluded from the segment results and (iii) the reclassification of NGP X performance fees, which are included in investment income in U.S. GAAP financial statements. Adjustments to investment income (loss) also include the reclassification of earnings for the investments in

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Notes to the Condensed Consolidated Financial Statements
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NGP Management and its affiliates to the appropriate operating captions for the segment results, the exclusion of charges associated with the investment in NGP Management and its affiliates that are excluded from the segment results, and adjustments to reflect the Partnership's share of Urbplan's net losses as investment losses for the segment results. Adjustments to performance fee related compensation expense relate to certain tax expenses associated with performance fee compensation. Adjustments are also included in these financial statement captions to reflect the Partnership's 55% economic interest in each of Claren Road, ESG, and, for periods prior to July 1, 2015, Carlyle Commodity Management. Effective for periods beginning on and after July 1, 2015, adjustments are included to reflect the Partnership's approximate 83% economic interest in Carlyle Commodity Management.

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

19. Subsequent Events

In October 2015, the Board of Directors of the general partner of the Partnership declared a quarterly distribution of $0.56 per common unit to common unitholders of record at the close of business on November 16, 2015, payable on November 24, 2015.

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Notes to the Condensed Consolidated Financial Statements
(Unaudited)

20. Supplemental Financial Information
The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Partnership’s financial position as of September 30, 2015 and December 31, 2014 and results of operations for the three and nine months ended September 30, 2015 and 2014. The supplemental statement of cash flows is presented without effects of the Consolidated Funds.

	As of September 30, 2015			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	$1,307.5	$—	$—	$1,307.5
Cash and cash equivalents held at Consolidated Funds	—	1,131.2	—	1,131.2
Restricted cash	277.4	—	—	277.4
Restricted cash and securities of Consolidated Funds	—	18.4	—	18.4
Accrued performance fees	3,039.1	—	(23.3)	3,015.8
Investments	1,091.9	—	(194.7)	897.2
Investments of Consolidated Funds	—	23,989.0	1.1	23,990.1
Due from affiliates and other receivables, net	222.8	—	(17.7)	205.1
Due from affiliates and other receivables of Consolidated Funds, net	—	1,164.7	—	1,164.7
Receivables and inventory of a consolidated real estate VIE	172.8	—	—	172.8
Fixed assets, net	105.5	—	—	105.5
Deposits and other	56.3	1.2	—	57.5
Other assets of a consolidated real estate VIE	68.8	—	—	68.8
Intangible assets, net	171.6	—	—	171.6
Deferred tax assets	213.1	—	—	213.1
Total assets	$6,726.8	$26,304.5	$(234.6)	$32,796.7
Liabilities and partners’ capital				
Loans payable	$39.1	$—	$—	$39.1
3.875% senior notes due 2023	499.9	—	—	499.9
5.625% senior notes due 2043	606.6	—	—	606.6
Loans payable of Consolidated Funds	—	16,849.7	(184.6)	16,665.1
Loans payable of a consolidated real estate VIE at fair value (principal amount of $167.8 million)	109.1	—	—	109.1
Accounts payable, accrued expenses and other liabilities	404.1	—	—	404.1
Accrued compensation and benefits	2,045.4	—	—	2,045.4
Due to affiliates	469.3	2.4	(1.6)	470.1
Deferred revenue	203.8	—	(0.2)	203.6
Deferred tax liabilities	119.8	—	—	119.8
Other liabilities of Consolidated Funds	—	1,953.2	(43.1)	1,910.1
Other liabilities of a consolidated real estate VIE	95.4	—	—	95.4
Accrued giveback obligations	264.0	—	—	264.0
Total liabilities	4,856.5	18,805.3	(229.5)	23,432.3
	8.1	2,658.8	—	2,666.9

Redeemable non-controlling interests in consolidated entities				
Partners’ capital	510.0	(9.4)	9.4	510.0
Accumulated other comprehensive income (loss)	(73.6)	7.1	(7.2)	(73.7)
Partners’ capital appropriated for Consolidated Funds	—	165.3	(7.3)	158.0
Non-controlling interests in consolidated entities	217.3	4,677.4	—	4,894.7
Non-controlling interests in Carlyle Holdings	1,208.5	—	—	1,208.5
Total partners’ capital	1,862.2	4,840.4	(5.1)	6,697.5
Total liabilities and partners’ capital	$6,726.8	$26,304.5	$(234.6)	$32,796.7

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(Unaudited)

	As of December 31, 2014			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	$1,242.0	$—	$—	$1,242.0
Cash and cash equivalents held at Consolidated Funds	—	1,551.1	—	1,551.1
Restricted cash	59.7	—	—	59.7
Restricted cash and securities of Consolidated Funds	—	14.9	—	14.9
Accrued performance fees	3,808.9	—	(13.3)	3,795.6
Investments	1,114.9	—	(183.3)	931.6
Investments of Consolidated Funds	—	26,028.7	0.1	26,028.8
Due from affiliates and other receivables, net	215.8	—	(16.4)	199.4
Due from affiliates and other receivables of Consolidated Funds, net	—	1,213.2	—	1,213.2
Receivables and inventory of a consolidated real estate VIE	163.9	—	—	163.9
Fixed assets, net	75.4	—	—	75.4
Deposits and other	57.3	1.9	—	59.2
Other assets of a consolidated real estate VIE	86.4	—	—	86.4
Intangible assets, net	442.1	—	—	442.1
Deferred tax assets	131.0	—	—	131.0
Total assets	$7,397.4	$28,809.8	$(212.9)	$35,994.3
Liabilities and partners' capital				
Loans payable	$40.2	$—	$—	$40.2
3.875% senior notes due 2023	499.9	—	—	499.9
5.625% senior notes due 2043	606.8	—	—	606.8
Loans payable of Consolidated Funds	—	16,219.8	(167.6)	16,052.2
Loans payable of a consolidated real estate VIE at fair value (principal amount of $243.6 million)	146.2	—	—	146.2
Accounts payable, accrued expenses and other liabilities	446.8	—	(50.6)	396.2
Accrued compensation and benefits	2,312.5	—	—	2,312.5
Due to affiliates	183.6	1.0	(0.4)	184.2
Deferred revenue	93.9	—	(0.2)	93.7
Deferred tax liabilities	112.2	—	—	112.2
Other liabilities of Consolidated Funds	—	2,548.0	(43.1)	2,504.9
Other liabilities of a consolidated real estate VIE	84.9	—	—	84.9
Accrued giveback obligations	113.4	—	(9.0)	104.4
Total liabilities	4,640.4	18,768.8	(270.9)	23,138.3
Redeemable non-controlling interests in consolidated entities	8.4	3,753.1	—	3,761.5
Partners' capital	566.0	(71.5)	71.5	566.0
Accumulated other comprehensive income (loss)	(40.3)	6.3	(5.0)	(39.0)
Partners' capital appropriated for Consolidated Funds	—	193.0	(8.5)	184.5
Non-controlling interests in consolidated entities	286.3	6,160.1	—	6,446.4

Non-controlling interests in Carlyle Holdings	1,936.6	—	—	1,936.6
Total partners' capital	2,748.6	6,287.9	58.0	9,094.5
Total liabilities and partners' capital	$7,397.4	$28,809.8	$(212.9)	$35,994.3

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Notes to the Condensed Consolidated Financial Statements
(Unaudited)

	Three Months Ended September 30, 2015			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$316.7	$—	$(38.4)	$278.3
Performance fees				
Realized	334.4	—	(5.2)	329.2
Unrealized	(569.9)	—	(5.9)	(575.8)
Total performance fees	(235.5)	—	(11.1)	(246.6)
Investment income (loss)				
Realized	15.6	—	(3.1)	12.5
Unrealized	(24.6)	—	2.6	(22.0)
Investment income (loss)	(9.0)	—	(0.5)	(9.5)
Interest and other income	5.5	—	(0.5)	5.0
Interest and other income of Consolidated Funds	—	259.4	—	259.4
Revenue of a consolidated real estate VIE	10.9	—	—	10.9
Total revenues	88.6	259.4	(50.5)	297.5
Expenses				
Compensation and benefits				
Base compensation	163.5	—	—	163.5
Equity-based compensation	86.8	—	—	86.8
Performance fee related				
Realized	155.2	—	—	155.2
Unrealized	(228.1)	—	—	(228.1)
Total compensation and benefits	177.4	—	—	177.4
General, administrative and other expenses	288.5	—	1.1	289.6
Interest	14.5	—	—	14.5
Interest and other expenses of Consolidated Funds	—	355.5	(58.6)	296.9
Interest and other expenses of a consolidated real estate VIE	26.8	—	—	26.8
Other non-operating income	(9.9)	—	—	(9.9)
Total expenses	497.3	355.5	(57.5)	795.3
Other income				
Net investment losses of Consolidated Funds	—	(20.6)	(10.7)	(31.3)
Loss before provision for income taxes	(408.7)	(116.7)	(3.7)	(529.1)
Benefit for income taxes	(4.1)	—	—	(4.1)
Net loss	(404.6)	(116.7)	(3.7)	(525.0)
Net loss attributable to non-controlling interests in consolidated entities	(32.0)	—	(120.4)	(152.4)
Net loss attributable to Carlyle Holdings	(372.6)	(116.7)	116.7	(372.6)
Net loss attributable to non-controlling interests in Carlyle Holdings	(288.7)	—	—	(288.7)

Net loss attributable to The Carlyle Group L.P.	$(83.9)	$(116.7)	$116.7	$(83.9)

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(Unaudited)

	Nine Months Ended September 30, 2015			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$948.0	$—	$(117.9)	$830.1
Performance fees				
Realized	1,264.1	—	(13.1)	1,251.0
Unrealized	(613.1)	—	(16.6)	(629.7)
Total performance fees	651.0	—	(29.7)	621.3
Investment income (loss)				
Realized	(49.3)	—	73.5	24.2
Unrealized	25.9	—	(43.6)	(17.7)
Investment income (loss)	(23.4)	—	29.9	6.5
Interest and other income	17.8	—	(1.9)	15.9
Interest and other income of Consolidated Funds	—	742.7	—	742.7
Revenue of a consolidated real estate VIE	73.9	—	—	73.9
Total revenues	1,667.3	742.7	(119.6)	2,290.4
Expenses				
Compensation and benefits				
Base compensation	472.2	—	—	472.2
Equity-based compensation	291.0	—	—	291.0
Performance fee related				
Realized	561.7	—	—	561.7
Unrealized	(146.2)	—	—	(146.2)
Total compensation and benefits	1,178.7	—	—	1,178.7
General, administrative and other expenses	539.2	—	—	539.2
Interest	43.6	—	—	43.6
Interest and other expenses of Consolidated Funds	—	959.5	(167.8)	791.7
Interest and other expenses of a consolidated real estate VIE	124.4	—	—	124.4
Other non-operating income	(11.7)	—	—	(11.7)
Total expenses	1,874.2	959.5	(167.8)	2,665.9
Other income				
Net investment gains (losses) of Consolidated Funds	—	950.3	(14.5)	935.8
Income (loss) before provision for income taxes	(206.9)	733.5	33.7	560.3
Provision for income taxes	12.4	—	—	12.4
Net income (loss)	(219.3)	733.5	33.7	547.9
Net income (loss) attributable to non-controlling interests in consolidated entities	(109.7)	—	767.2	657.5
	(109.6)	733.5	(733.5)	(109.6)

Net income (loss) attributable to Carlyle Holdings				
Net income (loss) attributable to non-controlling interests in Carlyle Holdings	(95.8)	—	—	(95.8)
Net income (loss) attributable to The Carlyle Group L.P.	$(13.8)	$733.5	$(733.5)	$(13.8)

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(Unaudited)

	Three Months Ended September 30, 2014			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$354.6	$—	$(47.2)	$307.4
Performance fees				
Realized	179.1	—	(2.2)	176.9
Unrealized	(4.3)	—	14.8	10.5
Total performance fees	174.8	—	12.6	187.4
Investment income (loss)				
Realized	1.6	—	(2.1)	(0.5)
Unrealized	5.0	—	(0.7)	4.3
Total investment income (loss)	6.6	—	(2.8)	3.8
Interest and other income	9.6	—	(0.5)	9.1
Interest and other income of Consolidated Funds	—	234.1	—	234.1
Revenue of a consolidated real estate VIE	13.2	—	—	13.2
Total revenues	558.8	234.1	(37.9)	755.0
Expenses				
Compensation and benefits				
Base compensation	190.7	—	—	190.7
Equity-based compensation	79.7	—	—	79.7
Performance fee related				
Realized	78.4	—	—	78.4
Unrealized	(14.3)	—	—	(14.3)
Total compensation and benefits	334.5	—	—	334.5
General, administrative and other expenses	117.9	—	(0.5)	117.4
Interest	14.4	—	—	14.4
Interest and other expenses of Consolidated Funds	—	283.9	(43.8)	240.1
Interest and other expenses of a consolidated real estate VIE	38.3	—	—	38.3
Other non-operating income	(39.6)	—	—	(39.6)
Total expenses	465.5	283.9	(44.3)	705.1
Other income				
Net investment gains (losses) of Consolidated Funds	—	127.4	(1.9)	125.5
Income before provision for income taxes	93.3	77.6	4.5	175.4
Benefit for income taxes	(5.9)	—	—	(5.9)
Net income	99.2	77.6	4.5	181.3
Net income (loss) attributable to non-controlling interests in consolidated entities	(28.9)	—	82.1	53.2
Net income (loss) attributable to Carlyle Holdings	128.1	77.6	(77.6)	128.1
Net income attributable to non-controlling interests in Carlyle Holdings	102.7	—	—	102.7
Net income attributable to The Carlyle Group L.P.	$25.4	$77.6	$(77.6)	$25.4

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	Nine Months Ended September 30, 2014			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$1,023.3	$—	$(138.3)	$885.0
Performance fees				
Realized	859.3	—	(15.4)	843.9
Unrealized	515.9	—	(9.5)	506.4
Total performance fees	1,375.2	—	(24.9)	1,350.3
Investment income (loss)				
Realized	34.8	—	(5.4)	29.4
Unrealized	(1.2)	—	5.4	4.2
Total investment income (loss)	33.6	—	—	33.6
Interest and other income	18.7	—	(2.1)	16.6
Interest and other income of Consolidated Funds	—	728.5	—	728.5
Revenue of a consolidated real estate VIE	27.2	—	—	27.2
Total revenues	2,478.0	728.5	(165.3)	3,041.2
Expenses				
Compensation and benefits				
Base compensation	615.8	—	—	615.8
Equity-based compensation	262.9	—	—	262.9
Performance fee related				
Realized	368.3	—	—	368.3
Unrealized	316.3	—	—	316.3
Total compensation and benefits	1,563.3	—	—	1,563.3
General, administrative and other expenses	369.2	—	1.2	370.4
Interest	41.1	—	—	41.1
Interest and other expenses of Consolidated Funds	—	940.0	(183.6)	756.4
Interest and other expenses of a consolidated real estate VIE	129.5	—	—	129.5
Other non-operating income	(14.0)	—	—	(14.0)
Total expenses	2,089.1	940.0	(182.4)	2,846.7
Other income (loss)				
Net investment gains of Consolidated Funds	—	996.9	(2.4)	994.5
Income before provision for income taxes	388.9	785.4	14.7	1,189.0
Provision for income taxes	63.9	—	—	63.9
Net income	325.0	785.4	14.7	1,125.1
Net income (loss) attributable to non-controlling interests in consolidated entities	(52.7)	—	800.1	747.4
Net income (loss) attributable to Carlyle Holdings	377.7	785.4	(785.4)	377.7
Net income attributable to non-controlling interests in Carlyle Holdings	308.2	—	—	308.2
Net income (loss) attributable to The Carlyle Group L.P.	$69.5	$785.4	$(785.4)	$69.5

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	Nine Months Ended September 30, 2015	2014
	(Dollars in millions)	
Cash flows from operating activities		
Net income (loss)	$(219.3)	$325.0
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	281.7	125.4
Equity-based compensation	291.0	262.9
Excess tax benefits related to equity-based compensation	(1.4)	(2.5)
Non-cash performance fees	584.4	(536.5)
Other non-cash amounts	41.8	20.8
Investment loss	32.6	3.1
Purchases of investments and trading securities	(99.2)	(271.2)
Proceeds from the sale of investments and trading securities	382.6	521.9
Payments of contingent consideration	(17.8)	(57.9)
Change in deferred taxes, net	(12.0)	11.6
Change in due from affiliates and other receivables	(3.4)	(3.0)
Change in receivables and inventory of a consolidated real estate VIE	(49.5)	3.0
Change in deposits and other	(9.3)	(11.4)
Change in other assets of a consolidated real estate VIE	(10.5)	(0.9)
Change in accounts payable, accrued expenses and other liabilities	(82.9)	(35.6)
Change in accrued compensation and benefits	(212.8)	189.1
Change in due to affiliates	253.5	(71.1)
Change in other liabilities of a consolidated real estate VIE	43.9	(13.2)
Change in deferred revenue	111.4	203.1
Net cash provided by operating activities	1,304.8	662.6
Cash flows from investing activities		
Change in restricted cash	(217.9)	65.3
Purchases of fixed assets, net	(49.8)	(15.1)
Acquisitions, net of cash acquired	—	(3.1)
Net cash provided by (used in) investing activities	(267.7)	47.1
Cash flows from financing activities		
Issuance of 5.625% senior notes due 2043, net of financing costs	—	210.8
Net payments on loans payable of a consolidated real estate VIE	(53.1)	(15.9)
Payments of contingent consideration	(8.0)	(38.1)
Excess tax benefits related to equity-based compensation	1.4	2.5
Distributions to common unitholders	(206.0)	(91.9)
Distributions to non-controlling interest holders in Carlyle Holdings	(702.4)	(446.8)
Contributions from non-controlling interest holders	104.5	117.3
Distributions to non-controlling interest holders	(92.1)	(102.2)
Net proceeds from issuance of common units, net of offering costs	209.9	449.5
Acquisition of non-controlling interests in Carlyle Holdings	(209.9)	(303.4)
Change in due to/from affiliates financing activities	4.4	(47.9)
Net cash used in financing activities	(951.3)	(266.1)
Effect of foreign exchange rate changes	(20.3)	(16.0)
Increase in cash and cash equivalents	65.5	427.6

Cash and cash equivalents, beginning of period	1,242.0	966.6
Cash and cash equivalents, end of period	$1,307.5	$1,394.2

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion analyzes the financial condition and results of operations of The Carlyle Group L.P. (the "Partnership"). Such analysis should be read in conjunction with the consolidated financial statements and the related notes included in this Quarterly Report on Form 10-Q and the Annual Report on Form 10-K for the year ended December 31, 2014.

Overview

We conduct our operations through four reportable segments: Corporate Private Equity, Global Market Strategies, Real Assets and Investment Solutions.

- Corporate Private Equity — Our Corporate Private Equity segment advises our 22 buyout and 10 growth capital funds, which seek a wide variety of investments of different sizes and growth potentials. As of September 30, 2015, our Corporate Private Equity segment had over $63 billion in AUM and approximately $41 billion in Fee-earning AUM.

- Global Market Strategies — Our Global Market Strategies segment advises a group of 68 funds that pursue investment opportunities across structured credit, distressed debt, corporate and energy mezzanine debt, opportunistic credit, middle-market and senior debt, as well as credit, emerging markets and commodities-focused hedge funds. As of September 30, 2015, our Global Market Strategies segment had approximately $36 billion in AUM and approximately $30 billion in Fee-earning AUM.

- Real Assets — Our Real Assets segment advises our eight U.S. and internationally focused real estate funds, our infrastructure fund, our two power funds, our international energy fund, as well as our five Legacy Energy funds (funds that we jointly advise with Riverstone). The segment also includes six NGP management fee funds and three carry funds advised by NGP. As of September 30, 2015, our Real Assets segment had over $40 billion in AUM and approximately $29 billion in Fee-earning AUM.

- Investment Solutions — Our Investment Solutions segment advises a global private equity fund of funds program and related co-investment and secondary activities across 118 fund of funds vehicles. Our Investment Solutions segment is comprised of AlpInvest, one of the world's largest investors in private equity, Metropolitan, one of the largest managers of indirect investments in global real estate, which manages 26 fund of funds vehicles, and Diversified Global Asset Management Corporation ("DGAM"), a global manager of 16 fund of hedge funds vehicles and a liquid alternatives platform. As of September 30, 2015, our Investment Solutions segment had approximately $49 billion in AUM and approximately $29 billion in Fee-earning AUM.

We earn management fees pursuant to contractual arrangements with the investment funds that we manage and fees for transaction advisory and oversight services provided to portfolio companies of these funds. We also typically receive a performance fee from an investment fund, which may be either an incentive fee or a special residual allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund. Under U.S. generally accepted accounting principles ("U.S. GAAP"), we are required to consolidate some of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these investment funds. Accordingly, our segment revenues primarily consist of fund management and related advisory fees, performance fees (consisting of incentive fees and carried interest allocations), investment income, including realized and unrealized gains on our investments in our funds and other trading securities, as well as interest and other income. Our segment expenses primarily consist of compensation and benefits expenses, including salaries, bonuses, performance payment arrangements, and equity-based compensation excluding awards granted in our initial public offering or in connection with acquisitions and strategic investments, and general and administrative expenses. Refer to Note 18 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information on the differences between our financial results reported pursuant to U.S. GAAP and our financial results for segment reporting purposes.

Our Family of Funds

The following chart presents the name (acronym), total capital commitments (in the case of our carry funds, structured credit funds, certain fund of funds vehicles, and the NGP management fee funds), assets under management (in the case of our hedge funds, fund of hedge funds vehicles, and other structured products), gross assets (in the case of our business development companies), and vintage year of the active funds in each of our segments, as of September 30, 2015. We present total capital commitments (as opposed to assets under management) for our closed-end investment funds because we believe this metric provides the most useful information regarding the relative size and scale of such funds. In the case of our hedge funds, fund of hedge funds vehicles, and other structured products which are open-ended and accordingly do not have permanent committed capital, we believe the most useful metric regarding relative size and scale is assets under management.

Corporate Private Equity		
Buyout Carry Funds		
Carlyle Partners (U.S.)		
CP VI	$13.0 bn	2013
CP V	$13.7 bn	2007
CP IV	$7.9 bn	2005
Global Financial Services Partners		
CGFSP II	$1.0 bn	2013
CGFSP I	$1.1 bn	2008
Carlyle Europe Partners		
CEP IV	€3.7 bn	2014
CEP III	€5.3 bn	2007
CEP II	€1.8 bn	2003
Carlyle Asia Partners		
CAP IV	$3.9 bn	2012
CBPF	RMB 2.1 bn	2010
CAP III	$2.6 bn	2008
CAP II	$1.8 bn	2006
CAP I	$750 mm	1998
Carlyle Japan Partners		
CJP III	¥119.5 bn	2013
CJP II	¥165.6 bn	2006
CJP I	¥50.0 bn	2001
Carlyle Mexico Partners		
Mexico	$134 mm	2005
Carlyle MENA Partners		
MENA I	$471 mm	2008
Carlyle South American Buyout Fund		
CSABF I	$776 mm	2009
Carlyle Sub-Saharan Africa Fund		
CSSAF I	$698 mm	2012
Carlyle Peru Fund		
CPF I	$308 mm	2012
Carlyle Global Partners		
CGP	$2.6 bn	2015
Growth Carry Funds		
Carlyle U.S. Venture/Growth Partners		
CEOF II	$1.9 bn	2015
CEOF I	$1.1 bn	2011

Global Market Strategies		
Structured Credit Funds		
Cash CLO Funds		
U.S.	$15.0 bn	1999-2015
Europe	€7.1 bn	2005-2015
Middle Market CLO		
U.S.	$1.2 bn	2011
Global Market Strategies Carry Funds		
Carlyle Mezzanine Partners		
(Corporate Mezzanine)		
CMP II	$553 mm	2008
CMP I	$436 mm	2004
Carlyle Strategic Partners		
(Distressed)		
CSP III	$703 mm	2011
CSP II	$1.4 bn	2007
Carlyle Energy Mezzanine		
Opportunities Fund		
CEMOF II	$2.4 bn	2015
CEMOF I	$1.4 bn	2010
Carlyle Asia Structured Credit Opportunities		
CASCOF	$238 mm	2015
Hedge Funds and Other Vehicles[1]		
Long/Short Credit		
Claren Road		
Opportunities Fund	$1.4 bn	2008
Claren Road		
Master Fund	$2.8 bn	2006
Emerging Markets Strategies		
Cross Border Equity Master Fund	$2.7 bn	2002
Domestic Opportunity Master Fund	$1.1 bn	2011
Emerging Sovereign Group - Various	$0.6 bn	2002
Commodities		
Carlyle Commodity Management - Various (4)	$1.4 bn	2005-2015
Business Development Companies[2]		
Carlyle GMS Finance, Inc.	$1.0 bn	2013
NF Investment Corp	$241 mm	2013
Investment Solutions		

Real Assets		
Real Estate Carry Funds		
Carlyle Realty Partners (U.S.)		
CRP VII	$4.2 bn	2014
CRP VI	$2.3 bn	2011
CRP V	$3.0 bn	2006
CRP IV	$950 mm	2005
CRP III	$564 mm	2001
Carlyle Europe Real Estate Partners		
CEREP III	€2.2 bn	2007
CEREP II	€763 mm	2005
Carlyle Asia Real Estate Partners		
CAREP II	$486 mm	2008
Natural Resources Funds		
Infrastructure Carry Fund		
CIP I	$1.1 bn	2006
Power Carry Funds		
CPP II	$902 mm	2014
CPOCP	$433 mm	2013
International Energy Carry Fund		
CIEP	$2.5 bn	2013
NGP Energy Carry Funds		
NGP XI	$5.3 bn	2014
NGP X	$3.6 bn	2012
NGP Agribusiness Carry Fund		
NGP GAP	$402 mm	2014
NGP Management Fee Funds		
Various[3]	$7.8 bn	2004-2008
Legacy Energy Carry Funds		
Carlyle/Riverstone Global Energy		
Energy IV	$6.0 bn	2008
Energy III	$3.8 bn	2005
Energy II	$1.1 bn	2003
Carlyle/Riverstone Renewable Energy		
Renew II	$3.4 bn	2008
Renew I	$685 mm	2006

CUSGF III	$605 mm	2006	AlpInvest		
CVP II	$602 mm	2001	Fund of Private Equity Funds		
Carlyle Europe Technology Partners			48 vehicles	€40.4 bn	2000-2015
CETP III	€657 mm	2014	Secondary Investments		
CETP II	€522 mm	2008	35 vehicles	€10.7 bn	2000-2015
CETP I	€222 mm	2005	Co-Investments		
Carlyle Asia Venture/Growth Partners			35 vehicles	€11.9 bn	2000-2015
CAGP IV	$1.0 bn	2008	Metropolitan Real Estate		
CAGP III	$680 mm	2005	Real Estate Fund of Funds		
Carlyle Cardinal Ireland			26 vehicles	$2.8 bn	2003-2015
CCI	€292 mm	2014	Diversified Global Asset Management[1]		
			Fund of Hedge Funds		
			16 vehicles	$2.2 bn	2004-2015

Note: All funds are closed-end and amounts shown represent total capital commitments as of September 30, 2015, unless otherwise noted. Certain of our recent vintage funds are currently in fundraising and total capital commitments are subject to change.

(1) Open-ended hedge funds and other pooled vehicles. Amounts represent AUM across all products as of September 30, 2015. Our Claren Road hedge funds received $1.9 billion of redemption notices in the third quarter which are expected to be paid in the next several quarters, beginning in the fourth quarter of 2015.

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(2) Amounts represent gross assets as of September 30, 2015.
(3) Includes NGP ETP I, NGP M&R, NGP ETP II, NGP VII, NGP VIII and NGP IX.
(4) Carlyle Commodity Management was formerly known as Vermillion Asset Management.

Trends Affecting our Business

The third quarter of 2015 was characterized by increased financial market volatility. On August 11, 2015, the People's Bank of China devalued the renminbi (RMB) and reformed the foreign exchange quotation system. The devaluation came in the wake of a 20% decline in Chinese stock prices and occurred amid signs that exports and broader economic activity had slowed. Many market participants interpreted the currency shift as a sign that conditions in China were worse than they appeared and sold assets they believed could be affected by these developments, including commodities and the securities of companies with significant exposure to China. Over the last seven weeks of the quarter, the S&P 500 fell 10.5%, the MSCI World Index declined 11% and emerging market stocks fell 12%, on average.

The decline in investor risk appetite also impacted currencies, particularly those of emerging market economies dependent on commodity exports. The Brazilian real fell 12.8% against the U.S. dollar in the last seven weeks of the quarter, similar to the declines experienced by the Indonesia rupiah (-8.4%), Malaysian ringgit (-12.3%) and South African rand (-9.5%) over the same period. The weakness in emerging markets and commodity currencies was not a reflection of U.S. dollar strength, however, since during the last seven weeks of the quarter, the U.S. dollar declined by between 1% and 4% against other major currencies including the Japanese yen, Swiss franc, and euro.

The dollar's decline against the aforementioned currencies reflected a shift in the expected timing of monetary policy tightening in the U.S. In the wake of concerns about the external economic environment and potential financial stresses in China, the Federal Open Market Committee (FOMC) left the federal funds rate target unchanged at its September 2015 meeting. The policy statement accompanying that decision led futures markets to discount the probability that the Federal Reserve will raise rates in 2015. As of the end of the third quarter, the expectation of lower policy rates has caused yields on five and ten year Treasury notes to decline by roughly 25 basis points since the end of June 2015.

While expectations of more accommodative monetary policy caused Treasury yields to decline, financing conditions generally tightened in the third quarter. Credit spreads on speculative grade debt increased by 180 basis points during the third quarter, which increased all-in corporate financing costs to three-and-a-half year highs. Most of the increase in overall credit spreads reflects the continued decline in energy-related credits, which fell in price from 91 to 77, on average per 100 of par value during the quarter. Average energy credit spreads peaked at 1100 basis points during the quarter, which pushed the industry into distressed territory.

Proprietary and official data we received during the quarter provided signs of global economic weakness, including a noticeable decline in manufacturing orders. We believe that most of the weakness in the industrial sector is attributable to a decline in the capital spending of companies in the mining, metals and energy sectors. As China has accounted for much of the incremental demand for industrial inputs (e.g., copper, iron ore, zinc, and oil) over the past decade, we believe that the deceleration in Chinese industrial production and fixed investment was one of the significant factors that led many observers to reduce demand forecasts, which in turn contributed to declines in commodity prices and led many firms to postpone or cancel new resource development projects. We believe that the decline in energy and commodity prices also contributed to a tightening of financial conditions by placing downward pressure on inflation and inflation expectations, which led to an increase in estimates of real interest rates in many industrialized economies.

It is difficult to determine whether volatility in the markets caused by changes (or perceived changes) in the Chinese economy, actions (or anticipated actions) by the U.S. Federal Reserve System, continued pressure on energy prices or other factors will continue and the impact that such volatility may have on our diverse portfolio. The measurement of our performance fees for any given period reflects the change in the valuation of our portfolios over the reporting period which is directly impacted by market volatility. On the last day of any particular calendar quarter, markets may move up or down, without regard to the fundamental health of the underlying businesses in our investment portfolios. Our carry fund portfolio valuations declined by 4% with our private portfolio depreciating by 1% and our public portfolio depreciating by 12% based on market conditions at the end of the third quarter. Similarly, the asset-weighted hedge fund performance of our reported funds was (4)% in the third quarter.

While volatility may cause swings in the valuations of our public portfolio, we believe that current market conditions also may serve as a catalyst to generate future investment buying opportunities for our funds. For example, we are exploring potential opportunities in energy that may arise due to the dislocation in the markets, in particular in energy lending and power. Due to the volatility during the quarter, we continued to be measured in our investment pace and capitalized on pockets of opportunity to invest $1.6 billion in new and existing investments in our carry funds that met our investment criteria and strategic objectives. Also, as an opportunistic seller, we seized upon high asset values in many sectors and realized proceeds of

$3.7 billion on 121 investments in 38 carry funds during the third quarter. While there can be no assurance that these trends will continue, we remain focused on maximizing the value of our portfolio for our fund investors and our business.

Recent Transactions

In October 2015, the Board of Directors of our general partner declared a quarterly distribution of $0.56 per common unit to common unitholders of record at the close of business on November 16, 2015, payable on November 24, 2015.

Consolidation of Certain Carlyle Funds and Variable Interest Entities

Pursuant to U.S. GAAP, we consolidate certain Carlyle sponsored funds, related co-investment entities and CLOs that we advise, which we refer to collectively as the Consolidated Funds, in our consolidated financial statements. These funds represent approximately 14% of our AUM as of September 30, 2015; 12% of our fund management fees for both the three and nine months ended September 30, 2015, respectively; and approximately 5% of our performance fees for both the three and nine months ended September 30, 2015, respectively.

We are not required under U.S. GAAP to consolidate in our financial statements most of the investment funds we advise because such funds provide their limited partners with the right to dissolve the fund without cause by a simple majority vote of the non-Carlyle affiliated limited partners, which overcomes the presumption of control by Carlyle. However, we consolidate certain CLOs that we advise as a result of the application of the accounting standards governing consolidations. As of September 30, 2015, our consolidated CLOs held approximately $18 billion of total assets and comprised 68% of the assets of the Consolidated Funds and 100% of the loans payable of the Consolidated Funds. As of September 30, 2015, our consolidated AlpInvest fund of funds vehicles had approximately $5 billion of total assets and comprised 18% of the assets of the Consolidated Funds. The remainder of the assets of the Consolidated Funds as of September 30, 2015 relate to our consolidated hedge funds and other consolidated funds. The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the liabilities of the Consolidated Funds are non-recourse to us. For further information on consolidation of certain funds, see Note 2 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

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

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

In addition, as described in Note 17 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, we consolidate Urbplan, a Brazilian real estate portfolio company held by certain of our real estate investment funds. Due to the timing and availability of financial information of Urbplan, we consolidate the financial position and results of operations of Urbplan on a financial reporting lag of 90 days. As of September 30, 2015, our unaudited condensed consolidated financial statements included approximately $242 million of assets related to Urbplan, representing less than 1% of our consolidated total assets.

On February 18, 2015, the FASB issued ASU 2015-2, Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-2 provides a revised consolidation model for all reporting entities to use in evaluating whether they should consolidate certain legal entities. All legal entities will be subject to reevaluation under this revised consolidation model. The revised consolidation model, among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. This guidance in ASU 2015-2 is effective for us beginning on January 1, 2016, and early adoption is permitted. We are currently assessing the potential impact that this guidance will have on our consolidated financial statements, however, the guidance is expected to reduce the number of funds that we currently consolidate. The expected deconsolidation would reduce our total assets, total liabilities, and total partners' capital, as well as impact net income, but there would be no impact to net income attributable to the Partnership.

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 Note 2 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information regarding the manner in which management fees and performance fees are generated.

Fund Management Fees. Fund management fees include (i) management fees and (ii) transaction and portfolio advisory fees. Management fees are fees we earn for advisory services we provide to funds in which we hold a general partner interest or with which we have an investment advisory or investment management agreement. Management fees are based on (a) third parties' capital commitments to our investment funds, (b) third parties' remaining capital invested in our investment funds at cost or at the lower of cost or aggregate remaining fair value, (c) gross assets, excluding cash and cash equivalents, (d) for the private equity and real estate fund of funds vehicles following the expiration of the commitment period or weighted-average investment period of such vehicles, the lower of cost or fair value of the capital invested, the net asset value for unrealized investments, or the contributions for unrealized investments, (e) the total par amount of assets for our CLOs and the aggregate principal amount of the notes of our other structured products, or (f) the net asset value ("NAV") of certain of our investment funds, as described in our unaudited condensed consolidated financial statements. Additionally, management fees include catch-up management fees, which are episodic in nature and represent management fees charged to fund investors in subsequent closings of a fund which apply to the time period between the fee initiation date and the subsequent closing date.

Management fees for funds in our corporate private equity funds, closed-end carry funds in the global market strategies segment and real assets funds generally range from 1% to 2% of commitments during the investment period of the relevant fund. Large funds tend to have lower effective management fee rates, while smaller funds tend to have effective management fee rates approaching 2.0%. Following the expiration or termination of the investment period of such funds, the management fees generally step-down to between 0.6% and 2.0% generally on the lower of cost or fair value of capital invested; however, certain of our managed accounts base management fees at all times on contributions for unrealized investments or the current value of the investment. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees are called semiannually in advance and are recognized as earned over the subsequent six month period. As a result, cash on hand and deferred revenue will generally be higher at or around January and July, which are the semiannual due dates for management fees.

Management fees for our private equity and real estate fund of funds vehicles generally range from 0.3% to 1.0% on the vehicle's capital commitments during the commitment fee period of the relevant fund or the weighted-average investment period of the underlying funds. Following the expiration of the commitment fee period or weighted-average investment period of such funds, the management fees generally range from 0.3% to 1.0% on the lower of cost or fair value of the capital invested, the NAV for unrealized investments, or the contributions for unrealized investments. The management fees for our fund of hedge funds vehicles generally range 0.2% to 1.5% of NAV. Management fees for our Investment Solutions segment are generally due quarterly and are recognized over the related quarter.

Our hedge funds generally pay management fees quarterly that range from 1.5% to 2.0% of NAV per year. Management fees for our business development companies are due quarterly in arrears at annual rates that range from 0.25% to 1.0% of gross assets, excluding cash and cash equivalents. Management fees for our CLOs and other structured products typically range from 0.15% to 1.0% on the total par amount of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semiannually based on the terms and recognized over the relevant period. Our management fees for our CLOs/structured products and credit opportunities funds are governed by indentures and collateral management agreements.

With respect to Claren Road and ESG, we retain a specified percentage of the management fees of the businesses based on our economic ownership in the management companies of 55%. Through the second quarter of 2015, we retained 55% of the management fees of Carlyle Commodity Management L.L.C. (“Carlyle Commodity Management”, formerly Vermillion) based on our 55% economic interest in Carlyle Commodity Management. Effective July 1, 2015, based on a restructuring of the original acquisition agreements of Carlyle Commodity Management, in which the Partnership's economic interest increased to approximately 83%, we are entitled to approximately 83% of the management fees of Carlyle Commodity Management. Management fees are not subject to repayment but may be offset to the extent that other fees are earned as described below under “—Transaction and Portfolio Advisory Fee.”

Management fees attributable to Carlyle Partners VI, L.P. ("CP VI"), our sixth U.S. buyout fund with approximately $12.0 billion of Fee-earning AUM as of September 30, 2015, were approximately 14% of total management fees recognized during both the three and nine months ended September 30, 2015, respectively. Management fees attributable to Carlyle Europe Partners IV, L.P. ("CEP IV"), our fourth Europe buyout fund with approximately $3.9 billion of Fee-earning AUM as of September 30, 2015, were approximately 10% of total management fees recognized during the three months ended September 30, 2015. Management fees attributable to CP VI were approximately 14% of total management fees recognized during both the three months and nine months ended September 30, 2014, respectively. No other fund generated over 10% of total management fees in the periods presented.

Fund management fees exclude the reimbursement of any partnership expenses paid by the Partnership on behalf of the Carlyle funds pursuant to the limited partnership agreements, including amounts related to the pursuit of actual, proposed, or unconsummated investments, professional fees, expenses associated with the acquisition, holding and disposition of investments, and other fund administrative expenses.

Transaction and Portfolio Advisory Fees. Transaction and portfolio advisory fees are fees we receive for the transaction and portfolio advisory services we provide to our portfolio companies. When covered by separate contractual agreements, we recognize transaction and portfolio advisory fees for these services when the service has been provided and collection is reasonably assured. We are required to offset our fund management fees earned by a percentage of the transaction and advisory fees earned, which we refer to as the "rebate offsets." Such rebate offset percentages generally approximate 80% of the fund's portion of the transaction and advisory fees earned. The recognition of portfolio advisory fees and transactions fees can be volatile as they are primarily generated by investment activity within our funds, and therefore are impacted by our investment pace. We have received and expect to continue to receive requests from a variety of investors and groups representing investors to increase the percentage of transaction and advisory fees we share with our investors in future funds; to the extent that we accommodate such requests on future funds, the rebate offset percentages would increase relative to historical levels.

Performance Fees. Performance fees consist principally of the special residual allocation of profits to which we are entitled, commonly referred to as carried interest, from certain of our investment funds, which we refer to as the "carry funds." We are generally entitled to a 20% allocation (or 10% to 20% on external coinvestment vehicles, with some earning no carried interest, or approximately 2% to 10% in the case of most of our fund of funds vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 8% to 9% and the return of certain fund costs (subject to catch-up provisions as set forth in the fund limited partnership agreement). Carried interest revenue, which is a component of performance fees in our consolidated financial statements, is recognized by Carlyle upon appreciation of the valuation of our funds' investments above certain return hurdles as set forth in each respective partnership agreement and is based on the amount that would be due to us pursuant to the fund partnership agreement at each period end as if the funds were liquidated at such date. Accordingly, the amount of carried interest recognized as performance fees reflects our share of the fair value gains and losses of the associated funds' underlying investments measured at their then-current fair values relative to the fair values as of the end of the prior period. As a result, the performance fees earned in an applicable reporting period are not indicative of any future period, as fair values are based on conditions prevalent as of the reporting date. Refer to "—Trends Affecting our Business" for further discussion. Carried interest is ultimately realized and distributed when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the investment fund's cumulative returns are in excess of the preferred return and (iv) we have decided to collect carry rather than return additional capital to limited partner investors. Our decision to realize carry considers such factors as the level of embedded valuation gains, the portion of the fund invested, the portion of the fund returned to limited partner investors, and the length of time the fund has been in carry, as well as other qualitative measures. The portion of performance fees that are realized and unrealized in each period are separately reported in our statement of operations.

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

2011 and 2020 and 40% of the carried interest in respect of all other commitments (including all future commitments from third parties). In certain instances, carried interest associated with the fund of funds vehicles is subject to entity level income taxes in the Netherlands.

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

Performance fees for the three months ended September 30, 2015 were generated from the following funds:

- $35.5 million from Carlyle Realty Partners V, L.P. (“CRP V”) (with total AUM of approximately $2.3 billion),
- $26.1 million from Carlyle Realty Partners VI, L.P. (“CRP VI”) (with total AUM of approximately $3.0 billion),
- $(129.4) million from Carlyle Partners V, L.P. (“CP V”) (with total AUM of approximately $12.1 billion),
- $(55.4) million from Carlyle Asia Growth Partners IV, L.P. (“CAGP IV”) (with total AUM of approximately $1.2 billion),
- $(48.3) million from Carlyle Energy Mezzanine Opportunity Fund (”CEMOF”) with total AUM of approximately $1.5 billion),
- $(41.6) million from Carlyle/Riverstone Global Energy and Power Fund IV, L.P. (“Energy IV”) with total AUM of approximately $3.2 billion), and
- $(26.4) million from Carlyle Partners IV, L.P. (“CP IV”) (with total AUM of approximately $1.1 billion).

Performance fees from Carlyle Europe Partners III, L.P. (“CEP III”), CP V, CRP VI, Carlyle/Riverstone Global Energy and Power Fund III, L.P. (”Energy III”), and Energy IV were $174.7 million, $112.6 million, $84.8 million, $(100.3) million, and $(65.5) million, respectively, for the nine months ended September 30, 2015. No other fund generated over 10% of performance fees during the three and nine months ended September 30, 2015.

Performance fees for the three months ended September 30, 2014 were generated from the following funds:

- $124.7 million from CEP III,
- $90.0 million from CP V,
- $29.6 million from Carlyle U.S. Equity Opportunity Fund, L.P. (“CEOF”),
- $25.2 million from CRP VI,
- $(31.6) million from CP IV,
- $(23.0) million from the Claren Road Master Fund,
- $(18.5) million from the Claren Road Credit Opportunities Fund, and
- $(75.8) collectively from AlpInvest's Main Fund III Secondary Investments (2006) and Main Fund III Co-Investments (2006). The performance fee reversal resulted in a corresponding decrease to performance fees compensation expense of $56.9 million and a decrease to the provision for income taxes of $18.9 million, resulting in no net impact to the net income attributable to Carlyle Holdings for the three months ended September 30, 2014.

Performance fees from CEP III and CP V were $467.7 million and $429.5 million, respectively, for the nine months ended September 30, 2014. No other fund generated over 10% of performance fees during the three and nine months ended September 30, 2014.

Realized carried interest may be clawed back or given back to the fund if the fund’s investment values decline below certain return hurdles, which vary from fund to fund. When the fair value of a fund’s investments remains constant or falls below certain return hurdles, previously recognized performance fees are reversed. In all cases, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. For any given period, carried interest income could thus be negative; however, cumulative performance fees can never be negative over the life of a fund. In addition, we are not obligated to pay guaranteed returns or hurdles. If upon a hypothetical liquidation of a fund’s investments at the then-current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established in our financial statements for the potential giveback obligation. As discussed below, each individual recipient of realized carried interest typically signs a guarantee agreement or partnership agreement that personally obligates such person to return his/her pro rata share of any amounts of realized carried interest previously distributed that are later clawed back. Accordingly, carried interest as performance fee compensation is subject to return to the Partnership in the event a giveback obligation is funded. Generally, the actual giveback liability, if any, does not become due until the end of a fund's life.

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

For any given period, performance fee revenue on our statement of operations may include reversals of previously recognized performance fees due to a decrease in the value of a particular fund that results in a decrease of cumulative performance fees earned to date. Since fund return hurdles are cumulative, previously recognized performance fees also may be reversed in a period of appreciation that is lower than the particular fund's hurdle rate. For the three months ended September 30, 2015 and 2014, the reversals of performance fees were $388.4 million and $268.2 million, respectively. For the nine months ended September 30, 2015 and 2014, the reversals of performance fees were $234.6 million and $232.0 million, respectively. Additionally, unrealized performance fees reverse when performance fees are realized, and can be negative if the amount of realized performance fees exceed total performance fees generated in the period.

As of September 30, 2015, accrued performance fees and accrued giveback obligations were approximately $3.0 billion and $264.0 million, respectively, after amounts eliminated related to the Consolidated Funds. Each balance assumes a hypothetical liquidation of the funds' investments at September 30, 2015 at their then current fair values. These assets and liabilities will continue to fluctuate in accordance with the fair values of the fund investments until they are realized.

In addition, realized performance fees may be reversed in future periods to the extent that such amounts become subject to a giveback obligation. If at September 30, 2015, all investments held by our carry funds were deemed worthless, the amount of realized and previously distributed performance fees subject to potential giveback would be approximately $1.9 billion on an after-tax basis where applicable. See the related discussion of "Contingent Obligations (Giveback)" within "— Liquidity and Capital Resources." Since Carlyle's inception, we have repaid a total of approximately $54 million in aggregate giveback obligations, which was funded primarily through collection of employee receivables related to giveback obligations and from non-controlling interests for their portion of the obligation.

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

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

Fair Value Measurement. U.S. GAAP establishes a hierarchal disclosure framework which ranks the observability of market price inputs used in measuring financial instruments at fair value. The observability of inputs is impacted by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with

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readily available quoted prices, or for which fair value can be measured from quoted prices in active markets, will generally have a higher degree of market price observability and a lesser degree of judgment applied in determining fair value.

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

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

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

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

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

The table below summarizes the valuation of investments and other financial instruments included within our AUM, by segment and fair value hierarchy levels, as of September 30, 2015 (amounts in millions):

	As of September 30, 2015				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
Consolidated Results					
Level I	$8,521	$5,925	$4,040	$637	$19,123
Level II	326	1,551	230	1,221	3,328
Level III	25,646	22,000	19,814	32,462	99,922
Total Fair Value	34,493	29,476	24,084	34,320	122,373
Other Net Asset Value	1,077	2,134	(624)	(446)	2,141
Total AUM, Excluding Available Capital Commitments	35,570	31,610	23,460	33,874	124,514
Available Capital Commitments	27,485	3,921	16,741	15,072	63,219
Total AUM	$63,055	$35,531	$40,201	$48,946	$187,733

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

Investment professionals with responsibility for the underlying investments are responsible for preparing the investment valuations pursuant to the policies, methodologies and templates prepared by our valuation group, which is a team made up of dedicated valuation professionals reporting to our chief accounting officer. The valuation group is responsible for maintaining

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our valuation policy and related guidance, templates and systems that are designed to be consistent with the guidance found in U.S. GAAP. These valuations, inputs and preliminary conclusions are reviewed by the fund accounting teams. The valuations are then reviewed and approved by the respective fund valuation subcommittees, which are comprised of the respective fund head(s), segment head, chief financial officer and chief accounting officer, as well as members from the valuation group. The valuation group compiles the aggregate results and significant matters and presents them for review and approval by the global valuation committee, which is comprised of our co-chief executive officers, president and chief operating officer, chief risk officer, chief financial officer, chief accounting officer, deputy chief investment officers for Corporate Private Equity, the business segment heads, and observed by the chief compliance officer, the director of internal audit, and our audit committee. Additionally, each quarter a sample of valuations is reviewed by external valuation firms.

In the absence of observable market prices, we value our investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist. Management's determination of fair value is then based on the best information available in the circumstances and may incorporate management's own assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors, including the appropriate risk adjustments for non-performance and liquidity risks. Investments for which market prices are not observable include private investments in the equity of operating companies and real estate properties, and certain debt positions. The valuation technique for each of these investments is described in Note 4 of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Investment Income and Interest and Other Income. Investment income and interest and other income represent the unrealized and realized gains and losses on our principal investments, including our investments in Carlyle funds that are not consolidated, our equity method investments and other principal investments, as well as any interest and other income. Investment income (loss) also includes the related amortization of the basis difference between the carrying value of our investment and our share of the underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by us to employees of our equity method investee. Realized investment income (loss) is recorded when we redeem all or a portion of our investment or when we receive or are due cash income, such as dividends or distributions. A realized investment loss is also recorded when an investment is deemed to be worthless. Unrealized investment income (loss) results from changes in the fair value of the underlying investment, as well as the reversal of previously recognized unrealized gains (losses) at the time an investment is realized.

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

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

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

Expenses

Compensation and Benefits. Compensation includes salaries, bonuses, equity-based compensation, and performance payment arrangements. Bonuses are accrued over the service period to which they relate.

We recognize as compensation expense the portion of performance fees that are due to our employees, senior Carlyle professionals, and operating executives in a manner consistent with how we recognize the performance fee revenue. These amounts are accounted for as compensation expense in conjunction with the related performance fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Compensation in respect of performance fees is paid when the related performance fees are realized, and not when such performance fees are accrued. The funds do not have a uniform allocation of performance fees to our employees, senior Carlyle professionals and operating executives. Therefore, for any given period, the ratio of performance fee compensation to performance fee revenue may vary based on the funds generating the performance fee revenue for that period and their particular allocation percentages.

In addition, we have implemented various equity-based compensation arrangements that require senior Carlyle professionals and other employees to vest ownership of a portion of their equity interests over a service period of up to six years, which under U.S. GAAP will result in compensation charges over current and future periods. Further, in order to recruit and retain existing and future senior Carlyle professionals and other employees, we have implemented additional equity-based compensation programs that have resulted in increases to our equity-based compensation expenses, which is a trend that is expected to continue in the future as we increase the use of deferred restricted common units. For example, in February 2015, we granted approximately 5 million deferred restricted common units across a significant number of our employees for a total estimated grant-date fair value of approximately $119 million; these awards vest over a period of 18 to 42 months. Compensation charges associated with the equity-based compensation grants issued in our initial public offering in May 2012 or grants issued in acquisitions or strategic investments are excluded from our calculation of Economic Net Income. Compensation charges associated with all equity-based compensation grants are excluded from Fee Related Earnings and Distributable Earnings.

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

General, Administrative and Other Expenses. General, administrative, and other expenses include occupancy and equipment expenses and other expenses, which consist principally of professional fees, including those related to our global regulatory compliance program, external costs of fundraising, travel and related expenses, communications and information services, depreciation and amortization (including intangible asset amortization and impairment) and foreign currency transactions. We expect that general, administrative and other expenses will vary due to infrequently occurring or unusual items. Also, in periods of significant fundraising, to the extent that we use third parties to assist in our fundraising efforts, our general, administrative and other expenses may increase accordingly. Additionally, we anticipate that general, administrative and other expenses will fluctuate from period to period due to the impact of foreign exchange transactions.

We also could incur greater expenses in the future related to our recent acquisitions including amortization of acquired intangibles, earn-outs to equity holders and fair value adjustments on contingent consideration issued, as well as related to our global compliance efforts. As discussed in Note 7 to the condensed consolidated financial statements, we evaluate for impairment intangible assets and could record additional impairment losses in future periods.

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

Interest and Other Expenses of a Consolidated Real Estate VIE. Interest and other expenses of a consolidated real estate VIE reflect expenses incurred by Urbplan, consisting primarily of interest expense, general and administrative expenses, compensation and benefits, and costs associated with land development services. Also included in this caption is the change in our estimate of the fair value of Urbplan’s loans payable during the period.

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

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

In the normal course of business, we are subject to examination by federal and certain state, local and foreign tax regulators. As of September 30, 2015, our U.S. federal income tax returns for the years 2012 through 2014 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 2011 to 2014. Foreign tax returns are generally subject to audit from 2008 to 2014. Certain of our affiliates are currently under audit by federal, state and foreign tax authorities.

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

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

Non-GAAP Financial Measures

Economic Net Income. Economic net income or "ENI," is a key performance benchmark used in our industry. ENI represents segment net income which includes certain tax expense associated with performance fee compensation and excludes the impact of all other income taxes, acquisition-related items including amortization and any impairment charges of acquired intangibles and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation grants issued in May 2012 upon completion of the initial public offering or grants issued in acquisitions or strategic investments, corporate actions and infrequently occurring or unusual events. We believe the inclusion or exclusion of these items provides investors with a meaningful indication of our core operating performance. For segment reporting purposes, revenues and expenses, and, accordingly, segment net income, are presented on a basis that deconsolidates the Consolidated Funds. Total Segment ENI equals the aggregate of ENI for all segments. ENI is evaluated regularly by management in making resource deployment decisions and in assessing performance of our four segments and for compensation. We believe that reporting ENI is helpful to understanding our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance. This measure supplements and should be considered in addition to, and not in lieu of, the results of operations discussed further under "Consolidated Results of Operations" prepared in accordance with U.S. GAAP.

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

Fee Related Earnings. Fee Related Earnings is a component of Distributable Earnings and is used to measure our operating profitability exclusive of performance fees, investment income from investments in our funds, performance fee-related compensation, and equity-based compensation expense. Accordingly, Fee Related Earnings reflect the ability of the business to cover direct base compensation and operating expenses from fee revenues other than performance fees. Fee Related Earnings are reported as part of our segment results. We use Fee Related Earnings from operations to measure our profitability from fund management fees.

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

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

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

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

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

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

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

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

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

	As of September 30,	
	2015	2014
Consolidated Results	(Dollars in millions)	
Components of Fee-earning AUM		
Fee-earning AUM based on capital commitments (1)	$41,913	$40,846
Fee-earning AUM based on invested capital (2)	36,171	40,629
Fee-earning AUM based on collateral balances, at par (3)	17,416	17,512
Fee-earning AUM based on net asset value (4)	10,791	17,039
Fee-earning AUM based on lower of cost or fair value and other (5)	21,764	24,188

Balance, End of Period (6)	$128,055	$140,214

(1) Reflects limited partner capital commitments where the original investment period, weighted-average investment period, or commitment fee period has not expired. Increases of $1.1 billion from September 30, 2014 are related

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primarily to fundraising in our Corporate Private Equity and Real Assets funds, offset by net changes from commitments to invested capital in our Investment Solutions funds and decreases from foreign exchange of $1.2 billion.

(2) Reflects limited partner invested capital at cost and includes amounts committed to or reserved for investments for certain Real Assets and Investment Solutions funds. Decreases of $4.4 billion from September 30, 2014 are primarily related to large distributions for funds outside their original commitment periods in our Corporate Private Equity and Real Assets segments, along with decreases for foreign exchange of approximately $1.0 billion.

(3) Represents the amount of aggregate Fee-earning collateral balances and principal balances, at par, for our CLOs/structured products. Despite fundraising of $4.2 billion for eight structured products in the twelve months ended September 30, 2015, the overall decrease of $0.1 billion from September 30, 2014 is related to decreases in the collateral balances, at par, of our structured products, in addition to decreases from foreign exchange of $0.6 billion.

(4) Reflects the net asset value (pre-redemptions and subscriptions) of our hedge funds, mutual fund and fund of hedge funds vehicles. Decrease in the twelve months ended September 30, 2015 of $6.2 billion was due to net redemptions and market depreciation in our hedge funds and fund of hedge fund vehicles of $4.3 billion and $2.0 billion, respectively.

(5) Includes funds with fees based on gross asset value. A decrease of $2.4 billion in the twelve months ended September 30, 2015 was primarily related to foreign exchange decreases of $1.6 billion and distributions in our funds based on lower of cost or fair value in our Investment Solutions segment.

(6) Energy II, Energy III, Energy IV, Renew I, and Renew II (collectively, the "Legacy Energy Funds"), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. With the exception of Energy IV and Renew II, where Carlyle has a minority representation on the funds' management committees, management of each of the Legacy Energy Funds is vested in committees with equal representation by Carlyle and Riverstone, and the consent of representatives of both Carlyle and Riverstone is required for investment decisions. As of September 30, 2015, the Legacy Energy Funds had, in the aggregate, approximately $6.8 billion in AUM and $6.8 billion in Fee-earning AUM. We are no longer raising capital for the Legacy Energy Funds and expect these balances to continue to decrease over time as the funds wind down.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Consolidated Results	(Dollars in millions)		(Dollars in millions)	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$130,000	$145,649	$135,580	$139,949
Acquisitions	—	—	—	2,894
Inflows, including Fee-paying Commitments (1)	2,880	3,133	11,381	12,917
Outflows, including Distributions (2)	(3,360)	(4,973)	(12,045)	(13,945)
Subscriptions, net of Redemptions (3)	(604)	208	(3,415)	608
Changes in CLO collateral balances (4)	(545)	195	216	1,528
Market Appreciation/(Depreciation) (5)	(434)	(457)	(840)	43
Foreign Exchange and other (6)	118	(3,541)	(2,822)	(3,780)
Balance, End of Period	$128,055	$140,214	$128,055	$140,214

(1) Inflows represent limited partner capital raised and capital invested by our carry funds, NGP management fee funds, and fund of funds vehicles outside the investment period, weighted-average investment period or commitment fee period. Inflows do not include amounts raised of $12.6 billion for which fees have not yet commenced as of September 30, 2015.

(2)

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

(3) Represents the net result of subscriptions to and redemptions from our hedge funds, mutual fund and fund of hedge funds vehicles. Our Claren Road hedge funds received $1.9 billion of redemption notices in the third quarter that will reduce Fee-earning AUM as they are expected to be paid out over the next several quarters, beginning in the fourth quarter of 2015.

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

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

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

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

Assets under Management

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

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

(b) the amount of aggregate collateral balance and principal cash at par or aggregate principal amount of the notes of our CLOs and other structured products (inclusive of all positions);

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

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

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

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

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

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

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

Available Capital

Available capital, commonly known as "dry powder," for our carry funds, fund of funds vehicles, and NGP management fee funds refer to the amount of capital commitments available to be called for investments. Amounts previously called may be added back to available capital following certain distributions. "Expired Available Capital" occurs when a fund has passed the investment and follow-on periods and can no longer invest capital into new or existing deals. Any remaining Available Capital, typically a result of either recycled distributions or specific reserves established for the follow-on period that are not drawn, can only be called for fees and expenses and is therefore removed from the Total AUM calculation.

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

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Available Capital	Fair Value of Capital	Total AUM	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)			(Dollars in millions)		
Consolidated Results						
Balance, Beginning of Period	$62,790	$130,052	$192,842	$57,871	$136,602	$194,473
Commitments (1)	3,944	—	3,944	15,327	—	15,327
Capital Called, net (2)	(3,527)	3,428	(99)	(9,952)	9,865	(87)
Distributions (3)	95	(6,456)	(6,361)	876	(24,027)	(23,151)
Subscriptions, net of Redemptions (4)	—	(606)	(606)	—	(3,487)	(3,487)
Changes in CLO collateral balances (5)	—	(91)	(91)	—	831	831
Market Appreciation/(Depreciation) (6)	—	(1,842)	(1,842)	—	8,315	8,315
Foreign Exchange and other (7)	(83)	29	(54)	(903)	(3,585)	(4,488)
Balance, End of Period	$63,219	$124,514	$187,733	$63,219	$124,514	$187,733

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

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

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

(4) Represents the net result of subscriptions to and redemptions from our hedge funds, mutual fund, and fund of hedge funds vehicles. Our Claren Road hedge funds received $1.9 billion of redemption notices in the third quarter that are expected to be paid in the next several quarters, beginning in the fourth quarter of 2015.

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

(6) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments and changes in the net asset value of our hedge funds, mutual fund, and fund of hedge funds vehicles. Depreciation for the third quarter was primarily driven by depreciation in the public portfolio of our carry funds of $1.8 billion (12%) and depreciation in the private portfolio of our carry funds of $0.3 billion (1%). Remaining market depreciation for the third quarter of 2015 primarily relates to the NGP management fee funds ($0.7 billion) and hedge funds ($0.3 billion), partially offset by appreciation on the fund of funds vehicles ($1.4 billion). Appreciation for the nine months ended September 30, 2015 was primarily driven by appreciation in the public portfolio of our carry funds of $1.2 billion (7%) and appreciation in the private portfolio of our carry funds of $1.6 billion (5%). Remaining market appreciation for the nine months ended September 30, 2015 primarily relates to the fund of funds vehicles ($6.9 billion), offset by depreciation on the NGP management fee funds ($0.8 billion), and hedge funds ($0.6 billion).

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

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

Consolidated Results of Operations

The following table and discussion sets forth information regarding our unaudited condensed consolidated results of operations for the three months and nine months ended September 30, 2015 and 2014. The unaudited condensed consolidated financial statements have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds. We formed eight new CLOs throughout 2014 and five new CLOs in 2015 and have consolidated those CLOs beginning on their respective formation dates or closing dates. As further described below, the consolidation of these funds primarily had the impact of increasing interest and other income of Consolidated Funds, interest and other expenses of Consolidated Funds, and net investment gains (losses) of Consolidated Funds in the year that the fund is initially consolidated. The consolidation of these funds had no effect on net income attributable to the Partnership for the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions, except unit and per unit data)			
Revenues				
Fund management fees	$278.3	$307.4	$830.1	$885.0
Performance fees				
Realized	329.2	176.9	1,251.0	843.9
Unrealized	(575.8)	10.5	(629.7)	506.4
Total performance fees	(246.6)	187.4	621.3	1,350.3
Investment income (loss)				
Realized	12.5	(0.5)	24.2	29.4
Unrealized	(22.0)	4.3	(17.7)	4.2
Total investment income (loss)	(9.5)	3.8	6.5	33.6
Interest and other income	5.0	9.1	15.9	16.6
Interest and other income of Consolidated Funds	259.4	234.1	742.7	728.5
Revenue of a consolidated real estate VIE	10.9	13.2	73.9	27.2
Total revenues	297.5	755.0	2,290.4	3,041.2
Expenses				
Compensation and benefits				
Base compensation	163.5	190.7	472.2	615.8
Equity-based compensation	86.8	79.7	291.0	262.9
Performance fee related		0		
Realized	155.2	78.4	561.7	368.3
Unrealized	(228.1)	(14.3)	(146.2)	316.3
Total compensation and benefits	177.4	334.5	1,178.7	1,563.3
General, administrative and other expenses	289.6	117.4	539.2	370.4
Interest	14.5	14.4	43.6	41.1
Interest and other expenses of Consolidated Funds	296.9	240.1	791.7	756.4
Interest and other expenses of a consolidated real estate VIE	26.8	38.3	124.4	129.5
Other non-operating income	(9.9)	(39.6)	(11.7)	(14.0)
Total expenses	795.3	705.1	2,665.9	2,846.7
Other income				
Net investment gains (losses) of Consolidated Funds	(31.3)	125.5	935.8	994.5
Income (Loss) before provision for income taxes	(529.1)	175.4	560.3	1,189.0
Provision (benefit) for income taxes	(4.1)	(5.9)	12.4	63.9
Net income (loss)	(525.0)	181.3	547.9	1,125.1
Net income (loss) attributable to non-controlling interests in consolidated entities	(152.4)	53.2	657.5	747.4
Net income (loss) attributable to Carlyle Holdings	(372.6)	128.1	(109.6)	377.7
Net income (loss) attributable to non-controlling interests in Carlyle Holdings	(288.7)	102.7	(95.8)	308.2
Net income (loss) attributable to The Carlyle Group L.P.	$(83.9)	$25.4	$(13.8)	$69.5
Net income (loss) attributable to The Carlyle Group L.P. per common unit				
Basic	$(1.05)	$0.38	$(0.19)	$1.11
Diluted	$(1.11)	$0.35	$(0.28)	$1.01

Weighted-average common units				
Basic	78,849,332	66,474,689	72,812,892	61,422,816
Diluted	301,558,908	72,086,875	299,143,320	67,440,601

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014
Revenues
Total revenues were $297.5 million for the three months ended September 30, 2015, a decrease of 61% from total revenues for the three months ended September 30, 2014 of $755.0 million. The decrease in revenues was primarily attributable to a decrease in performance fees of $434.0 million and a decrease in fund management fees of $29.1 million.
Fund Management Fees. Fund management fees decreased $29.1 million, or 9%, to $278.3 million for the three months ended September 30, 2015 as compared to 2014. In addition, fund management fees from consolidated funds decreased $8.8 million for the three months ended September 30, 2015 as compared to 2014. These fees are eliminated upon consolidation of these funds.
The overall decrease, inclusive of management fees eliminated from consolidated funds, was primarily due to approximately $24.9 million in lower management fees from reduced assets under management in our hedge funds, approximately $19.8 million resulting from the change in the basis for earning management fees from commitments to invested capital for certain funds and from distributions from funds whose management fees are based on invested capital, and approximately $6.8 million in lower management fees from AlpInvest, which was driven primarily by the decline of the Euro exchange rate in 2015 as compared to 2014. Offsetting these decreases were approximately $37.5 million of incremental management fees from the commencement of the investment period during 2014 and 2015 for certain newly raised funds and catch-up management fees from subsequent closes of funds that are in the fundraising period.
Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of $4.0 million and $21.9 million for the three months ended September 30, 2015 and 2014, respectively. The $17.9 million decrease in transaction and portfolio advisory fees resulted primarily from greater investment activity, primarily in our buyout funds, in 2014 as compared to 2015.
Performance Fees. Performance fees for the three months ended September 30, 2015 were $(246.6) million compared to $187.4 million for the three months ended September 30, 2014. In addition, performance fees from consolidated funds increased $23.7 million for the three months ended September 30, 2015 as compared to 2014. These fees eliminate upon consolidation. The performance fees recorded in the three months ended September 30, 2015 and 2014 were impacted principally by changes in the fair value of the underlying carry funds, which (decreased) and increased approximately (4)% and 3% in total remaining value during the three months ended September 30, 2015 and 2014, respectively. The decrease in the fair value of the investments from 2014 to 2015 was driven primarily by asset performance and operating projections as well as decreases in market comparables, especially for our buyout, natural resources and Legacy Energy funds. However, the investments in the real estate funds appreciated by 6% and 4% during the three months ended September 30, 2015 and 2014, respectively, and the AlpInvest fund of funds vehicles (reported on a quarter lag) appreciated by 5% and 10% during the three months ended September 30, 2015 and 2014, respectively. The third quarter of 2015 was characterized by increased financial market volatility. In the U.S., the Federal Open Market Committee left the federal funds rate target unchanged in September, which led to speculation that the Federal Reserve may not raise rates in 2015. This expectation has caused yields on five and ten year Treasury notes to decline by roughly 25 basis points since the end of June 2015. While Treasury yields declined, financing conditions tightened in the quarter. Credit spreads on speculative debt increased by 180 basis points due primarily to the continued decline in energy-related credits. Further, amongst the signs of global economic weakness, there were noticeable declines in manufacturing orders due to a decline capital spending in the industrial sector. Historically, China accounted for much of the industrial demand inputs. However, the deceleration in Chinese industrial production was one of the significant factors that led many observers to reduce demand forecasts, which in turn led to declines in commodity prices. Amongst these market conditions, our public carry fund portfolio depreciated 12% in the three months ended September 30, 2015, while our private carry fund portfolio also depreciated 1%.
During the three months ended September 30, 2014, substantially all accrued hedge fund incentive fees generated earlier in 2014 were reversed, resulting in a decrease in performance fees of approximately $76.7 million for the three months ended September 30, 2014. Additionally, Main Fund III - Secondary Investments (2006) and Main Fund III - Co-Investments (2006), two of the private equity fund of funds vehicles managed by AlpInvest, moved out of a carry position in the third quarter of 2014, resulting in a reversal of performance fees of approximately $75.8 million (which

was entirely offset by decreases to performance fee compensation expense and the provision for income taxes). See “- Key Financial Measures - Revenues - Performance Fees” for information on the allocation of performance fees derived from AlpInvest fund of funds vehicles between the Partnership and the historical owners and management team of AlpInvest.

Approximately $(257.8) million and $217.1 million of performance fees for the three months ended September 30, 2015 and 2014, respectively, were generated by our Corporate Private Equity segment. Performance fees for the three months ended

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September 30, 2015 and 2014 were $(52.3) million and $(19.4) million for the Global Market Strategies segment, $32.1 million and $31.9 million for the Real Assets segment, and $31.4 million and $(42.2) million for the Investment Solutions segment, respectively. Further, approximately $(239.6) million of our performance fees for the three months ended September 30, 2015 were related to CP V, CAGP IV, CEMOF, Energy IV, CP IV, CRP V, and CRP VI, while $120.6 million of our performance fees for the three months ended September 30, 2014 were related to CEP III, CP V, CEOF, CRP VI, the Claren Road Master Fund, the Claren Road Credit Opportunities Fund, and AlpInvest's Main Fund III Secondary Investments (2006) and Main Fund III Co-Investments (2006).

Investment Income (Loss). Investment loss of $9.5 million for the three months ended September 30, 2015 decreased $13.3 million from investment income of $3.8 million for the three months ended September 30, 2014. The decrease in investment income from 2014 to 2015 relates primarily to investment losses of $4.6 million from investments in our U.S. and European buyout and growth funds and an increase in investment loss from 2014 to 2015 of $3.8 million from the investment in NGP, primarily from lower earnings allocated from the investment in NGP Management. Those changes were partially offset by investment income in 2015 of $3.7 million versus investment losses in 2014 of $4.4 million on certain European real estate investments as well as investment income on other Partnership investments.

Interest and Other Income. Interest and other income decreased $4.1 million to $5.0 million for the three months ended September 30, 2015, as compared to $9.1 million for 2014.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds was $259.4 million for the three months ended September 30, 2015, an increase of $25.3 million from $234.1 million for the three months ended September 30, 2014. Our CLOs generate interest income primarily from investments in bonds and loans inclusive of amortization of discounts and generate other income from consent and amendment fees. Also included in this balance is interest income and dividend income recognized by the consolidated fund of funds vehicles and consolidated hedge funds. The increase from 2014 to 2015 is due primarily to higher interest and other income of $17.1 million from the consolidated CLOs and higher dividend income of $25.3 million from the consolidated hedge funds. These increases were partially offset by lower interest income of $11.0 million from the consolidated hedge funds. Substantially all interest and other income of the CLOs and other consolidated funds together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds' limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Revenue of a Consolidated Real Estate VIE. Revenue of a consolidated real estate VIE was $10.9 million for the three months ended September 30, 2015, a decrease of $2.3 million as compared to $13.2 million in 2014. The decrease was primarily due to lower investment income of $6.0 million, partially offset by higher land development services revenue of $3.7 million. Urbplan completed more land development projects in 2015 as compared to 2014. Urbplan recognizes revenue for land development services under the completed contract method.

Expenses

Expenses were $795.3 million for the three months ended September 30, 2015, an increase of $90.2 million from $705.1 million for the three months ended September 30, 2014. The increase primarily is due to a $172.2 million increase in general, administrative and other expenses and a $56.8 million increase in interest and other expenses of consolidated funds. These increases were partially offset by a decrease in total compensation and benefits of $157.1 million.

Total compensation and benefits for the three months ended September 30, 2015 decreased $157.1 million, or 47%, from $334.5 million for the three months ended September 30, 2014 to $177.4 million for the three months ended September 30, 2015. The decrease in total compensation and benefits primarily reflects a decrease in performance fee related compensation expense of $137.0 million and a decrease in base compensation expense of $27.2 million. These decreases were partially offset by an increase in equity-based compensation expense of $7.1 million.

Compensation and Benefits. Base compensation and benefits decreased $27.2 million, or 14%, for the three months ended September 30, 2015 as compared to 2014. The decrease primarily relates to reductions in bonus accruals in certain business segments, foreign exchange rate fluctuations, and reductions in compensation accruals that occurred in the fourth quarter of 2014.

Equity-based compensation increased $7.1 million for the three months ended September 30, 2015 as compared to 2014. The increase in equity-based compensation is due primarily to the ongoing granting of deferred restricted common units to new and existing employees since September 30, 2014.

Performance fee related compensation expense decreased $137.0 million for the three months ended September 30, 2015 as compared to 2014. Performance fee related compensation as a percentage of performance fees was 30% and 34% for the three months ended September 30, 2015 and 2014, respectively. For our largest segment, Corporate Private Equity, our performance fee related compensation expense is generally 45%. The overall percentage of 30% for the three months ended September 30, 2015 is primarily due to our Legacy Energy funds in our Real Assets segment. The overall percentage of 34% for the three months ended September 30, 2014 is primarily due to our private equity fund of funds vehicles within our Investment Solutions segment. Our private equity fund of funds vehicles have a higher percentage of performance fee related compensation as compared to other carry funds.
General, Administrative and Other Expenses. General, administrative and other expenses increased $172.2 million for the three months ended September 30, 2015 as compared to 2014. This increase was driven primarily by an impairment loss of $186.6 million recorded in the three months ended September 30, 2015 to reduce the carrying value of the intangible assets associated with the credit hedge funds managed by Claren Road Asset Management L.L.C. within our Global Market Strategies segment to their estimated fair values. As discussed in Note 7 to the condensed consolidated financial statements, we evaluate for impairment intangible assets and could record additional impairment losses in future periods. This increase was also driven by $7.0 million of higher external fundraising costs in 2015 as compared to 2014, primarily related to our second equity opportunity fund and our second energy mezzanine fund. These increases were partially offset by positive foreign currency adjustments and lower professional fees.
Interest. Interest expense for the three months ended September 30, 2015 was $14.5 million, an increase of $0.1 million from 2014.
Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds increased $56.8 million for the three months ended September 30, 2015 as compared to 2014. This increase is primarily due to an increase in interest expense on the consolidated CLOs, partially offset by a decrease in interest expense on the consolidated hedge funds. The CLOs incur interest expense on their loans payable and incur other expenses consisting of trustee fees, rating agency fees and professional fees. Substantially all interest and other income of the CLOs and other consolidated funds together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds' limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.
Interest and Other Expenses of a Consolidated Real Estate VIE. Interest and other expenses of a consolidated real estate VIE were $26.8 million and $38.3 million for the three months ended September 30, 2015 and 2014, respectively, representing a decrease of $11.5 million. The decrease was due primarily to a decrease of $6.3 million in costs of services rendered as well as $6.1 million lower expense in 2015 as compared to 2014 associated with the fair value measurement of Urbplan's loans. The Partnership records the Urbplan loans at fair value at each reporting period and records the change in fair value to interest and other expenses of a consolidated real estate VIE.
Other Non-operating (Income) Expenses. Other non-operating income of $9.9 million for the three months ended September 30, 2015 compares to other non-operating income of $39.6 million for the three months ended September 30, 2014. For the periods presented, this caption represents the change in the fair value of contingent consideration associated with the Partnership's acquisitions. The estimated fair value of the contingent consideration declined in both periods based on management's assumptions in the probability-weighted discounted cash flow models used to estimate the fair value at such time. The contingent consideration arrangements are primarily associated with the Partnership's hedge fund acquisitions.

Net Investment Gains (Losses) of Consolidated Funds

For the three months ended September 30, 2015, net investment losses of Consolidated Funds were $31.3 million as compared to net investment gains of $125.5 million for the three months ended September 30, 2014. This balance is predominantly driven by our consolidated AlpInvest fund of funds vehicles, CLOs, and hedge funds. For the consolidated CLOs, the amount reflects the net gain or loss on the fair value adjustment of both assets and liabilities. The components of net investment gains of consolidated funds for the respective periods are:

	Three Months Ended September 30,	
	2015	2014
	(Dollars in millions)	
Realized gains	$433.8	$248.2
Net change in unrealized losses	(771.6)	(78.7)
Total gains (losses)	(337.8)	169.5
Gains (losses) from liabilities of CLOs	306.6	(45.3)
Gains (losses) on other assets of CLOs	(0.1)	1.3
Total	$(31.3)	$125.5

The realized and unrealized investment gains/losses primarily include the appreciation/depreciation of the equity investments within the consolidated AlpInvest fund of funds vehicles, the appreciation/depreciation of CLO investments in loans and bonds, as well as the appreciation/depreciation of investments made by our consolidated hedge funds and other consolidated funds. The gains/losses on the liabilities of the CLOs reflect the fair value adjustment on the debt of the CLOs. The net investment gains (losses) for the three months ended September 30, 2015 and 2014 were due to net investment gains attributable to the consolidated AlpInvest fund of funds vehicles of $19.6 million and $367.7 million, respectively, net investment losses attributable to the consolidated hedge funds and other consolidated funds of $135.8 million and $131.0 million, respectively, and the net appreciation (depreciation) of CLOs of $84.9 million and $(111.2) million, respectively.

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

Net loss attributable to non-controlling interests in consolidated entities was $152.4 million for the three months ended September 30, 2015 as compared to net income attributable to non-controlling interests of $53.2 million for the three months ended September 30, 2014. These amounts are primarily attributable to the net earnings or losses of the Consolidated Funds for each period, which are substantially all allocated to the related funds' limited partners or CLO investors. This balance also includes the allocation of Urbplan's net losses that are attributable to non-controlling interests.

For the three months ended September 30, 2015, the net loss of our Consolidated Funds was approximately $116.7 million. This loss was substantially due to the net losses of the consolidated hedge funds and the consolidated AlpInvest fund of funds vehicles, partially offset by net income on the consolidated CLOs. The net losses from the consolidated hedge funds and consolidated AlpInvest fund of funds vehicles were approximately $128.5 million and $22.0 million, respectively, for the three months ended September 30, 2015. The net income from the consolidated CLOs was $33.8 million for the three months ended September 30, 2015.

For the three months ended September 30, 2014, the net income of our Consolidated Funds was approximately $77.6 million. This income was substantially due to the consolidated AlpInvest fund of funds vehicles, partially offset by net losses on the consolidated hedge funds and the consolidated CLOs. The net income from the consolidated AlpInvest fund of funds vehicles was approximately $333.4 million for the three months ended September 30, 2014. The net income was partially offset by net losses from the consolidated hedge funds and consolidated CLOs of $143.1 million and $112.7 million, respectively, for the three months ended September 30, 2014.

Net Income (Loss) Attributable to The Carlyle Group L.P.

The net loss attributable to the Partnership was $83.9 million for the three months ended September 30, 2015 as compared to net income attributable to the Partnership of $25.4 million for the three months ended September 30, 2014. The Partnership is allocated a portion of the net income (loss) attributable to Carlyle Holdings based on the Partnership's ownership in Carlyle Holdings (which was approximately 25% and 21% as of September 30, 2015 and 2014, respectively). Additionally,

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the Partnership is allocated 100% of the net income or loss attributable to the Partnership's wholly-owned taxable subsidiaries, which was $10.9 million and $(2.4) million for the three months ended September 30, 2015 and 2014, respectively.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014
Revenues
Total revenues were $2,290.4 million for the nine months ended September 30, 2015, a decrease of 25% from total revenues for the nine months ended September 30, 2014 of $3,041.2 million. The decrease in revenues was primarily attributable to a decrease in performance fees of $729.0 million, a decrease in fund management fee of $54.9 million, and a decrease in investment income of $27.1 million. These decreases were partially offset by an increase in revenue of a consolidated real estate VIE of $46.7 million.
Fund Management Fees. Fund management fees decreased $54.9 million, or 6%, to $830.1 million for the nine months ended September 30, 2015 as compared to 2014. In addition, fund management fees from consolidated funds decreased $20.4 million for the nine months ended September 30, 2015 as compared to 2014. These fees are eliminated upon consolidation of these funds.
The overall decrease, inclusive of management fees eliminated from consolidated funds, was primarily due to decreases in management fees of approximately $72.1 million resulting from the change in the basis for earning management fees from commitments to invested capital for certain funds and from distributions from funds whose management fees are based on invested capital, approximately $56.3 million in decreased management fees from lower assets under management in our hedge funds, and approximately $19.4 million in lower management fees from AlpInvest, which was driven by the decline of the Euro exchange rate in 2015 as compared to 2014. Offsetting these decreases were approximately $135.1 million of incremental management fees from the commencement of the investment period during 2014 and 2015 for certain newly raised funds and catch-up management fees from subsequent closes of funds that are in the fundraising period.
Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of $16.4 million and $62.1 million for the nine months ended September 30, 2015 and 2014, respectively. The $45.7 million decrease in transaction and portfolio advisory fees resulted primarily from greater investment activity, primarily in our buyout funds, in 2014 as compared to 2015.
Performance Fees. Performance fees for the nine months ended September 30, 2015 were $621.3 million compared to $1,350.3 million for the nine months ended September 30, 2014. In addition, performance fees from consolidated funds increased $4.8 million for the nine months ended September 30, 2015 as compared to 2014. These fees eliminate upon consolidation. The performance fees recorded in the nine months ended September 30, 2015 and 2014 were impacted principally by increases in the fair value of the underlying carry funds, which increased approximately 5% and 14% in total remaining value during the nine months ended September 30, 2015 and 2014, respectively. The increase in the fair value of the investments was driven primarily by asset performance and operating projections as well as increases in market comparables. Additionally, the investments in the AlpInvest fund of funds vehicles (reported on a quarter lag) appreciated by 24% during both the nine months ended September 30, 2015 and 2014, respectively. The third quarter of 2015 was characterized by increased financial market volatility. In the U.S., the Federal Open Market Committee left the federal funds rate target unchanged in September, which led to speculation that the Federal Reserve may not raise rates in 2015. This expectation has caused yields on five and ten year Treasury notes to decline by roughly 25 basis points since the end of June 2015. While Treasury yields declined, financing conditions tightened in the quarter. Credit spreads on speculative debt increased by 180 basis points due primarily to the continued decline in energy-related credits. Further, amongst the signs of global economic weakness, there were noticeable declines in manufacturing orders due to a decline capital spending in the industrial sector. Historically, China accounted for much of the industrial demand inputs. However, the deceleration in Chinese industrial production was one of the significant factors that led many observers to reduce demand forecasts, which in turn led to declines in commodity prices. Amongst these market conditions, our public carry fund portfolio appreciated 7% in the nine months ended September 30, 2015, while our private carry fund portfolio appreciated 5% for an aggregate of 5% for the nine months ended September 30, 2015.

Approximately $522.4 million and $981.8 million of performance fees for the nine months ended September 30, 2015 and 2014, respectively, were generated by our Corporate Private Equity segment. Performance fees for the nine months ended September 30, 2015 and 2014 were $(29.9) million and $91.6 million for the Global Market Strategies segment, $3.3 million and $108.8 million for the Real Assets segment, and $125.5 million and $168.1 million for the Investment Solutions segment, respectively. Further, approximately $206.3 million of our performance fees for the nine months ended September 30, 2015 were related to CEP III, CP V, CRP VI, Energy III, and Energy IV, while $897.2 million of our performance fees for the nine months ended September 30, 2014 were related to CP V and CEP III.

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Investment Income. Investment income of $6.5 million for the nine months ended September 30, 2015 decreased $27.1 million from investment income of $33.6 million for the nine months ended September 30, 2014. The decrease in investment income from 2014 to 2015 relates primarily to a $22.5 million investment gain associated with the sale of a European real estate investment that was recorded during the nine months ended September 30, 2014, and an increase in investment loss from 2014 to 2015 of $21.6 million from the investment in NGP, primarily from losses from our earnings allocation from NGP X's investments and performance fees. Those changes were partially offset by investment income in 2015 of $10.2 million versus investment losses in 2014 of $27.5 million on certain other European real estate investments.

Interest and Other Income. Interest and other income decreased $0.7 million to $15.9 million for the nine months ended September 30, 2015, as compared to $16.6 million for 2014.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds was $742.7 million for the nine months ended September 30, 2015, an increase of $14.2 million from $728.5 million for the nine months ended September 30, 2014. Our CLOs generate interest income primarily from investments in bonds and loans inclusive of amortization of discounts and generate other income from consent and amendment fees. Also included in this balance is interest income and dividend income recognized by the consolidated fund of funds vehicles and consolidated hedge funds. The increase from 2014 to 2015 is due primarily to higher interest interest income from the consolidated CLOs of $45.4 million and higher dividend income from the consolidated hedge funds of $14.3 million. These increases were partially offset by a decrease in interest income from the consolidated hedge funds of $34.1 million and lower interest, dividend, and other income from the consolidated fund of funds vehicles of $11.2 million. Substantially all interest and other income of the CLOs and other consolidated funds together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds' limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Revenue of a Consolidated Real Estate VIE. Revenue of a consolidated real estate VIE was $73.9 million for the nine months ended September 30, 2015, an increase of $46.7 million as compared to $27.2 million in 2014. The increase was due primarily to Urbplan completing more land development projects in 2015 as compared to 2014. Urbplan recognizes revenue for land development services under the completed contract method.

Expenses

Expenses were $2,665.9 million for the nine months ended September 30, 2015, a decrease of $180.8 million from $2,846.7 million for the nine months ended September 30, 2014. The decrease primarily is due to a decrease in total compensation and benefits of $384.6 million. This decrease was partially offset by increases in general, administrative and other expenses and interest and other expenses of consolidated funds, which increased $168.8 million and $35.3 million, respectively.

Total compensation and benefits for the nine months ended September 30, 2015 decreased $384.6 million, or 25%, from $1,563.3 million for the nine months ended September 30, 2014 to $1,178.7 million for the nine months ended September 30, 2015. The decrease in total compensation and benefits primarily reflects a decrease in performance fee related compensation expense of $269.1 million and a decrease in base compensation expense of $143.6 million. These decreases were partially offset by an increase in equity-based compensation expense of $28.1 million.

Compensation and Benefits. Base compensation and benefits decreased $143.6 million, or 23%, for the nine months ended September 30, 2015 as compared to 2014. The decrease primarily relates to lower expense associated with employment-related contingent consideration arrangements of $74.9 million, primarily related to our hedge funds. In June 2015, the Partnership amended the agreements relating to the original acquisition of Carlyle Commodity Management. As a result of the amendment, the Partnership's economic interest in Carlyle Commodity Management increased from 55% to approximately 83% effective July 1, 2015; no consideration was paid by the Partnership for the increase in economic interest. Further, as a result of the amendment, the estimated value of the employment-based contingent consideration liability decreased by $46.3 million. The remaining decrease in expense from employment-related contingent consideration was due to updated assumptions used to determine the expected payment of the contingent consideration for the hedge fund acquisitions. Additionally, the decrease in base compensation and benefits was due to reductions in direct headcount, foreign exchange rate fluctuations, and

reductions in compensation accruals that occurred in the fourth quarter of 2014.
Equity-based compensation increased $28.1 million for the nine months ended September 30, 2015 as compared to 2014. The increase in equity-based compensation is due primarily to the ongoing granting of deferred restricted common units to new and existing employees since September 30, 2014. Also contributing to the increase in equity-based compensation was a

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decrease to the estimated forfeiture rates during the first quarter of 2015, which resulted in a cumulative catch-up of expense associated with this change of estimate of $7.5 million for 2015.

Performance fee related compensation expense decreased $269.1 million for the nine months ended September 30, 2015 as compared to 2014. Performance fee related compensation as a percentage of performance fees was 67% and 51% for the nine months ended September 30, 2015 and 2014, respectively. For our largest segment, Corporate Private Equity, our performance fee related compensation expense is generally 45%. The overall percentage of 67% for the nine months ended September 30, 2015, is higher than 51% for the nine months ended September 30, 2014, primarily due to our private equity fund of funds vehicles in our Investment Solutions segment and our Legacy Energy funds within our Real Assets segment.

General, Administrative and Other Expenses. General, administrative and other expenses increased $168.8 million for the nine months ended September 30, 2015 as compared to 2014. This increase was driven primarily by higher intangible asset impairment losses in 2015 as compared to 2014; impairment losses were $198.4 million and $30.6 million for the nine months ended September 30, 2015 and 2014, respectively. As discussed in Note 7 to the condensed consolidated financial statements, we evaluate for impairment intangible assets and could record additional impairment losses in future periods. The increase was partially offset by higher higher external fundraising costs of $4.4 million, primarily related to our second equity opportunity fund and our second energy mezzanine fund, offset by lower external fundraising costs related to CAP IV.

Interest. Interest expense for the nine months ended September 30, 2015 was $43.6 million, an increase of $2.5 million from 2014.

Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds increased $35.3 million for the nine months ended September 30, 2015 as compared to 2014. This increase is primarily due to higher interest expense on the consolidated CLOs, partially offset by lower interest expense on the consolidated hedge funds. The CLOs incur interest expense on their loans payable and incur other expenses consisting of trustee fees, rating agency fees and professional fees. Substantially all interest and other income of the CLOs and other consolidated funds together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds' limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Interest and Other Expenses of a Consolidated Real Estate VIE. Interest and other expenses of a consolidated real estate VIE were $124.4 million and $129.5 million for the nine months ended September 30, 2015 and 2014, respectively, representing a decrease of $5.1 million. The decrease was due primarily to $22.8 million of lower expense in 2015 as compared to 2014 associated with the fair value measurement of Urbplan's loans. The Partnership records the Urbplan loans at fair value at each reporting period and records the change in fair value to interest and other expenses of a consolidated real estate VIE. Offsetting this decrease is an increase to land development services expense of $20.4 million as a result of Urbplan completing more land development projects in 2015 as compared to 2014.

Other Non-operating (Income) Expenses. Other non-operating income of $11.7 million for the nine months ended September 30, 2015 compares to other non-operating income of $14.0 million for the nine months ended September 30, 2014. For the periods presented, this caption represents the change in the fair value of contingent consideration associated with the Partnership's acquisitions. The estimated fair value of the contingent consideration declined in both periods based on management's assumptions in the probability-weighted discounted cash flow models used to estimate the fair value at such time. The contingent consideration arrangements are primarily associated with the Partnership's hedge fund acquisitions.

Net Investment Gains of Consolidated Funds

For the nine months ended September 30, 2015, net investment gains of Consolidated Funds were $935.8 million as compared to $994.5 million for the nine months ended September 30, 2014. This balance is predominantly driven by our consolidated AlpInvest fund of funds vehicles, CLOs, and hedge funds. For the consolidated CLOs, the amount reflects the net gain or loss on the fair value adjustment of both assets and liabilities. The components of net investment gains of consolidated funds for the respective periods are:

	Nine Months Ended September 30,	
	2015	2014
	(Dollars in millions)	
Realized gains	$867.9	$1,194.4
Net change in unrealized losses	(129.8)	(43.0)
Total gains (losses)	738.1	1,151.4
Gains (losses) from liabilities of CLOs	197.0	(158.4)
Gains (losses) on other assets of CLOs	0.7	1.5
Total	$935.8	$994.5

The realized and unrealized investment gains/losses primarily include the appreciation/depreciation of the equity investments within the consolidated AlpInvest fund of funds vehicles, the appreciation/depreciation of CLO investments in loans and bonds, as well as the appreciation/depreciation of investments made by our consolidated hedge funds and other consolidated funds. The gains/losses on the liabilities of the CLOs reflect the fair value adjustment on the debt of the CLOs. The net investment gains for the nine months ended September 30, 2015 and 2014 were due primarily to net investment gains attributable to the consolidated AlpInvest fund of funds vehicles of $1,092.5 million and $1,245.4 million, respectively, net investment gains (losses) attributable to the consolidated hedge funds of $(184.8) million and $0.1 million, respectively, net investment losses attributable to other consolidated funds of $32.5 million and $8.7 million, and the net appreciation (depreciation) of CLOs of $60.6 million and $(242.3) million, respectively.

Net Income Attributable to Non-controlling Interests in Consolidated Entities

Net income attributable to non-controlling interests in consolidated entities was $657.5 million for the nine months ended September 30, 2015 as compared to $747.4 million for the nine months ended September 30, 2014. These amounts are primarily attributable to the net earnings or losses of the Consolidated Funds for each period, which are substantially all allocated to the related funds' limited partners or CLO investors. This balance also includes the allocation of Urbplan's net losses that are attributable to non-controlling interests.

For the nine months ended September 30, 2015, the net income of our Consolidated Funds was approximately $733.5 million. This income was substantially due to the consolidated AlpInvest fund of funds vehicles, partially offset by net losses on the consolidated hedge funds, consolidated CLOs and other consolidated funds. The net income from the consolidated AlpInvest fund of funds vehicles was approximately $1,004.5 million for the nine months ended September 30, 2015. The net loss from the consolidated hedge funds, other consolidated funds and consolidated CLOs was $215.6 million, $34.2 million, and $21.2 million, respectively, for the nine months ended September 30, 2015.

For the nine months ended September 30, 2014, the net income of our Consolidated Funds was approximately $785.4 million. This income was substantially due to the consolidated AlpInvest fund of funds vehicles. The net income from the consolidated AlpInvest fund of funds vehicles was approximately $1,159.2 million for the nine months ended September 30, 2014. The net income was partially offset by net losses from the consolidated CLOs and hedge funds of $287.6 million and $78.3 million, respectively, for the nine months ended September 30, 2014.

Net Income (Loss) Attributable to The Carlyle Group L.P.

The net loss attributable to the Partnership was $13.8 million for the nine months ended September 30, 2015 as compared to net income attributable to the Partnership of $69.5 million for the nine months ended September 30, 2014. The Partnership is allocated a portion of the net income attributable to Carlyle Holdings based on the Partnership's ownership in Carlyle Holdings (which was approximately 25% and 21% as of September 30, 2015 and 2014, respectively). Additionally, the

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Partnership is allocated 100% of the net income or loss attributable to the Partnership's wholly-owned taxable subsidiaries, which was $25.5 million and $(5.7) million for the nine months ended September 30, 2015 and 2014, respectively.

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 three months and nine months ended September 30, 2015 and 2014. The table below shows our total segment Economic Net Income which is the sum of Fee Related Earnings, Net Performance Fees, Investment Income and Equity-based compensation expense (excluding equity-based compensation grants issued in May 2012 upon the completion of the initial public offering or grants issued in acquisitions or strategic investments). This analysis excludes the effects of consolidated funds, acquisition-related items including amortization and any impairment charges of acquired intangible assets and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation grants issued in May 2012 upon completion of the initial public offering or grants issued in acquisitions or strategic investments, corporate actions and infrequently occurring or unusual events.

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$311.9	$318.8	$919.3	$924.4
Portfolio advisory fees, net	3.0	4.1	12.3	11.6
Transaction fees, net	1.0	17.8	4.1	50.5
Total fund level fee revenues	315.9	340.7	935.7	986.5
Performance fees				
Realized	333.1	175.3	1,251.8	835.5
Unrealized	(554.2)	48.6	(539.3)	542.6
Total performance fees	(221.1)	223.9	712.5	1,378.1
Investment income (loss)				
Realized	9.2	(2.7)	(66.7)	14.1
Unrealized	(15.5)	6.2	43.4	(23.2)
Total investment income (loss)	(6.3)	3.5	(23.3)	(9.1)
Interest and other income	5.0	8.5	16.6	17.7
Total revenues	93.5	576.6	1,641.5	2,373.2
Segment Expenses				
Compensation and benefits				
Direct base compensation	121.7	138.3	361.6	396.2
Indirect base compensation	42.8	47.0	133.8	140.3
Equity-based compensation	30.8	23.8	91.0	57.3
Performance fee related				
Realized	155.9	77.5	563.5	366.3
Unrealized	(228.4)	7.2	(133.4)	342.8
Total compensation and benefits	122.8	293.8	1,016.5	1,302.9
General, administrative, and other indirect expenses	78.1	82.1	238.8	230.8
Depreciation and amortization expense	6.6	5.4	18.8	16.4
Interest expense	14.4	14.5	43.5	41.2
Total expenses	221.9	395.8	1,317.6	1,591.3
Economic Net Income (Loss)	$(128.4)	$180.8	$323.9	$781.9
(-) Net Performance Fees	(148.6)	139.2	282.4	669.0
(-) Investment Income (Loss)	(6.3)	3.5	(23.3)	(9.1)
(+) Equity-based Compensation	30.8	23.8	91.0	57.3
(=) Fee Related Earnings	$57.3	$61.9	$155.8	$179.3
(+) Realized Net Performance Fees	177.2	97.8	688.3	469.2
(+) Realized Investment Income (Loss)	9.2	(2.7)	(66.7)	14.1
(=) Distributable Earnings	$243.7	$157.0	$777.4	$662.6

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Income (loss) before provision for income taxes	$(529.1)	$175.4	$560.3	$1,189.0
Adjustments:				
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	54.5	56.3	202.1	209.7
Acquisition related charges, including amortization of intangibles and impairment	209.6	24.5	247.9	166.6
Other non-operating (income) expense	(9.9)	(39.6)	(11.7)	(14.0)
Tax benefit (expense) associated with performance fee compensation	(5.1)	15.0	(19.4)	(23.5)
Net (income) loss attributable to non-controlling interests in consolidated entities	152.4	(53.2)	(657.5)	(747.4)
Other adjustments	(0.8)	2.4	2.2	1.5
Economic Net Income (Loss)	$(128.4)	$180.8	$323.9	$781.9
Net performance fees[(1)]	(148.6)	139.2	282.4	669.0
Investment income (loss)[(1)]	(6.3)	3.5	(23.3)	(9.1)
Equity-based compensation	30.8	23.8	91.0	57.3
Fee Related Earnings	$57.3	$61.9	$155.8	$179.3
Realized performance fees, net of related compensation	177.2	97.8	688.3	469.2
Realized investment income (loss)[(1)]	9.2	(2.7)	(66.7)	14.1
Distributable Earnings	$243.7	$157.0	$777.4	$662.6

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

	Three Months Ended September 30, 2015		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$329.2	$3.9	$333.1
Unrealized	(575.8)	21.6	(554.2)
Total performance fees	(246.6)	25.5	(221.1)
Performance fee related compensation expense			
Realized	155.2	0.7	155.9
Unrealized	(228.1)	(0.3)	(228.4)
Total performance fee related compensation expense	(72.9)	0.4	(72.5)
Net performance fees			
Realized	174.0	3.2	177.2
Unrealized	(347.7)	21.9	(325.8)
Total net performance fees	$(173.7)	$25.1	$(148.6)
Investment income (loss)			
Realized	$12.5	$(3.3)	$9.2
Unrealized	(22.0)	6.5	(15.5)
Investment income (loss)	$(9.5)	$3.2	$(6.3)

	Nine Months Ended September 30, 2015		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$1,251.0	$0.8	$1,251.8
Unrealized	(629.7)	90.4	(539.3)
Total performance fees	621.3	91.2	712.5
Performance fee related compensation expense			
Realized	561.7	1.8	563.5
Unrealized	(146.2)	12.8	(133.4)
Total performance fee related compensation expense	415.5	14.6	430.1
Net performance fees			
Realized	689.3	(1.0)	688.3
Unrealized	(483.5)	77.6	(405.9)
Total net performance fees	$205.8	$76.6	$282.4
Investment income (loss)			
Realized	$24.2	$(90.9)	$(66.7)
Unrealized	(17.7)	61.1	43.4
Investment income (loss)	$6.5	$(29.8)	$(23.3)

	Three Months Ended September 30, 2014		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$176.9	$(1.6)	$175.3
Unrealized	10.5	38.1	48.6
Total performance fees	187.4	36.5	223.9
Performance fee related compensation expense			
Realized	78.4	(0.9)	77.5
Unrealized	(14.3)	21.5	7.2
Total performance fee related compensation expense	64.1	20.6	84.7
Net performance fees			
Realized	98.5	(0.7)	97.8
Unrealized	24.8	16.6	41.4
Total net performance fees	$123.3	$15.9	$139.2
Investment income (loss)			
Realized	$(0.5)	$(2.2)	$(2.7)
Unrealized	4.3	1.9	6.2
Total investment income (loss)	$3.8	$(0.3)	$3.5

	Nine Months Ended September 30, 2014		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$843.9	$(8.4)	$835.5
Unrealized	506.4	36.2	542.6
Total performance fees	1,350.3	27.8	1,378.1
Performance fee related compensation expense			
Realized	368.3	(2.0)	366.3
Unrealized	316.3	26.5	342.8
Total performance fee related compensation expense	684.6	24.5	709.1
Net performance fees			
Realized	475.6	(6.4)	469.2
Unrealized	190.1	9.7	199.8
Total net performance fees	$665.7	$3.3	$669.0
Investment income (loss)			
Realized	$29.4	$(15.3)	$14.1
Unrealized	4.2	(27.4)	(23.2)
Total investment income (loss)	$33.6	$(42.7)	$(9.1)

(2) Adjustments to performance fees and investment income (loss) relate to (i) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the Non-GAAP results, (ii) amounts attributable to non-controlling interests in consolidated entities, which were excluded from the Non-GAAP results, and (iii) the reclassification of NGP X performance fees, which are included in investment income in the U.S. GAAP financial statements. Adjustments to investment income (loss) also include the reclassification of earnings for the investment in NGP Management to the appropriate operating captions for the

Non-GAAP results, the exclusion of charges associated with the investment in NGP Management that are excluded from the Non-GAAP results and

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adjustments to reflect the Partnership's share of Urbplan net losses as investment losses for the Non-GAAP results. Adjustments to performance fee related compensation expense relate to the inclusion of certain tax expenses associated with performance fee related compensation. Adjustments are also included in these financial statement captions to reflect Carlyle's 55% economic interest in each of Claren Road, ESG and, for periods prior to July 1, 2015, Carlyle Commodity Management. Effective July 1, 2015, adjustments are included to reflect the Partnership's approximate 83% economic interest in Carlyle Commodity Management.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Economic Net Income (Loss)				
Corporate Private Equity	$(130.2)	$159.0	$337.0	$625.1
Global Market Strategies	(28.4)	1.2	(18.8)	101.8
Real Assets	26.2	10.8	(6.2)	17.3
Investment Solutions	4.0	9.8	11.9	37.7
Economic Net Income (Loss)	$(128.4)	$180.8	$323.9	$781.9
Distributable Earnings				
Corporate Private Equity	$178.4	$116.7	$717.4	$526.6
Global Market Strategies	15.4	22.9	27.9	67.6
Real Assets	46.8	8.0	21.7	36.1
Investment Solutions	3.1	9.4	10.4	32.3
Distributable Earnings	$243.7	$157.0	$777.4	$662.6

Segment Analysis

Discussed below is our ENI for our segments for the periods presented. Our segment information is reflected in the manner used by our senior management to make operating decisions, assess performance and allocate resources.

For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates our Consolidated Funds. As a result, segment revenues from management fees, performance fees and investment income are different than those presented on a consolidated U.S. GAAP basis because fund management fees recognized in certain segments are received from Consolidated Funds and are eliminated in consolidation when presented on a consolidated U.S. GAAP basis. Furthermore, segment expenses are different than related amounts presented on a consolidated U.S. GAAP basis due to the exclusion of fund expenses that are paid by the Consolidated Funds. Segment revenue and expenses are also different than those presented on a consolidated U.S. GAAP basis because we present our segment revenues and expenses related to Claren Road, ESG, and, for periods prior to July 1, 2015, Carlyle Commodity Management based on our 55% economic interest in those entities. Effective July 1, 2015, our segment revenue and expenses related to Carlyle Commodity Management are based on our approximate 83% economic interest in that entity. Also, ENI excludes expenses associated with equity-based compensation that was issued in our initial public offering or issued in acquisitions and strategic investments.

Corporate Private Equity

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$152.5	$151.5	$443.5	$428.5
Portfolio advisory fees, net	2.8	3.8	11.3	10.6
Transaction fees, net	0.9	17.0	3.7	49.6
Total fund level fee revenues	156.2	172.3	458.5	488.7
Performance fees				
Realized	258.6	125.0	1,101.1	747.4
Unrealized	(513.9)	100.8	(583.0)	237.5
Total performance fees	(255.3)	225.8	518.1	984.9
Investment income				
Realized	11.0	6.4	22.0	10.3
Unrealized	(12.7)	3.8	(4.6)	13.2
Total investment income	(1.7)	10.2	17.4	23.5
Interest and other income	3.1	4.7	9.0	8.7
Total revenues	(97.7)	413.0	1,003.0	1,505.8
Segment Expenses				
Compensation and benefits				
Direct base compensation	59.1	67.0	169.3	189.4
Indirect base compensation	23.3	25.9	71.1	73.4
Equity-based compensation	17.0	12.9	49.6	30.1
Performance fee related				
Realized	120.6	52.7	494.8	326.4
Unrealized	(235.0)	49.4	(256.8)	122.1
Total compensation and benefits	(15.0)	207.9	528.0	741.4
General, administrative, and other indirect expenses	36.4	35.5	105.9	108.6
Depreciation and amortization expense	3.3	2.7	9.0	8.1
Interest expense	7.8	7.9	23.1	22.6
Total expenses	32.5	254.0	666.0	880.7
Economic Net Income (Loss)	$(130.2)	$159.0	$337.0	$625.1
(-) Net Performance Fees	(140.9)	123.7	280.1	536.4
(-) Investment Income	(1.7)	10.2	17.4	23.5
(+) Equity-based Compensation	17.0	12.9	49.6	30.1
(=) Fee Related Earnings	$29.4	$38.0	$89.1	$95.3
(+) Realized Net Performance Fees	138.0	72.3	606.3	421.0
(+) Realized Investment Income	11.0	6.4	22.0	10.3
(=) Distributable Earnings	$178.4	$116.7	$717.4	$526.6

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

Total fee revenues were $156.2 million for the three months ended September 30, 2015, representing a decrease of $16.1 million, or 9%, from the three months ended September 30, 2014. This decrease primarily reflects a $16.1 million decrease in transaction fees and a $1.0 million decrease in portfolio advisory fees. These decreases were partially offset by a $1.0 million increase in fund management fees. The decrease in transaction fees was primarily due to higher investment activity, primarily in our buyout funds, in 2014 as compared to 2015. Catch-up management fees of $20.9 million for the three months ended September 30, 2015 was driven by subsequent closings for CEP IV and our third Japan buyout fund (“CJP III”). Catch up management fees of $20.6 million for the three months ended September 30, 2014 were driven by subsequent closings for CEP IV and our fourth Asia buyout fund (“CAP IV”). The weighted-average management fee rate on funds in the investment period was 1.43% at September 30, 2015 and September 30, 2014. The total weighted-average management fee rate increased from 1.20% at September 30, 2014 to 1.25% at September 30, 2015. The increase in the total weighted-average management fee rate reflects new funds being raised with higher management fee rates.

Interest and other income was $3.1 million for the three months ended September 30, 2015, a decrease from $4.7 million for the three months ended September 30, 2014.

Total compensation and benefits was $(15.0) million and $207.9 million for the three months ended September 30, 2015 and 2014, respectively. Performance fee related compensation expense was $(114.4) million and $102.1 million, or 45% of performance fees, for the three months ended September 30, 2015 and 2014.

Direct and indirect base compensation expense decreased $10.5 million for the three months ended September 30, 2015, or 11% less than the three months ended September 30, 2014. The decrease is primarily due to foreign exchange rate fluctuations, and reductions in compensation accruals that occurred in the fourth quarter of 2014.

Equity-based compensation was $17.0 million for the three months ended September 30, 2015, an increase from $12.9 million for the three months ended September 30, 2014. The increase was due primarily to the ongoing granting of deferred restricted common units to new and existing employees since September 30, 2014.

General, administrative and other indirect expenses increased $0.9 million for the three months ended September 30, 2015 as compared to 2014. The increase is due primarily to an increase of $7.9 million in external costs associated with fundraising activities, primarily associated with CEOF II, offset by positive foreign currency adjustments and lower professional fees.

Depreciation and amortization expense was $3.3 million and $2.7 million for the three months ended September 30, 2015 and 2014, respectively.

Interest expense decreased $0.1 million for the three months ended September 30, 2015 as compared to 2014.

Economic Net Income (Loss). ENI was $(130.2) million for the three months ended September 30, 2015, reflecting a 182% decrease as compared to ENI of $159.0 million for the three months ended September 30, 2014. The decrease in ENI for the three months ended September 30, 2015 primarily was due to a decrease in net performance fees of $264.6 million, a decrease in investment income of $11.9 million, and a decrease in fee related earnings of $8.6 million.

Fee Related Earnings. Fee related earnings were $29.4 million for the three months ended September 30, 2015, as compared to $38.0 million for the three months ended September 30, 2014, representing a decrease of $8.6 million. The decrease in fee related earnings is primarily attributable to a decrease in fee revenues of $16.1 million, which was partially offset by a decrease in direct and indirect base compensation of $10.5 million.

Performance Fees. Performance fees decreased $481.1 million for the three months ended September 30, 2015 as compared to 2014. Performance fees of $(255.3) million and $225.8 million are inclusive of performance fees reversed of approximately $265.6 million and $59.1 million during the three months ended September 30, 2015 and 2014, respectively. Performance fees and appreciation (depreciation) in remaining value of assets for this segment by type of fund are as follows:

	Performance Fees		Carry Fund Portfolio Appreciation (Depreciation)	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Buyout funds	$(199.2)	$184.6	(3)%	3%
Growth Capital funds	(56.1)	41.2	—%	8%
Total	$(255.3)	$225.8	(3)%	3%

The $(255.3) million in performance fees for the three months ended September 30, 2015 was driven primarily by performance fees recognized for CP V, CAGP IV, CP IV, our second Europe buyout fund ("CEP II"), and CEP III of $(128.3) million, $(55.0) million, $(25.3) million, $(21.2) million, and $(19.3) million, respectively. Comparatively, the $225.8 million in performance fees for the three months ended September 30, 2014 was driven primarily by performance fees for CEP III, CP V, and CP IV of $125.0 million, $90.2 million, and $(29.9) million, respectively. During the three months ended September 30, 2015, net performance fees were $(140.9) million or 55% of performance fees and $264.6 million less than the net performance fees recognized during the three months ended September 30, 2014.

Investment Income (Loss). Investment loss for the three months ended September 30, 2015 was $1.7 million compared to investment income of $10.2 million for the three months ended September 30, 2014. The decrease in investment income from 2014 to 2015 relates primarily to depreciation on investments in certain U.S. and Europe buyout funds.

Distributable Earnings. Distributable earnings increased $61.7 million for the three months ended September 30, 2015 to $178.4 million from $116.7 million for the same period in 2014. This increase reflects an increase in realized net performance fees of $65.7 million and an increase in realized investment income of $4.6 million. These increases were partially offset by a decrease in fee related earnings of $8.6 million.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

Total fee revenues were $458.5 million for the nine months ended September 30, 2015, representing a decrease of $30.2 million, or 6%, from the nine months ended September 30, 2014. This decrease reflects a $45.9 million decrease in transaction fees. This decrease is partially offset by a $15.0 million increase in fund management fees and an increase in portfolio advisory fees of $0.7 million. The decrease in transaction fees was primarily due to higher investment activity, primarily in our buyout funds, in 2014 as compared to 2015. The increase in fund management fees is primarily due to an increase in catch-up management fees of $23.8 million in the nine months ended September 30, 2015 as compared to 2014. The increase in catch-up management fees was driven primarily by subsequent closings in 2015 from CEP IV, CJP III, and our third Europe technology fund ("CETP III"), as compared to subsequent closings in 2014 from CAP IV and our second global financial services fund ("CGFSP II"). The weighted-average management fee rate on funds in the investment period was 1.43% at September 30, 2015 and September 30, 2014. The total weighted-average management fee rate increased from 1.20% at September 30, 2014 to 1.25% at September 30, 2015. The increase in the total weighted-average management fee rate reflects new funds being raised with higher management fee rates. These increases in fund management fees were partially offset by decreases in fund management fees from distributions from certain U.S. and European buyout funds outside of their investment periods.

Interest and other income was $9.0 million for the nine months ended September 30, 2015, an increase from $8.7 million for the nine months ended September 30, 2014.

Total compensation and benefits was $528.0 million and $741.4 million for the nine months ended September 30, 2015 and 2014, respectively. Performance fee related compensation expense was $238.0 million and $448.5 million, or 46% of performance fees, for the nine months ended September 30, 2015 and 2014.

Direct and indirect base compensation expense decreased $22.4 million for the nine months ended September 30, 2015, or 9% less than the nine months ended September 30, 2014. The decrease is primarily due to foreign exchange rate fluctuations, and reductions in compensation accruals that occurred in the fourth quarter of 2014. These decreases were partially offset by an increase in compensation costs related to fundraising activities of approximately $4.9 million, primarily related to fundraising for our second U.S. mid-market buyout fund ("CEOF II") and CEP IV. Further, we have not yet commenced charging management fees on CEOF II.

Equity-based compensation was $49.6 million for the nine months ended September 30, 2015, an increase from $30.1 million for the nine months ended September 30, 2014. The increase was due primarily to the ongoing granting of deferred restricted common units to new and existing employees since September 30, 2014 and a decrease in the estimated forfeiture rates during the nine months ended September 30, 2015.

General, administrative and other indirect expenses decreased $2.7 million for the nine months ended September 30, 2015 as compared to 2014. The decrease is primarily due to a decrease in external costs associated with fundraising activities in 2015 as compared to 2014 of $1.2 million, primarily related to CAP IV, and lower negative foreign currency adjustments, partially offset by higher real estate costs.

Depreciation and amortization expense was $9.0 million for the nine months ended September 30, 2015, an increase from $8.1 million in 2014.

Interest expense increased $0.5 million for the nine months ended September 30, 2015 as compared to 2014.

Economic Net Income. ENI was $337.0 million for the nine months ended September 30, 2015 as compared to ENI of $625.1 million for the nine months ended September 30, 2014, representing a decrease of $288.1 million. The decrease in ENI for the nine months ended September 30, 2015 was due to a decrease in net performance fees of $256.3 million, an increase in equity-based compensation of $19.5 million, a decrease in fee related earnings of $6.2 million, and a decrease in investment income of $6.1 million.

Fee Related Earnings. Fee related earnings were $89.1 million for the nine months ended September 30, 2015, as compared to $95.3 million for the nine months ended September 30, 2014, representing a decrease of $6.2 million. The decrease in fee related earnings is primarily attributable to a decrease in fee revenues of $30.2 million, partially offset by a decrease in direct and indirect base compensation of $22.4 million and a decrease in general, administrative and other indirect expenses of $2.7 million.

Performance Fees. Performance fees decreased $466.8 million for the nine months ended September 30, 2015 as compared to 2014. Performance fees of $518.1 million and $984.9 million are inclusive of performance fees reversed of approximately $9.5 million and $115.2 million during the nine months ended September 30, 2015 and 2014, respectively. Performance fees and appreciation in remaining value of assets for this segment by type of fund are as follows:

	Performance Fees		Carry Fund Portfolio Appreciation	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Buyout funds	$468.3	$893.0	10%	16%
Growth Capital funds	49.8	91.9	14%	23%
Total	$518.1	$984.9	10%	16%

The $518.1 million in performance fees for the nine months ended September 30, 2015 was driven primarily by performance fees for CEP III, CP V, CAP III, CP IV, and CGFSP I of $174.2 million, $113.6 million, $56.1 million, $48.2 million, and $39.3 million, respectively. Comparatively, the $984.9 million in performance fees for the nine months ended September 30, 2014 was driven primarily by performance fees for CEP III, CP V, and Carlyle Asia Partners II, L.P. ("CAP II"), our second Asia buyout fund, of $464.3 million, $427.0 million, and $(86.4) million, respectively.

During the nine months ended September 30, 2015, net performance fees were $280.1 million or 54% of performance fees and $256.3 million less than the net performance fees in the nine months ended September 30, 2014.

Investment Income. Investment income for the nine months ended September 30, 2015 was $17.4 million compared to $23.5 million for the nine months ended September 30, 2014. The decrease in investment income from 2014 to 2015 relates primarily to depreciation on investments in certain U.S., Europe, and Asia buyout funds.

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Distributable Earnings. Distributable earnings increased $190.8 million for the nine months ended September 30, 2015 to $717.4 million from $526.6 million for the same period in 2014. This increase reflects an increase in realized net performance fees of $185.3 million and an increase in realized investment income of $11.7 million, partially offset by a decrease in fee related earnings of $6.2 million.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2015 and 2014

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

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

	As of September 30,	
	2015	2014
Corporate Private Equity	(Dollars in millions)	
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	$25,150	$21,903
Fee-earning AUM based on invested capital	14,213	18,680
Fee-earning AUM based on lower of cost or fair value	1,288	1,368
Total Fee-earning AUM	$40,651	$41,951
Weighted Average Management Fee Rates (2)		
All Funds	1.25 %	1.20 %
Funds in Investment Period	1.43 %	1.43 %

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Corporate Private Equity	(Dollars in millions)		(Dollars in millions)	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$40,322	$43,041	$40,249	$43,033
Inflows, including Fee-paying Commitments (1)	1,005	1,396	3,577	4,250
Outflows, including Distributions (2)	(690)	(1,839)	(2,759)	(4,734)
Market Appreciation/(Depreciation) (3)	(5)	(9)	(14)	35
Foreign Exchange and other (4)	19	(638)	(402)	(633)
Balance, End of Period	$40,651	$41,951	$40,651	$41,951

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

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

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

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

Fee-earning AUM was $40.7 billion at September 30, 2015, an increase of $0.4 billion, or approximately 1%, compared to $40.3 billion at June 30, 2015. This increase was driven by inflows of $1.0 billion, primarily a result of limited partner commitments raised by CEP IV and CJP III. Offsetting the increase were outflows of $0.7 billion from distributions in several funds outside of the original investment period. External commitments raised for CEOF II in prior periods will not be reflected until its predecessor fund has been fully invested, nor will commitments to our global buyout fund (“CGP”), which is based on invested equity. Investment and distribution activity by funds still in the investment period does not impact Fee-earning AUM as these funds are based on commitments.
Fee-earning AUM was $40.7 billion at September 30, 2015, an increase of $0.5 billion, or approximately 1%, compared to $40.2 billion at December 31, 2014. Inflows of $3.6 billion were driven primarily by limited partner commitments raised by CEP IV, CJP III, and CETP III, in addition to investments in several of our funds based on invested capital. Offsetting the increase were outflows of $2.8 billion for dispositions in our funds outside the original investment period and decreases in foreign exchange of $0.4 billion.
Fee-earning AUM was $40.7 billion at September 30, 2015, a decrease of $1.3 billion, or approximately 3%, compared to $42.0 billion at September 30, 2014. This reflects $4.2 billion in new limited partner commitments raised by CEP IV, CETP III and CJP III, in addition to investments in funds outside of their original investment period.This is offset by $4.6 billion of distributions in various funds outside of their original investment period and $1.0 billion for decreases in foreign exchange on our non-U.S. dollar funds.
Fee-earning AUM was $42.0 billion at September 30, 2014, a decrease of $1.0 billion, or approximately 3%, compared to $43.0 billion at June 30, 2014. Outflows of $1.8 billion, which includes a reduction for our second European buyout fund ("CEP II"), which ceased calling fees in the third quarter of 2014, in addition to the impact of distributions in several funds outside of the investment period and $0.6 billion of foreign exchange decreases. Offsetting these outflows were inflows of $1.4 billion, primarily a result of limited partner commitments raised by CAP IV, CEP IV, and our third Europe technology fund ("CETP III").
Fee-earning AUM was $42.0 billion at September 30, 2014, a decrease of $1.0 billion, or approximately 3%, compared to $43.0 billion at December 31, 2013. Outflows of $4.7 billion, which includes a reduction in fee basis from commitments to invested capital for our fourth Asia growth buyout fund ("CAGP IV"), a reduction for CEP II no longer calling fees, in addition to distributions in funds outside the investment period. This was offset by inflows of $4.3 billion were primarily a result of limited partner commitments raised by CAP IV, CEP IV, CGFSP II, and CETP III, along with investments in funds outside of their original investment period.
Total AUM as of and for the Three and Nine Months Ended September 30, 2015
The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Available Capital	Fair Value of Capital	Total AUM	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)			(Dollars in millions)		
Corporate Private Equity						
Balance, Beginning of Period	$25,950	$37,655	$63,605	$24,439	$40,229	$64,668
Commitments (1)	2,650	—	2,650	6,330	—	6,330
Capital Called, net (2)	(1,261)	1,034	(227)	(3,437)	2,962	(475)
Distributions (3)	158	(2,045)	(1,887)	482	(10,757)	(10,275)
Market Appreciation/(Depreciation) (4)	—	(1,031)	(1,031)	—	3,847	3,847
Foreign Exchange and other (5)	(12)	(43)	(55)	(329)	(711)	(1,040)
Balance, End of Period	$27,485	$35,570	$63,055	$27,485	$35,570	$63,055

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

(2) Represents capital called by our carry funds, net of fund fees and expenses. Equity invested amounts may vary from capital called due to timing differences between acquisition and capital call dates.
(3) Represents distributions from our carry funds, net of amounts recycled. Distributions are based on when proceeds are actually distributed to investors, which may differ from when they are realized.
(4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments.
(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Total AUM was $63.1 billion at September 30, 2015, a decrease of $0.5 billion, or approximately 1%, compared to $63.6 billion as of June 30, 2015. This was driven by net distributions of $1.9 billion primarily in CP V and CEP III and market depreciation of $1.0 billion. Offsetting the decrease was $2.7 billion in new commitments for several funds, including closes in CEOF II, CEP IV, and CJP III. The 3% depreciation was driven by a decrease in the public portfolio of our carry funds of $1.0 billion (10%) while our private portfolio of carry funds remained relatively flat. Our buyout funds depreciated 3% while our growth capital funds remained relatively flat. The funds that significantly impacted the depreciation during the quarter included CP V ($675 million and -6%) and CP IV ($141 million and -11%).

Total AUM was $63.1 billion at September 30, 2015, a decrease of $1.6 billion, or approximately 2%, compared to $64.7 billion as of December 31, 2014. This was primarily driven by net distributions of $10.3 billion and a decrease of $1.0 billion due to foreign exchange. Offsetting the decrease was $6.3 billion in new commitments for several funds, including closes in CEOF II, CEP IV, CJP III, and CETP III, and market appreciation of $3.8 billion. Our portfolio experienced a 10% increase in value over the period, due to a 10% increase across our buyout funds, and a 14% increase across our growth capital funds. This appreciation was driven by a 14% ($1.8 billion) increase in the public portfolio of our carry funds and a 7% ($1.5 billion) increase in the private portfolio of our carry funds. The funds that significantly impacted the appreciation during the period were CEP III ($970 million and 19%), CP V ($611 million and 5%), CAP III ($312 million and 14%), CP IV ($272 million and 14%), and CGFSP I ($241 million and 22%).

Fund Performance Metrics

Fund performance information for our investment funds that generally have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of September 30, 2015, 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.

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

			TOTAL INVESTMENTS					REALIZED/PARTIALLY REALIZED INVESTMEN		
			As of September 30, 2015					Inception to September 30		
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(7)	Net IRR(8)	Cumulative Invested Capital(2)	Total Fair Value(3)	MO
Corporate Private Equity	(Reported in Local Currency, in Millions)							(Reported in Local Curren Millions)		
Fully Invested Funds(6)										
CP II	10/1994	$1,331.1	$1,362.4	$4,072.2	3.0x	34%	25%	$1,362.4	$4,072.2	3.0
CP III	2/2000	$3,912.7	$4,031.6	$10,146.9	2.5x	27%	21%	$4,031.6	$10,146.9	2.5
CP IV	12/2004	$7,850.0	$7,612.6	$18,031.3	2.4x	16%	13%	$6,827.6	$17,231.6	2.5
CP V	5/2007	$13,719.7	$13,001.4	$25,057.7	1.9x	18%	14%	$7,690.0	$19,416.2	2.5
CEP I	12/1997	€1,003.6	€981.6	€2,126.5	2.2x	18%	11%	€981.6	€2,126.5	2.2
CEP II	9/2003	€1,805.4	€2,048.8	€3,960.7	1.9x	36%	20%	€1,489.4	€3,574.5	2.4
CEP III	12/2006	€5,294.9	€5,064.7	€10,607.2	2.1x	19%	14%	€3,191.1	€8,036.9	2.5
CAP I	12/1998	$750.0	$627.7	$2,521.8	4.0x	25%	18%	$627.7	$2,521.8	4.0
CAP II	2/2006	$1,810.0	$1,633.6	$2,843.3	1.7x	11%	8%	$720.0	$2,137.2	3.0
CAP III	5/2008	$2,551.6	$2,527.3	$4,182.8	1.7x	18%	11%	$1,302.1	$2,432.0	1.9
CJP I	10/2001	¥50,000.0	¥47,291.4	¥139,737.5	3.0x	61%	37%	¥39,756.6	¥131,454.6	3.3
CJP II	7/2006	¥165,600.0	¥141,866.7	¥186,377.5	1.3x	6%	2%	¥64,306.1	¥93,939.2	1.5
CGFSP I	9/2008	$1,100.2	$1,052.5	$2,058.1	2.0x	20%	14%	$427.9	$1,010.1	2.4
CETP II	2/2007	€521.6	€436.4	€1,014.6	2.3x	26%	17%	€216.9	€801.4	3.7
CAGP IV	6/2008	$1,041.4	$851.6	$1,268.0	1.5x	14%	8%	$155.0	$374.4	2.4
All Other Funds (9)	Various		$3,673.5	$5,854.1	1.6x	17%	7%	$2,947.7	$4,968.7	1.7
Coinvestments and Other (10)	Various		$8,149.0	$20,717.2	2.5x	36%	33%	$6,074.4	$18,117.6	3.0
Total Fully Invested Funds			$55,642.8	$119,278.6	2.1x	27%	19%	$39,552.0	$100,568.3	2.5
Funds in the Investment Period (6)										
CP VI (12)	5/2012	$13,000.0	$4,275.6	$4,480.7	1.0x	NM	NM			
CEP IV (12)	8/2013	€3,669.5	€319.0	€432.2	1.4x	NM	NM			
CAP IV (12)	11/2012	$3,880.4	$1,475.9	$1,468.5	1.0x	NM	NM			
CEOF I	5/2011	$1,119.1	$952.9	$1,441.4	1.5x	29%	19%			
CGFSP II (12)	4/2013	$1,000.0	$303.8	$355.9	1.2x	NM	NM			
CJP III (12)	8/2013	¥119,505.1	¥35,200.0	¥42,612.0	1.2x	NM	NM			
All Other Funds (11)	Various		$1,241.2	$1,176.7	0.9x	(3)%	(14)%			
Total Funds in the Investment Period			$8,900.2	$9,762.7	1.1x	8%	(3)%	$273.9	$743.1	2.7
TOTAL CORPORATE PRIVATE EQUITY (13)			$64,543.0	$129,041.3	2.0x	26%	19%	$39,825.9	$101,311.4	2.5

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

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

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

(4)

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

(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type.

However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Corporate Private Equity.

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

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

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

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

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

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

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

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

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch-up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of September 30, 2015									
Corporate Private Equity	(Reported in Local Currency, in Millions)									
CP V	$9,830.0	1.8x	1.9x	95 %	X	X	100%	Jun-07	34	May-13
CP VI	$4,423.4	1.0x	1.0x	33 %			100%	Jun-13	10	May-18
CEP III	€3,631.9	2.0x	2.1x	96 %	X	X	100%	Jul-07	33	Dec-12
CAP III	$2,000.9	1.4x	1.7x	99 %	X	X	100%	Jun-08	30	May-14
CEOF I	$1,235.0	1.3x	1.5x	85 %	X		80 %	Sep-11	17	May-17
CAP IV	$1,162.6	0.9x	1.0x	38 %			100%	Jul-13	9	Nov-18
CP IV	$1,144.1	1.2x	2.4x	97 %	X	X	80 %	Apr-05	42	Dec-10
CGFSP I	$1,098.2	1.7x	2.0x	96 %	X	X	100%	Oct-08	28	Sep-14
CAP II	$1,031.0	1.1x	1.7x	90 %	(X)		80 %	Mar-06	39	Feb-12
CAGP IV	$871.3	1.2x	1.5x	82 %			100%	Aug-08	29	Jun-14
CJP II	¥101,935.6	1.3x	1.3x	86 %			80 %	Oct-06	36	Jul-12
CEP IV	€459.8	1.4x	1.4x	9 %	X		100%	Sep-14	5	Aug-19
CJP III	¥44,414.4	1.2x	1.2x	29 %			100%	Sep-13	9	Feb-20
CETP II	€309.4	1.3x	2.3x	84 %	X	X	100%	Jan-08	31	Jul-13
CGFSP II	$344.4	1.2x	1.2x	30 %	X		100%	Jun-13	10	Dec-17
CEP II	€297.7	0.5x	1.9x	113%	X	X	80 %	Sep-03	49	Sep-08
All Other Funds (8)	$2,127.1	1.0x	2.2x		NM	NM				
Coinvestment and Other (9)	$3,817.9	1.8x	2.5x		NM	NM				
Total Corporate Private	$35,562.7	1.4x	2.0x							

Equity (10)

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

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

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

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

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

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

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

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

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

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

Global Market Strategies

For purposes of presenting our results of operations for this segment, we include only our 55% economic interest in the results of operations of each of Claren Road, ESG and, for periods prior to July 1, 2015, Carlyle Commodity Management. Effective July 1, 2015, our results of operations for this segment reflects our approximate 83% economic interest of Carlyle Commodity Management. The following table presents our results of operations for our Global Market Strategies segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$52.3	$65.6	$162.6	$192.9
Portfolio advisory fees, net	0.1	0.2	0.6	0.4
Transaction fees, net	—	0.2	—	0.2
Total fund level fee revenues	52.4	66.0	163.2	193.5
Performance fees				
Realized	11.8	11.3	25.0	26.3
Unrealized	(62.4)	(10.8)	(40.1)	84.3
Total performance fees	(50.6)	0.5	(15.1)	110.6
Investment income (loss)				
Realized	3.1	4.1	5.9	6.8
Unrealized	(5.0)	(4.3)	(10.7)	(1.2)
Total investment income (loss)	(1.9)	(0.2)	(4.8)	5.6
Interest and other income	0.7	1.9	3.9	4.7
Total revenues	0.6	68.2	147.2	314.4
Segment Expenses				
Compensation and benefits				
Direct base compensation	22.4	29.9	75.3	83.7
Indirect base compensation	6.9	6.9	22.1	18.9
Equity-based compensation	5.0	4.0	14.5	9.9
Performance fee related				
Realized	5.4	6.1	11.8	12.4
Unrealized	(28.6)	2.6	(18.6)	39.0
Total compensation and benefits	11.1	49.5	105.1	163.9
General, administrative, and other indirect expenses	14.0	14.0	49.1	38.6
Depreciation and amortization expense	1.3	1.0	3.7	2.9
Interest expense	2.6	2.5	8.1	7.2
Total expenses	29.0	67.0	166.0	212.6
Economic Net Income (Loss)	$(28.4)	$1.2	$(18.8)	$101.8
(-) Net Performance Fees	(27.4)	(8.2)	(8.3)	59.2
(-) Investment Income (Loss)	(1.9)	(0.2)	(4.8)	5.6
(+) Equity-based Compensation	5.0	4.0	14.5	9.9
(=) Fee Related Earnings	$5.9	$13.6	$8.8	$46.9
(+) Realized Net Performance Fees	6.4	5.2	13.2	13.9
(+) Realized Investment Income	3.1	4.1	5.9	6.8
(=) Distributable Earnings	$15.4	$22.9	$27.9	$67.6

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

Total fee revenues were $52.4 million for the three months ended September 30, 2015, a decrease of $13.6 million from 2014. The decrease in fee revenues was due primarily to a decrease in management fees of $13.3 million in 2015 as compared to 2014 primarily from the hedge funds as a result of $3.5 billion of net redemptions in 2015. The weighted average management fee rate on our hedge funds decreased from 1.75% to 1.61% compared to net redemptions in our Claren Road funds, which charge a higher rate. The weighted average management fee rate on our carry funds decreased from 1.46% to 1.39% primarily due to the reduction in both the fee basis and rate of our third distressed and corporate opportunities fund (“CSP III”) as it switched from commitments to invested equity at the end of its original investment period.

Interest and other income was $0.7 million for the three months ended September 30, 2015 as compared to $1.9 million for the same period in 2014.

Total compensation and benefits was $11.1 million and $49.5 million for the three months ended September 30, 2015 and 2014, respectively. Performance fee related compensation expense was $(23.2) million and $8.7 million for the three months ended September 30, 2015 and 2014, respectively. With respect to Claren Road, ESG and Carlyle Commodity Management, where we only include our respective economic interests in our Non-GAAP results, performance fee related compensation expense can vary as a percentage of performance fees based upon a variety of factors, including absolute and relative performance to comparable peers. As a result, the percentage of performance fee related compensation expense to performance fees is generally not a comparable measurement for Global Market Strategies from period to period.

Direct and indirect base compensation decreased $7.5 million for the three months ended September 30, 2015 as compared to 2014, which relates primarily to lower headcount and reductions in compensation accruals, partially offset by incremental compensation costs related to fundraising activities, primarily associated with our second energy mezzanine fund (“CEMOF II”). Further, we have not yet commenced charging management fees on CEMOF II.

Equity-based compensation was $5.0 million for the three months ended September 30, 2015, an increase of $1.0 million from $4.0 million for the three months ended September 30, 2014. The increase was due primarily to the ongoing granting of deferred restricted common units to new and existing employees since September 30, 2014.

General, administrative and other indirect expenses was $14.0 million for the three months ended September 30, 2015 and 2014. Higher external costs associated with fundraising activities of $2.1 million, primarily related to our second energy mezzanine fund, were offset by positive foreign currency adjustments for the three months ended September 30, 2015 as compared to the same period in 2014.

Depreciation and amortization expense was $1.3 million for the three months ended September 30, 2015, an increase from $1.0 million in 2014.

Interest expense increased $0.1 million for the three months ended September 30, 2015 as compared to 2014.

Economic Net Income (Loss). ENI was $(28.4) million for the three months ended September 30, 2015, a decrease of $29.6 million from the three months ended September 30, 2014. The decrease in ENI for the three months ended September 30, 2015 as compared to 2014 was due to a decrease in net performance fees of $19.2 million, a decrease in fee related earnings of $7.7 million, an increase in investment loss of $1.7 million, and an increase in equity-based compensation of $1.0 million.

Fee Related Earnings. Fee related earnings decreased $7.7 million to $5.9 million for the three months ended September 30, 2015 as compared to 2014. The decrease was primarily due to a decrease in fee revenues of $13.6 million. This decrease were partially offset by a decrease in direct and indirect base compensation of $7.5 million.

Performance Fees. Performance fees of $(50.6) million and $0.5 million for the three months ended September 30, 2015 and 2014, respectively, are inclusive of performance fees reversed of approximately $70.1 million and $47.0 million, respectively. Performance fees for this segment by type of fund are as follows:

	Three Months Ended September 30,	
	2015	2014
	(Dollars in millions)	
Carry funds	$(69.9)	$34.7
Hedge funds	7.5	(42.2)
Structured credit funds	5.3	4.7
Business development companies	6.5	3.3
Performance fees	$(50.6)	$0.5

Performance fees for the three months ended September 30, 2015 were driven primarily by our carry funds, including $(48.3) million from CEMOF and $(13.2) million from our second corporate mezzanine buyout fund ("CMP II"). Our carry funds in this segment appreciated (depreciated) (9)% and 6% in the three months ended September 30, 2015 and 2014, respectively. Performance fees for the three months ended September 30, 2014, were generated primarily by the carry funds, including $15.2 million from CEMOF, $12.7 million from CMP II, and $11.4 million from CSP III. Performance fees from our hedge funds substantially reversed in the three months ended September 30, 2014, including $(16.8) million from the Claren Road Master Fund and $(13.2) million from the Claren Road Opportunities Fund as well as $(12.1) million from the ESG and Carlyle Commodity Management hedge funds.

Net performance fees decreased $19.2 million to $(27.4) million for the three months ended September 30, 2015 as compared to $(8.2) million for the same period in 2014. The decrease in net performance fees is primarily due to depreciation in the carry funds in the third quarter of 2015 as compared to the third quarter of 2014.

Investment Income (Loss). Investment loss was $1.9 million for the three months ended September 30, 2015 as compared to investment loss of $0.2 million for the same period in 2014. The increase in investment loss was due primarily to depreciation on our U.S.-denominated collateralized loan obligations, as well as investment losses on our hedge fund investments and our investment in CEMOF.

Distributable Earnings. Distributable earnings decreased $7.5 million to $15.4 million for the three months ended September 30, 2015 from $22.9 million for the three months ended September 30, 2014. The decrease was due primarily to a decrease in fee related earnings of $7.7 million and a decrease in realized investment income of $1.0 million. These decreases were partially offset by an increase in realized net performance fees of $1.2 million.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

Total fee revenues were $163.2 million for the nine months ended September 30, 2015, a decrease of $30.3 million from 2014. The decrease in fee revenues was due primarily to a decrease in management fees of $30.3 million in 2015 as compared to 2014 primarily from the hedge funds as a result of $3.5 billion of net redemptions in 2015. The weighted average management fee rate on our hedge funds decreased from 1.75% to 1.61% due to net redemptions in our Claren Road funds, which charge a higher rate. The weighted average management fee rate on our carry funds decreased from 1.46% to 1.39% primarily due to the reduction in both the fee basis and rate of CSP III as it switched from commitments to invested equity at the end of its original investment period.

Interest and other income was $3.9 million for the nine months ended September 30, 2015 as compared to $4.7 million for the same period in 2014.

Total compensation and benefits was $105.1 million and $163.9 million for the nine months ended September 30, 2015 and 2014, respectively. Performance fee related compensation expense was $(6.8) million and $51.4 million for the nine months ended September 30, 2015 and 2014, respectively. With respect to Claren Road, ESG and Carlyle Commodity Management, where we only include our respective economic interests in our Non-GAAP results, performance fee related compensation expense can vary as a percentage of performance fees based upon a variety of factors, including absolute and relative performance to comparable peers. As a result, the percentage of performance fee related compensation expense to performance fees is generally not a comparable measurement for Global Market Strategies from period to period.

Direct and indirect base compensation decreased $5.2 million for the nine months ended September 30, 2015 as compared to 2014, which primarily relates to lower headcount and reductions in compensation accruals, partially offset by incremental compensation costs of $3.8 million related to fundraising activities, primarily associated with CEMOF II. Further, we have not yet commenced charging management fees on CEMOF II.
Equity-based compensation was $14.5 million for the nine months ended September 30, 2015, an increase of $4.6 million from $9.9 million for the nine months ended September 30, 2014. The increase was due primarily to the ongoing granting of deferred restricted common units to new and existing employees since September 30, 2014 and a decrease in the estimated forfeiture rates during the nine months ended September 30, 2015.
General, administrative and other indirect expenses increased $10.5 million to $49.1 million for the nine months ended September 30, 2015 as compared to 2014. The increase is due primarily to higher external costs associated with fundraising activities of $10.4 million, primarily related to our second energy mezzanine fund, for the nine months ended September 30, 2015 as compared to 2014.
Depreciation and amortization expense was $3.7 million for the nine months ended September 30, 2015, an increase from $2.9 million in 2014.
Interest expense increased $0.9 million for the nine months ended September 30, 2015 as compared to 2014.
Economic Net Income (Loss). ENI was $(18.8) million for the nine months ended September 30, 2015, a decrease of $120.6 million from $101.8 million for the nine months ended September 30, 2014. The decrease in ENI for the nine months ended September 30, 2015 as compared to 2014 was due to a decrease in net performance fees of $67.5 million, a decrease in fee related earnings of $38.1 million, a decrease in investment income of $10.4 million, and an increase in equity-based compensation of $4.6 million.
Fee Related Earnings. Fee related earnings decreased $38.1 million to $8.8 million for the nine months ended September 30, 2015 as compared to 2014. The decrease was primarily due to a decrease in fee revenues of $30.3 million, an increase in general, administrative and other indirect expenses of $10.5 million, partially offset by a decrease in direct and indirect base compensation of $5.2 million.
Performance Fees. Performance fees of $(15.1) million and $110.6 million for the nine months ended September 30, 2015 and 2014, respectively, are inclusive of performance fees reversed of approximately $47.8 million and $7.8 million, respectively. Performance fees for this segment by type of fund are as follows:

	Nine Months Ended September 30,	
	2015	2014
	(Dollars in millions)	
Carry funds	$(47.7)	$92.0
Hedge funds	7.8	(1.2)
Structured credit funds	18.3	16.5
Business development companies	6.5	3.3
Performance fees	$(15.1)	$110.6

Performance fees for the nine months ended September 30, 2015 were driven primarily by our carry funds, including $(39.0) million from CEMOF and $(6.2) million from CMP II. Our carry funds in this segment appreciated (depreciated) (4)% and 23% in the nine months ended September 30, 2015 and 2014, respectively. Performance fees for the nine months ended September 30, 2014, were generated primarily by our carry funds, including $36.1 million from CEMOF, $35.3 million from CSP III, and $24.0 million from CMP II.

Net performance fees decreased $67.5 million to $(8.3) million for the nine months ended September 30, 2015 as compared to $59.2 million for the same period in 2014. The decrease in net performance fees is primarily due to depreciation on our carry funds in the nine months ended September 30, 2015 as compared to the same period of 2014.

Investment Income (Loss). Investment loss was $4.8 million for the nine months ended September 30, 2015 as compared to investment income of $5.6 million for the same period in 2014. The decrease in investment income was due primarily to depreciation on U.S.-denominated collateralized loan obligations as well as investment losses in 2015 in CEMOF as compared to investment income in 2014.

Distributable Earnings. Distributable earnings decreased $39.7 million to $27.9 million for the nine months ended September 30, 2015 from $67.6 million for the nine months ended September 30, 2014. The decrease was due primarily to a decrease in fee related earnings of $38.1 million, a decrease in realized investment income of $0.9 million, and a decrease in realized net performance fees of $0.7 million for the nine months ended September 30, 2015 as compared to 2014.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2015 and 2014

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

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

	As of September 30,			
	2015		2014	
Global Market Strategies	(Dollars in millions)			
Components of Fee-earning AUM (1)				
Fee-earning AUM based on capital commitments	$1,330		$1,916	
Fee-earning AUM based on invested capital	792		723	
Fee-earning AUM based on collateral balances, at par	17,416		17,512	
Fee-earning AUM based on net asset value	8,754		14,136	
Fee-earning AUM based on other (2)	1,213		528	
Total Fee-earning AUM	$29,505		$34,815	
Weighted Average Management Fee Rates (3)				
All Funds, excluding CLOs	1.56	%	1.70	%

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

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

(3) Represents the aggregate effective management fee rate for carry funds and hedge funds, weighted by each fund's Fee-earning AUM, as of the end of each period presented. Management fees for CLOs are based on the total par amount of the assets (collateral) and principal balance of the notes in the fund and are not calculated as a percentage of equity and are therefore not included.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Global Market Strategies	(Dollars in millions)		(Dollars in millions)	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$31,278	$35,379	$33,898	$33,411
Inflows, including Fee-paying Commitments (1)	19	—	25	313
Outflows, including Distributions (2)	(339)	(51)	(472)	(472)
Subscriptions, net of Redemptions (3)	(735)	269	(3,431)	803
Changes in CLO collateral balances (4)	(545)	195	216	1,528
Market Appreciation/(Depreciation) (5)	(262)	(505)	(626)	(254)
Foreign Exchange and other (6)	89	(472)	(105)	(514)
Balance, End of Period	$29,505	$34,815	$29,505	$34,815

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

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

(3) Represents subscriptions and redemptions in our hedge funds and mutual fund. Our Claren Road hedge funds received $1.9 billion of redemption notices in the third quarter that are expected to be paid in the next several quarters, beginning in the fourth quarter of 2015.

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

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

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

Fee-earning AUM was $29.5 billion at September 30, 2015, a decrease of $1.8 billion, or approximately 6%, compared to $31.3 billion at June 30, 2015. This decrease was primarily a result of (a) net redemptions of $0.7 billion in our hedge funds, (b) net decreases of $0.5 billion in our CLO collateral balances, (c) net outflows including distributions of $0.3 billion, primarily due to the change in basis from commitments to invested equity in CSP III, and (d) market depreciation of $0.3 billion. Offsetting this were increases from foreign exchange on our Euro-denominated CLOs of $0.1 billion. Commitments from our second energy mezzanine fund ("CEMOF II") do not increase Fee-earning AUM, as their fees have not yet commenced. Distributions from carry funds still in the investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.

Fee-earning AUM was $29.5 billion at September 30, 2015, a decrease of $4.4 billion, or approximately 13%, compared to $33.9 billion at December 31, 2014. This decrease was driven by net redemptions in our hedge funds of $3.4 billion, market depreciation of $0.6 billion, and net outflows including distributions of $0.5 billion, primarily due to the change in basis from commitments to invested equity in CSP III. This decrease was offset by net increases of $0.2 billion in our CLO collateral balances.

Fee-earning AUM was $29.5 billion at September 30, 2015, a decrease of $5.3 billion, or approximately 15%, compared to $34.8 billion at September 30, 2014. This decrease was driven by $3.5 billion of net redemptions in our hedge funds, market depreciation of $1.9 billion, and net outflows including distributions of $0.5 billion. This decrease was offset by net increases of $0.6 billion in our CLO collateral balances.

Fee-earning AUM was $34.8 billion at September 30, 2014, decrease of $0.6 billion, or approximately 2%, compared to $35.4 billion at June 30, 2014. This decrease was primarily a result of market depreciation on our hedge funds of $0.5 billion and foreign exchange decreases in our European structured credit funds of $0.5 billion. Offsetting this decrease were net subscriptions to our hedge funds of $0.3 billion and net increases in our CLO collateral balances of $0.2 billion.

Fee-earning AUM was $34.8 billion at September 30, 2014, an increase of $1.4 billion, or approximately 4%, compared to $33.4 billion at December 31, 2013. This increase was primarily a result of increases in the aggregate par value of our CLO/structured product collateral balances of $1.5 billion, including the launch of five new structured products, net subscriptions to our hedge funds of $0.8 billion, and inflows of $0.3 billion. Outflows of $0.5 billion were primarily driven by distributions from funds outside the investment period.

Total AUM as of and for the Three and Nine Months Ended September 30, 2015.
The table below provides the period to period rollforwards of Available Capital and Fair Value of Capital, and the resulting rollforward of Total AUM.

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Available Capital	Fair Value of Capital	Total AUM	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)			(Dollars in millions)		
Global Market Strategies						
Balance, Beginning of Period	$3,641	$32,789	$36,430	$1,512	$35,229	$36,741
Commitments (1)	426	—	426	2,634	—	2,634
Capital Called, net (2)	(181)	208	27	(390)	626	236
Distributions (3)	35	(97)	(62)	162	(465)	(303)
Subscriptions, net of Redemptions (4)	—	(736)	(736)	—	(3,518)	(3,518)
Changes in CLO collateral balances (5)	—	(91)	(91)	—	831	831
Market Appreciation/(Depreciation) (6)	—	(518)	(518)	—	(791)	(791)
Foreign Exchange and other (7)	—	55	55	3	(302)	(299)
Balance, End of Period (8)	$3,921	$31,610	$35,531	$3,921	$31,610	$35,531

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

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

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

(4) Represents the net result of subscriptions to and redemptions from our hedge funds and mutual fund. Our Claren Road hedge funds received $1.9 billion of redemption notices in the third quarter that are expected to be paid in the next several quarters, beginning in the fourth quarter of 2015.

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

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

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

(8) Ending balance is comprised of approximately $18.8 billion from our structured credit /other structured product funds, $9.3 billion in our hedge funds, $6.2 billion (including $3.9 billion of Available Capital) in our carry funds, and $1.2 billion from our business development companies.

Total AUM was $35.5 billion at September 30, 2015, a decrease of $0.9 billion, or approximately 2%, compared to $36.4 billion at June 30, 2015. This decrease was primarily a result of net redemptions of $0.7 billion in our hedge funds and $0.5 billion in market depreciation. These were offset by inflows of $0.4 billion related to closings in CEMOF II and our Asia structured credit opportunities fund ("CASCOF"), in addition to a $0.1 billion foreign exchange increase in our Euro-denominated CLOs. Depreciation for the quarter was driven by a 9% ($0.2 billion) decrease on our portfolio of carry funds primarily attributable to CEMOF I. Also driving depreciation for the quarter was the declining performance of our hedge funds which depreciated by $0.3 billion.

Total AUM was $35.5 billion at September 30, 2015, a decrease of $1.2 billion, or approximately 3%, compared to $36.7 billion at December 31, 2014. This decrease was primarily a result of net redemptions of $3.5 billion in our hedge funds, which

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have Total AUM of $9.3 billion at September 30, 2015, declining from $13.4 billion at December 31, 2014. There was also market depreciation of $0.8 billion and our Euro-denominated CLOs saw decreases due to foreign exchange of $0.3 billion. These decreases are offset by inflows of $2.6 billion related to closings in CEMOF II and CASCOF, in addition to a $0.8 billion net increase in the the par value of our CLO collateral balances. Depreciation for the period was driven by a 4% ($0.1 billion) decrease on our portfolio of carry funds primarily attributable to CEMOF I. Also driving depreciation for the period was the declining performance of our hedge funds which depreciated by $0.6 billion.

Fund Performance Metrics

Fund performance information for certain of our Global Market Strategies funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

The following table reflects the performance of certain carry funds in our Global Market Strategies business. These tables separately present carry funds that, as of September 30, 2015, had at least $1.0 billion in capital commitments, cumulative equity invested or total equity value. Please see "— Our Family of Funds" for a legend of the fund acronyms listed below.

		TOTAL INVESTMENTS					
		As of September 30, 2015				Inception to September 30, 2015	
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(5)	Net IRR(6)
Global Market Strategies	(Reported in Local Currency, in Millions)						
CSP II	6/2007	$1,352.3	$1,352.3	$2,421.3	1.8x	17 %	11 %
CEMOF I	12/2010	$1,382.5	$1,087.1	$1,336.3	1.2x	12 %	7 %

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

(2) Represents the original cost of investments net of investment level recallable proceeds which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.

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

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

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

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

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch-up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of September 30, 2015									

Global Market Strategies	(Reported in Local Currency, in Millions)									
CEMOF I	$862.2	1.0x	1.2x	79 %	X		100%	Dec-10	20	Dec-15
CSP II	$296.2	0.8x	1.8x	100%	X		80 %	Dec-07	32	Jun-11
All Other Funds (8)	$758.9	1.0x	1.5x		NM	NM				
Coinvestment and Other (9)	$358.6	0.9x	1.1x		NM	NM				
Total Global Market Strategies	$2,276.0	1.0x	1.5x							

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

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

The Claren Road Master Fund, the Claren Road Opportunities Fund, the ESG Cross Border Equity Master Fund Ltd., and the ESG Domestic Opportunity Master Fund Ltd. (our “reported hedge funds”), had AUM of approximately $2.8 billion, $1.4 billion, $2.7 billion, and $1.1 billion, respectively, as of September 30, 2015. The asset-weighted hedge fund performance of our reported hedge funds was (4.0)% and (6.5)%, respectively, during the quarter and year ended September 30, 2015. Refer to our Annual Report on Form 10-K for the year ended December 31, 2014 for the hedge fund performance tables that present annual and inception-to-date returns for each of our reported hedge funds as of such date.

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Real Assets

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$69.3	$55.7	$197.1	$165.6
Portfolio advisory fees, net	0.1	0.1	0.4	0.6
Transaction fees, net	0.1	0.6	0.4	0.7
Total fund level fee revenues	69.5	56.4	197.9	166.9
Performance fees				
Realized	57.7	28.4	112.5	38.3
Unrealized	(9.3)	9.5	(38.3)	69.9
Total performance fees	48.4	37.9	74.2	108.2
Investment income (loss)				
Realized	(4.9)	(13.2)	(94.7)	(3.0)
Unrealized	2.1	6.7	58.4	(35.5)
Total investment income (loss)	(2.8)	(6.5)	(36.3)	(38.5)
Interest and other income	0.9	1.4	2.6	3.3
Total revenues	116.0	89.2	238.4	239.9
Segment Expenses				
Compensation and benefits				
Direct base compensation	20.4	20.7	56.4	60.7
Indirect base compensation	9.7	9.9	30.8	35.9
Equity-based compensation	6.2	5.4	19.6	14.0
Performance fee related				
Realized	25.5	9.9	46.0	10.6
Unrealized	7.2	8.0	28.4	39.2
Total compensation and benefits	69.0	53.9	181.2	160.4
General, administrative, and other indirect expenses	17.0	21.1	52.4	52.3
Depreciation and amortization expense	1.2	0.8	3.1	2.6
Interest expense	2.6	2.6	7.9	7.3
Total expenses	89.8	78.4	244.6	222.6
Economic Net Income (Loss)	$26.2	$10.8	$(6.2)	$17.3
(-) Net Performance Fees	15.7	20.0	(0.2)	58.4
(-) Investment Income (Loss)	(2.8)	(6.5)	(36.3)	(38.5)
(+) Equity-based Compensation	6.2	5.4	19.6	14.0
(=) Fee Related Earnings	$19.5	$2.7	$49.9	$11.4
(+) Realized Net Performance Fees	32.2	18.5	66.5	27.7
(+) Realized Investment Income (Loss)	(4.9)	(13.2)	(94.7)	(3.0)
(=) Distributable Earnings	$46.8	$8.0	$21.7	$36.1

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Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014
Total fee revenues were $69.5 million for the three months ended September 30, 2015, an increase of $13.1 million from September 30, 2014. The increase in fund management fees was primarily due to the commencement of the investment period of our seventh U.S. real estate fund (“CRP VII”) and our second power fund (“CPP II”) in June 2014, when both funds began to charge management fees at such time. The increase in management fees is also attributable to higher assets under management from additional commitments raised during 2014 and 2015 in CRP VII, our first international energy fund (“CIEP I”) and CPP II. These increases were partially offset by declines in fund management fees from distributions from certain other U.S. and European real estate funds outside of their investment periods. The total weighted average management fee declined to 1.22% at September 30, 2015 from 1.26% at September 30, 2014 primarily due to commitments to CRP VII which charges a lower management fee rate compared to other funds. The weighted average management fee rate for funds in the investment period declined to 1.36% at September 30, 2015 from 1.46% at September 30, 2014 also primarily due to fundraising in CRP VII.

Interest and other income was $0.9 million for the three months ended September 30, 2015, a decline from $1.4 million for the comparable period in 2014.
Total compensation and benefits was $69.0 million and $53.9 million for the three months ended September 30, 2015 and 2014, respectively. Performance fee related compensation expense was $32.7 million and $17.9 million for the three months ended September 30, 2015 and 2014, respectively. Performance fees earned from the Legacy Energy funds and from NGP funds are allocated solely to Carlyle and are not otherwise shared or allocated with our investment professionals. Accordingly, performance fee compensation as a percentage of performance fees is generally not a comparable measurement for Real Assets from period to period.
Direct and indirect base compensation was $30.1 million for the three months ended September 30, 2015, a decline from the $30.6 million of expense for the same period in 2014.
Equity-based compensation was $6.2 million for the three months ended September 30, 2015, an increase of $0.8 million from $5.4 million for the three months ended September 30, 2014. The increase is due primarily to the ongoing granting of deferred restricted common units to new and existing employees September 30, 2014.
General, administrative and other indirect expenses declined $4.1 million to $17.0 million for the three months ended September 30, 2015 as compared to the same period of 2014. The decline from 2014 to 2015 primarily relates to a decline of $2.8 million in external costs associated with fundraising activities and positive foreign currency adjustments, partially offset by higher professional fees.
Depreciation and amortization expense was $1.2 million for the three months ended September 30, 2015, an increase from $0.8 million in 2014.
Interest expense was $2.6 million for the three months ended September 30, 2015 and 2014.
Economic Net Income (Loss). ENI was $26.2 million for the three months ended September 30, 2015, an increase of $15.4 million from $10.8 million for the same period in 2014. The increase in ENI for the three months ended September 30, 2015 as compared to 2014 was due to an increase in fee related earnings of $16.8 million and an increase in investment income of $3.7 million, partially offset by a decline in net performance fees of $4.3 million and an increase in equity-based compensation of $0.8 million.
Fee Related Earnings. Fee related earnings increased $16.8 million for the three months ended September 30, 2015 as compared to 2014 to $19.5 million. The increase in fee related earnings is primarily attributable to an increase in fee revenues of $13.1 million and a decline in general, administrative, and other indirect expenses of $4.1 million.

Performance Fees. Performance fees of $48.4 million and $37.9 million for the three months ended September 30, 2015 and 2014, respectively, are inclusive of performance fees reversed of approximately $30.8 million and $14.4 million, respectively. Performance fees and appreciation in remaining value of assets for this segment by type of fund are as follows:

	Performance Fees		Carry Fund Portfolio Appreciation / (Depreciation)	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Real Estate funds	$66.0	$29.4	6%	4%
Natural Resources funds	7.0	10.5	(4)%	3%
Legacy Energy funds	(24.6)	(2.0)	(17)%	—%
Total	$48.4	$37.9	(5)%	2%

Performance fees for the three months ended September 30, 2015 were primarily driven by performance fees related to CRP V, CRP VI, and Energy IV of $34.5 million, $26.1 million, and $(22.9) million, respectively. Performance fees for the three months ended September 30, 2014 were primarily driven by performance fees related to CRP VI of $25.2 million.

Net performance fees for the three months ended September 30, 2015 were $15.7 million, representing a decline of $4.3 million from $20.0 million in net performance fees for the three months ended September 30, 2014. The decline in net performance fees primarily relates to our Legacy Energy funds, which declined 17% in the three months ended September 30, 2015 as compared to the same amount for the three months ended September 30, 2014.

Investment Income (Loss). Investment loss was $2.8 million for the three months ended September 30, 2015 compared to an investment loss of $6.5 million for the same period in 2014. Investment loss of $2.8 million for the three months ended September 30, 2015 was due primarily to investment losses on Urbplan, partially offset by unrealized gains on certain European real estate investments during the period. The investment loss of $6.5 million for the three months ended September 30, 2014 was due primarily to investment losses on Urbplan, without significant offsetting investment gains from other investments.

The realized investment loss for 2015 of $4.9 million was due primarily to realized losses on Urbplan. The realized investment loss for 2014 of $13.2 million primarily was due to realized investment losses on Urbplan and other European real estate investments.

Distributable Earnings. Distributable earnings increased $38.8 million to $46.8 million for the three months ended September 30, 2015 from $8.0 million for the same period in 2014. The increase was primarily due to a $16.8 million increase in fee related earnings, a $13.7 million increase in realized net performance fees and a decline in realized investment loss of $8.3 million.

Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014

Total fee revenues were $197.9 million for the nine months ended September 30, 2015, an increase of $31.0 million from September 30, 2014. The increase in fund management fees primarily reflects an increase in catch-up management fees of $14.8 million as compared to 2014 from subsequent closings on CRP VII, CIEP I and CPP II. Also, the increase in fund management fees was due to the commencement of the investment period of CRP VII and CPP II in June 2014, when both funds began to charge management fees at such time, as well as higher assets under management from additional commitments raised during 2014 and 2015 in CRP VII, CIEP I, and CPP II. These increases were partially offset by declines in fund management fees from distributions from certain other U.S. and European real estate funds outside of their investment periods. The total weighted average management fee declined to 1.22% at September 30, 2015 from 1.26% at September 30, 2014 primarily due to commitments to CRP VII which charges a lower management fee rate compared to other funds. The weighted average management fee rate for funds in the investment period declined to 1.36% at September 30, 2015 from 1.46% at September 30, 2014 also primarily due to fundraising in CRP VII.

Interest and other income was $2.6 million for the nine months ended September 30, 2015, a decline from $3.3 million for the same period in 2014.

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Total compensation and benefits was $181.2 million and $160.4 million for the nine months ended September 30, 2015 and 2014, respectively. Performance fee related compensation expense was $74.4 million and $49.8 million for the nine months ended September 30, 2015 and 2014, respectively. Performance fees earned from the Legacy Energy funds and from NGP funds are allocated solely to Carlyle and are not otherwise shared or allocated with our investment professionals. Accordingly, performance fee compensation as a percentage of performance fees is generally not a comparable measurement for Real Assets from period to period.

Direct and indirect base compensation was $87.2 million for the nine months ended September 30, 2015, a decline from the $96.6 million of expense for the same period in 2014. The decline primarily was due to reductions in direct headcount and reductions in compensation accruals that occurred in the fourth quarter of 2014. Also contributing to the decline was lower compensation associated with fundraising of $4.1 million in 2015 versus 2014, driven by fundraising activities in 2014 related to CRP VII and CIEP.

Equity-based compensation was $19.6 million for the nine months ended September 30, 2015, an increase of $5.6 million from $14.0 million for the nine months ended September 30, 2014. The increase primarily was due to the ongoing granting of deferred restricted common units to new and existing employees September 30, 2014 and a decrease in the estimated forfeiture rates during the nine months ended September 30, 2015.

General, administrative and other indirect expenses increased $0.1 million to $52.4 million for the nine months ended September 30, 2015 as compared to the same period of 2014. Higher professional fees and information technology expenses were offset by a decline of $4.6 million in external costs associated with fundraising activities.

Depreciation and amortization expense was $3.1 million for the nine months ended September 30, 2015, an increase from $2.6 million in 2014.

Interest expense increased $0.6 million for the nine months ended September 30, 2015 as compared to 2014.

Economic Net Income (Loss). ENI was $(6.2) million for the nine months ended September 30, 2015, a decline of $23.5 million from $17.3 million for the same period in 2014. The decline in ENI for the nine months ended September 30, 2015 as compared to 2014 was due to a decline in net performance fees of $58.6 million, an increase in equity-based compensation of $5.6 million, partially offset by an increase in fee related earnings of $38.5 million and a decrease in investment loss of $2.2 million.

Fee Related Earnings. Fee related earnings increased $38.5 million for the nine months ended September 30, 2015 as compared to 2014 to $49.9 million. The increase in fee related earnings is primarily attributable to an increase in fee revenues of $31.0 million and a decline in direct and indirect base compensation of $9.4 million, partially offset by an increase in general, administrative, and other indirect expenses of $0.1 million.

Performance Fees. Performance fees of $74.2 million and $108.2 million for the nine months ended September 30, 2015 and 2014, respectively, are inclusive of performance fees reversed of approximately $103.6 million and $9.3 million, respectively. Performance fees and appreciation (depreciation) in remaining value of assets for this segment by type of fund are as follows:

	Performance Fees		Carry Fund Portfolio Appreciation / (Depreciation)	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Real Estate funds	$158.6	$88.4	21%	10%
Natural Resources funds	(0.9)	11.7	(3)%	14%
Legacy Energy funds	(83.5)	8.1	(21)%	4%
Total	$74.2	$108.2	(3)%	7%

Performance fees for the nine months ended September 30, 2015 were primarily driven by performance fees related to CRP VI, CRP V, CRP III, Energy III, and Energy IV of $84.8 million, $51.7 million, $17.4 million, $(38.7) million, and $(37.8) million, respectively. Performance fees for the nine months ended September 30, 2014 were primarily driven by performance fees related to CRP VI of $70.4 million.

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Net performance fees for the nine months ended September 30, 2015 were $(0.2) million, representing a decline of $58.6 million from $58.4 million in net performance fees for the nine months ended September 30, 2014. The decline in net performance fees primarily relates to our Legacy Energy funds which declined 21% in the nine months ended September 30, 2015 as compared to appreciation of 4% for the nine months ended September 30, 2014.
Investment Income (Loss). Investment loss was $36.3 million for the nine months ended September 30, 2015 compared to an investment loss of $38.5 million for the same period in 2014. The 2015 investment loss of $36.3 million was due primarily to $34 million in Carlyle losses from our guarantee of liabilities of CEREP I associated with an adverse court judgment in a French tax court proceeding related to a transaction that CEREP I exited between 2007 and 2009. See Note 11 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information. The 2014 investment loss of $38.5 million was due primarily to unrealized losses associated with the guarantee of liabilities of CEREP I associated with the French tax court matter of $11.2 million, investment losses on certain other European real estate investments of $27.5 million, and losses associated with Urbplan of $24.3 million, partially offset by an investment gain from the sale of another European real estate investment.
The realized investment loss in 2015 of $94.7 million primarily represented the realization of Carlyle’s cumulative losses associated with the guarantee of liabilities of CEREP I associated with an adverse court judgment in a French tax court proceeding of $80 million, as well as realized investment losses associated with Urbplan of $18.2 million. The realized investment loss for 2014 of $3.0 million primarily was due to realized investment losses on Urbplan and other European real estate investments, partially offset by an investment gain from the sale of a European real estate investment.
Distributable Earnings. Distributable earnings declined $14.4 million to $21.7 million for the nine months ended September 30, 2015 from $36.1 million for the same period in 2014. The decline was due to an increase in realized investment loss of $91.7 million from 2014 to 2015, partially offset by an increase in realized net performance fees of $38.8 million and an increase in fee related earnings of $38.5 million from 2014 to 2015.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2015 and 2014
Fee-earning AUM is presented below for each period together with the components of change during each respective period.
The table below breaks out Fee-earning AUM by its respective components at each period.

	As of September 30,			
	2015		2014	
Real Assets	(Dollars in millions)			
Components of Fee-earning AUM (1)				
Fee-earning AUM based on capital commitments	$7,890		$7,301	
Fee-earning AUM based on invested capital (2)	19,985		20,175	
Fee-earning AUM based on lower of cost or fair value and other (3)	647		698	
Total Fee-earning AUM (4)	$28,522		$28,174	
Weighted Average Management Fee Rates (5)				
All Funds	1.22	%	1.26	%
Funds in Investment Period	1.36	%	1.46	%

(1) For additional information concerning the components of Fee-earning AUM, See “—Fee-earning Assets under Management.”
(2) Includes amounts committed to or reserved for investments for certain real estate funds.
(3) Includes certain funds that are calculated on gross asset value.
(4) Energy II, Energy III, Energy IV, Renew I, and Renew II (collectively, the “Legacy Energy Funds”), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. With the exception of Energy IV and Renew II, where Carlyle has a minority representation on the funds’ management committees, management of each of the Legacy Energy Funds is

vested in committees with equal representation by Carlyle and Riverstone, and the consent of representatives of both Carlyle and Riverstone is required for investment decisions. As of September 30, 2015, the Legacy Energy Funds had, in the aggregate, approximately $6.8 billion in AUM and $6.8 billion in Fee-earning AUM. We are no longer raising capital for the Legacy Energy Funds and expect these balances to continue to decrease over time as the funds wind down. NGP VII, NGP VIII, NGP IX, or in the case of NGP M&R, NGP ETP I, and NGP ETP II, certain affiliated entities (collectively, the "NGP management fee funds") and NGP X, NGP GAP and NGP XI (referred to herein as the "NGP carry funds"), are managed by NGP Energy Capital Management. As of September 30, 2015, the NGP management fee funds and NGP carry funds had, in the aggregate, approximately $13.6 billion in AUM and $7.9 billion in Fee-earning AUM.

(5) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund's Fee-earning AUM, as of the end of each period presented. Calculation reflects Carlyle's 10% and 55% interest in management fees earned by the Legacy Energy funds, NGP management fee funds, and NGP carry funds, respectively. Accounts based on gross asset base generally have an effective management fee rate of 0.5% or less.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Real Assets	(Dollars in millions)		(Dollars in millions)	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$28,075	$27,871	$28,351	$28,438
Inflows, including Fee-paying Commitments (1)	1,094	855	3,292	3,923
Outflows, including Distributions (2)	(574)	(352)	(2,890)	(3,991)
Market Appreciation/(Depreciation) (3)	(25)	—	(32)	(12)
Foreign Exchange and other (4)	(48)	(200)	(199)	(184)
Balance, End of Period	$28,522	$28,174	$28,522	$28,174

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

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

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

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

Fee-earning AUM was $28.5 billion at September 30, 2015, an increase of $0.4 billion, or approximately 1%, compared to $28.1 billion at June 30, 2015. The increase was driven by inflows of $1.1 billion, related to commitments in CRP VII and CPP II and amounts invested by various funds based on invested capital. Limited partner capital raised in prior periods of $4.2 billion for NGP XI will be based on invested equity until January 1, 2016, after which they will be based on commitments until the first investment realization. Offsetting the increase were outflows of $0.6 billion, primarily related to distribution activity in our funds outside the original investment period. Investment and distribution activity by funds still in the original investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital. Changes in fair value have no material impact on Fee-earning AUM for Real Assets as substantially all of the funds generate management fees based on either commitments or invested capital at cost, neither of which is impacted by fair value movements.

Fee-earning AUM was $28.5 billion at September 30, 2015, an increase of $0.1 billion, or less than 1%, compared to $28.4 billion at December 31, 2014. The increase is related to inflows of $3.3 billion, primarily due to limited partner capital commitments in CRP VII, CIEP I, NGP XI, and CPP II and purchases by several funds and external coinvestment vehicles outside their original investment period. This was offset by outflows of $2.9 billion, including dispositions in various funds with fees based on invested capital and an elimination of basis on one of our NGP management fee funds, in addition to decreases in foreign exchange of $0.2 billion.

Fee-earning AUM was $28.5 billion at September 30, 2015, an increase of $0.3 billion, or approximately 1%, compared to $28.2 billion at September 30, 2014. This increase was related to inflows of $5.5 billion, primarily due to new commitments in CRP VII, CIEP I, CPP II, and NGP XI and purchases in several of our funds outside the original investment period. Offsetting the increase were outflows of $4.8 billion for distribution across several funds outside the original investment period, a change in fee basis for NGP X due to the activation of its successor fund, and an elimination of basis on one of our NGP management fee funds.

Fee-earning AUM was $28.2 billion at September 30, 2014, an increase of $0.3 billion, or approximately 1%, compared to $27.9 billion at June 30, 2014. This increase was driven by inflows of $0.9 billion, primarily related to new commitments to CRP VII, CIEP I, and CPP II. Commitments to NGP XI will be based on invested equity until January 1, 2016, after which they will be based on commitments until the first investment realization. The increase was offset by outflows of $0.4 billion, primarily due to distribution activity in our funds outside the original investment period.

Fee-earning AUM was $28.2 billion at September 30, 2014, a decrease of $0.3 billion or approximately 1% compared to $28.4 billion at December 31, 2013. Outflows of $4.0 billion were primarily related to distributions from our fully invested real estate funds, Legacy and NGP management fee funds and related co-investments, in addition to the step down in fees from commitments to invested equity in Renew II and CRP VI. Offsetting this decrease were inflows of $3.9 billion, principally a result of commitments to CRP VII, CIEP I, and CPP II. Commitments to NGP XI will be based on invested equity until January 1, 2016, after which they will be based on commitments until the first investment realization.

Total AUM as of and for the Three and Nine Months Ended September 30, 2015

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

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Available Capital	Fair Value of Capital	Total AUM	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)			(Dollars in millions)		
Real Assets						
Balance, Beginning of Period	$16,968	$25,185	$42,153	$15,714	$26,581	$42,295
Commitments (1)	917	—	917	3,417	—	3,417
Capital Called, net (2)	(931)	1,096	165	(2,325)	2,729	404
Distributions (3)	(214)	(1,065)	(1,279)	(33)	(3,997)	(4,030)
Market Appreciation/(Depreciation) (4)	—	(1,696)	(1,696)	—	(1,652)	(1,652)
Foreign Exchange and other (5)	1	(60)	(59)	(32)	(201)	(233)
Balance, End of Period	$16,741	$23,460	$40,201	$16,741	$23,460	$40,201

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

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

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

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

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

Total AUM was $40.2 billion at September 30, 2015, a decrease of $2.0 billion, or approximately 5%, compared to $42.2 billion at June 30, 2015. The decrease was driven by net distributions of $1.3 billion and market depreciation of $1.7 billion. This decrease was offset by $0.9 billion of new commitments raised in CRP VII and net capital calls of $0.2 billion. Overall market depreciation of 5% was driven by a decrease of 17% in our Legacy Energy funds and 4% in our Natural Resources funds, which was partially offset by a 6% increase in our Real Estate Funds. The funds significantly impacting the depreciation during the quarter included NGP X ($244 million and -9%), Energy IV ($528 billion and -16%), and Renew II ($328 billion and -16%). The funds partially offsetting the depreciation included Carlyle Power Opportunities Capital Partners, L.P. ("CPOCP") ($71 million and 15%), CRP V ($100 million and 9%), and CRP VI ($138 million and 7%).

Total AUM was $40.2 billion at September 30, 2015, a decrease of $2.1 billion, or approximately 5%, compared to $42.3 billion at December 31, 2014. This decrease was driven by distributions of $4.0 billion and market depreciation of $1.7 billion. The decrease was partially offset by commitments of $3.4 billion in CRP VII, NGP XI, CPP II, and CIEP I and net capital calls of $0.4 billion. Overall market depreciation of 3% was driven by a decrease of 21% in our Legacy Energy funds and 3% in our Natural Resources funds, which was partially offset by a 21% increase in our Real Estate Funds. The funds significantly

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impacting the depreciation during the year included Energy IV ($651 billion and -19%), Energy III ($440 million and -31%), Renew II ($409 million and -18%), and NGP X ($311 million and -12%). The funds partially offsetting the depreciation included CRP VI ($448 million and 25%), CRP V ($254 million and 24%), and CEREP III ($205 million and 14%).

Fund Performance Metrics

Fund performance information for our carry funds that generally have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of September 30, 2015, 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. The following tables reflect the performance of our significant funds in our Real Assets business. Please see “— Our Family of Funds” for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS					REALIZED/PARTIALLY REALIZ INVESTMENTS(5)			
			As of September 30, 2015					As of September 30, 2015			
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR(7)	Net IRR(8)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gr IR
Real Assets			(Reported in Local Currency, in Millions)					(Reported in Local Currency, in Mil			
Fully Invested Funds(6)											
CRP III	11/2000	$564.1	$522.5	$1,544.2	3.0x	44%	30%	$522.5	$1,544.2	3.0x	44
CRP IV	12/2004	$950.0	$1,198.5	$1,621.0	1.4x	6%	2%	$589.8	$667.0	1.1x	5
CRP V	11/2006	$3,000.0	$3,293.1	$5,084.6	1.5x	12%	8%	$2,821.1	$4,416.1	1.6x	13
CRP VI	9/2010	$2,340.0	$2,020.6	$3,504.3	1.7x	35%	24%	$881.3	$1,773.4	2.0x	36
CEREP I	3/2002	€426.6	€517.0	€698.6	1.4x	14%	7%	€517.0	€698.6	1.4x	14
CEREP II	4/2005	€762.7	€833.8	€128.1	0.2x	(100%)	(100%)	€666.5	€132.3	0.2x	(10
CEREP III	5/2007	€2,229.5	€2,000.9	€2,187.9	1.1x	2%	(1)%	€934.2	€1,254.4	1.3x	7
CIP	9/2006	$1,143.7	$1,029.2	$1,167.6	1.1x	3%	—%	$272.3	$200.9	0.7x	(5
NGP X	1/2012	$3,586.0	$2,903.2	$3,099.2	1.1x	4%	—%	$326.0	$690.0	2.1x	50
Energy II	7/2002	$1,100.0	$1,334.8	$3,231.8	2.4x	81%	55%	$827.4	$3,106.2	3.8x	10
Energy III	10/2005	$3,800.0	$3,559.9	$5,421.8	1.5x	10%	7%	$1,945.4	$4,660.5	2.4x	22
Energy IV	12/2007	$5,979.1	$5,965.0	$7,845.1	1.3x	11%	7%	$2,522.4	$4,644.5	1.8x	28
Renew II	3/2008	3,417.5	$2,808.9	$3,604.3	1.3x	7%	4%	$1,414.3	$2,109.4	1.5x	14
All Other Funds(9)	Various		$2,850.4	$3,188.0	1.1x	5%	(1)%	$2,474.9	$2,762.4	1.1x	5
Coinvestments and Other(10)	Various		$5,250.6	$8,200.2	1.6x	17%	13%	$2,638.2	$5,320.2	2.0x	26
Total Fully Invested Funds			$36,484.5	$50,882.6	1.4x	12%	7%	$19,603.3	$34,226.2	1.7x	21
Funds in the Investment Period(6)											
CRP VII (12)	3/2014	$4,161.6	$965.2	$981.9	1.0x	NM	NM				
CIEP I (12)	9/2013	$2,500.0	$434.2	$520.8	1.2x	NM	NM				
NGP XI (12)	6/2014	$5,325.0	$322.1	$306.0	1.0x	NM	NM				
All Other Funds(11)	Various		$118.9	$123.6	1.0x	NM	NM				
Total Funds in the Investment Period			$1,840.4	$1,932.4	1.0x	13%	(13)%	$—	$—	n/a	n/a
TOTAL Real Assets(13)			$38,324.8	$52,814.9	1.4x	12%	7%	$19,603.3	$34,226.2	1.7x	21

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

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

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

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

(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of

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

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

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

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

(9) Aggregate includes the following funds: CRP I, CRP II, CAREP I, CAREP II, CRCP I, CPOCP, Energy I and Renew I.

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

(11) Aggregate includes the following funds: CPP II and NGP GAP. Returns are not considered meaningful, as the investment period commenced in June 2014 for CPP II and December 2013 for NGP GAP.

(12) Returns are not considered meaningful, as the investment period commenced in September 2013 for CIEP I, March 2014 for CRP VII, and June 2014 for NGP XI.

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

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch-up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of September 30, 2015									
Real Assets	(Reported in Local Currency, in Millions)									
Energy IV	$2,790.9	0.8x	1.3x	100 %	(X)	X	80 %	Feb-08	31	Dec-13
NGP X	$2,587.2	1.0x	1.1x	81 %			80 %	Jan-12	15	May-17
CRP VI	$1,760.3	1.5x	1.7x	86 %	X	X	50 %	Mar-11	19	Mar-16
Renew II	$1,708.9	1.0x	1.3x	82 %	(X)		80 %	Mar-08	31	May-14
CRP V	$1,173.4	1.6x	1.5x	110 %	X		50 %	Nov-06	36	Nov-11
CEREP III	€1,030.4	1.0x	1.1x	90 %			67 %	Jun-07	34	May-11
CRP VII	$985.4	1.0x	1.0x	23 %			80 %	Jun-14	6	Mar-19
CRP IV	$905.3	1.5x	1.4x	126 %			50 %	Jan-05	43	Dec-09
CIP	$749.5	1.3x	1.1x	90 %			80 %	Oct-06	36	Sep-12
Energy III	$590.5	0.4x	1.5x	94 %	(X)		80 %	Nov-05	40	Oct-11
CIEP I	$502.8	1.2x	1.2x	17 %			80 %	Oct-13	8	Sep-19

CRP III	$321.6	63.5x	3.0x	93	%	X	X	50	%	Mar-01	59	May-05
NGP XI	$280.0	0.9x	0.9x	6	%			80	%	Feb-15	3	Oct-19
Energy II	$111.4	0.2x	2.4x	121	%	(X)		80	%	Jan-03	51	Jul-08
All Other Funds(8)	$313.9	0.8x	0.9x			NM	NM					
Coinvestment and Other(9)	$2,951.6	1.3x	1.6x			NM	NM					
Total Real Assets(10)	$18,884.9	1.0x	1.4x									

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

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

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

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

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

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

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

(8) Aggregate includes the following funds: CRP I, CRP II, CRCP I, CEREP I, CEREP II, CAREP I, CAREP II, CPOCP I, CPP II, NGP GAP, Energy I and Renew I. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

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

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

Investment Solutions

As a result of our acquisition of DGAM on February 3, 2014, our segment results include the results of operations of DGAM since the acquisition date.

The following table presents our results of operations for our Investment Solutions segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$37.8	$46.0	$116.1	$137.4
Portfolio advisory fees, net	—	—	—	—
Transaction fees, net	—	—	—	—
Total fund level fee revenues	37.8	46.0	116.1	137.4
Performance fees				
Realized	5.0	10.6	13.2	23.5
Unrealized	31.4	(50.9)	122.1	150.9
Total performance fees	36.4	(40.3)	135.3	174.4
Investment income (loss)				
Realized	—	—	0.1	—
Unrealized	0.1	—	0.3	0.3
Total investment income (loss)	0.1	—	0.4	0.3
Interest and other income	0.3	0.5	1.1	1.0
Total revenues	74.6	6.2	252.9	313.1
Segment Expenses				
Compensation and benefits				
Direct base compensation	19.8	20.7	60.6	62.4
Indirect base compensation	2.9	4.3	9.8	12.1
Equity-based compensation	2.6	1.5	7.3	3.3
Performance fee related				
Realized	4.4	8.8	10.9	16.9
Unrealized	28.0	(52.8)	113.6	142.5
Total compensation and benefits	57.7	(17.5)	202.2	237.2
General, administrative, and other indirect expenses	10.7	11.5	31.4	31.3
Depreciation and amortization expense	0.8	0.9	3.0	2.8
Interest expense	1.4	1.5	4.4	4.1
Total expenses	70.6	(3.6)	241.0	275.4
Economic Net Income	$4.0	$9.8	$11.9	$37.7
(-) Net Performance Fees	4.0	3.7	10.8	15.0
(-) Investment Income (Loss)	0.1	—	0.4	0.3
(+) Equity-based Compensation	2.6	1.5	7.3	3.3
(=) Fee Related Earnings	$2.5	$7.6	$8.0	$25.7
(+) Realized Net Performance Fees	0.6	1.8	2.3	6.6
(+) Realized Investment Income	—	—	0.1	—
(=) Distributable Earnings	$3.1	$9.4	$10.4	$32.3

Three Months Ended September 30, 2015 Compared to the Three Months Ended September 30, 2014

Total fee revenues were $37.8 million and $46.0 million for the three months ended September 30, 2015 and 2014, respectively. The decrease primarily was due to the impact on fund management fees of the decline in the Euro exchange rate in 2015 as compared to 2014. Also contributing to the decrease in management fees was distributions from fund of funds vehicles outside the commitment fee period or weighted-average investment period, as well as changes in fee basis for fund of funds vehicles where the commitment fee period or weighted-average investment period has expired.

Total compensation and benefits were $57.7 million and $(17.5) million for the three months ended September 30, 2015 and 2014, respectively. Performance fee related compensation expense was $32.4 million and $(44.0) million for the three months ended September 30, 2015 and 2014, respectively.

Direct and indirect base compensation expense was $22.7 million and $25.0 million for the three months ended September 30, 2015 and 2014, respectively. The decrease was due primarily to the decline in the Euro exchange rate in 2015 as compared to 2014.

Equity-based compensation was $2.6 million and $1.5 million for the three months ended September 30, 2015 and 2014, respectively. The increase is due primarily to the ongoing granting of deferred restricted common units to new and existing employees September 30, 2014.

General, administrative and other indirect expenses were $10.7 million and $11.5 million for the three months ended September 30, 2015 and 2014, respectively. The decrease was due primarily to positive foreign currency adjustments and lower professional fees, partially offset by higher real estate costs.

Depreciation and amortization expense was $0.8 million and $0.9 million for the three months ended September 30, 2015 and 2014, respectively.

Interest expense was $1.4 million and $1.5 million for the three months ended September 30, 2015 and 2014, respectively.

Economic Net Income. Economic net income was $4.0 million and $9.8 million for the three months ended September 30, 2015 and 2014, respectively. The decrease in ENI for the three months ended September 30, 2015 as compared to 2014 was due to a decrease in fee related earnings of $5.1 million and an increase in equity-based compensation expense of $1.1 million, partially offset by an increase in net performance fees of $0.3 million.

Fee Related Earnings. Fee related earnings were $2.5 million and $7.6 million for the three months ended September 30, 2015 and 2014, respectively. The decrease in fee related earnings was primarily due to a decrease in fee revenues of $8.2 million, partially offset by a decrease in base compensation of $2.3 million and a decrease in general, administrative and other expenses of $0.8 million.

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

Performance fees were $36.4 million and $(40.3) million for the three months ended September 30, 2015 and 2014, respectively. Performance fees for three months ended September 30, 2015 and 2014 are inclusive of approximately $3.2 million and $75.8 million of performance fee reversals. Performance fees for this segment by type of fund are as follows:

	Three Months Ended September 30,	
	2015	2014
	(Dollars in millions)	
Private Equity fund of funds	$36.5	$(41.0)
Hedge fund of funds	(0.1)	0.7
Performance fees	$36.4	$(40.3)

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The $36.4 million in performance fees for the three months ended September 30, 2015 was driven primarily by performance fees for the Partnership Fund (2006) of $6.8 million, the Partnership Fund (2008) of $4.9 million, the Co-Investment Fund & Secondaries Fund (2012-2013) of $3.4 million, and the Partnership Fund (2007) of $3.1 million. Performance fees for the three months ended September 30, 2015 were primarily due to the overall appreciation in the investments in the AlpInvest fund of funds vehicles of approximately 5% for the three months ended September 30, 2015. Performance fees during the three months ended September 30, 2014 primarily reflect a reversal of performance fees related to Main Fund III - Secondary Investments (2006) and Main Fund III - Co-Investments (2006), two of the private equity fund of funds vehicles managed by AlpInvest, that fell below their performance threshold and therefore reversed the previously accrued performance fees. This resulted in a decrease in performance fees attributable to these vehicles of $75.8 million. Overall, the AlpInvest private equity fund of funds vehicles appreciated approximately 10% during the three months ended September 30, 2014.
Net performance fees for the three months ended September 30, 2015 were $4.0 million, representing an increase of $0.3 million from $3.7 million in net performance fees for the three months ended September 30, 2014.

Distributable Earnings. Distributable earnings were $3.1 million and $9.4 million for the three months ended September 30, 2015 and 2014, respectively. The decrease in distributable earnings was due to the decrease in fee related earnings of $5.1 million and the decrease in realized net performance fees of $1.2 million.
Nine Months Ended September 30, 2015 Compared to the Nine Months Ended September 30, 2014
Total fee revenues were $116.1 million and $137.4 million for the nine months ended September 30, 2015 and 2014, respectively. The decrease primarily was due to the impact on fund management fees of the decline in the Euro exchange rate in 2015 as compared to 2014. Also contributing to the decrease in management fees was distributions from fund of funds vehicles outside the commitment fee period or weighted-average investment period, as well as changes in fee basis for fund of funds vehicles where the commitment fee period or weighted-average investment period has expired.
Total compensation and benefits were $202.2 million and $237.2 million for the nine months ended September 30, 2015 and 2014, respectively. Performance fee related compensation expense was $124.5 million and $159.4 million of performance fees for the nine months ended September 30, 2015 and 2014, respectively.
Direct and indirect base compensation expense was $70.4 million and $74.5 million for the nine months ended September 30, 2015 and 2014, respectively. The decrease was due primarily to the decline in the Euro exchange rate in 2015 as compared to 2014 as well as lower headcount in 2015 and lower internal fundraising costs.
Equity-based compensation was $7.3 million and $3.3 million for the nine months ended September 30, 2015 and 2014, respectively. The increase is due primarily to the ongoing granting of deferred restricted common units to new and existing employees September 30, 2014 and a decrease in the estimated forfeiture rates during the nine months ended September 30, 2015.

General, administrative and other indirect expenses were $31.4 million and $31.3 million for the nine months ended September 30, 2015 and 2014, respectively. Higher real estate costs were partially offset by positive foreign currency adjustments.
Depreciation and amortization expense was $3.0 million and $2.8 million for the nine months ended September 30, 2015 and 2014, respectively.
Interest expense was $4.4 million and $4.1 million for the nine months ended September 30, 2015 and 2014, respectively.
Economic Net Income. Economic net income was $11.9 million and $37.7 million for the nine months ended September 30, 2015 and 2014, respectively. The decrease in ENI for the nine months ended September 30, 2015 as compared to 2014 was due to a decrease in fee related earnings of $17.7 million, a decrease in net performance fees of $4.2 million, and an increase in equity-based compensation expense of $4.0 million.
Fee Related Earnings. Fee related earnings were $8.0 million and $25.7 million for the nine months ended September 30, 2015 and 2014, respectively. The decrease in fee related earnings was primarily due to a decrease in fee revenues of $21.3 million, partially offset by a decrease in base compensation of $4.1 million.

Performance Fees. Under our arrangements with the historical owners and management team of AlpInvest, we generally do not retain any carried interest in respect of the historical investments and commitments to our fund of funds vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date). We are entitled

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to 15% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 40% of the carried interest in respect of all other commitments (including all future commitments from third parties).

Performance fees were $135.3 million and $174.4 million for the nine months ended September 30, 2015 and 2014, respectively. Performance fees for nine months ended September 30, 2015 are inclusive of approximately $2.6 million of performance fee reversals. There were no performance fee reversals for the nine months ended September 30, 2014. Performance fees for this segment by type of fund are as follows:

	Nine Months Ended September 30,	
	2015	2014
	(Dollars in millions)	
Private Equity fund of funds	$134.9	$168.4
Hedge fund of funds	0.4	6.0
Performance fees	$135.3	$174.4

The $135.3 million in performance fees for the nine months ended September 30, 2015 was driven primarily by performance fees for the Co-Investment Fund & Secondaries Fund (2012-2013) of $24.4 million, the Co-Investment Fund & Secondaries Fund (2009-2010) of $23.1 million, the Partnership Fund (2008) of $12.5 million, and the Co-Investment Fund & Secondaries Fund (2011-2013) of $10.8 million. Performance fees for the nine months ended September 30, 2015 and 2014 were primarily due to the overall appreciation in the investments in the AlpInvest fund of funds vehicles of approximately 24% for both the nine months ended September 30, 2015 and 2014.

Net performance fees for the nine months ended September 30, 2015 were $10.8 million, representing a decrease of $4.2 million from $15.0 million in net performance fees for the nine months ended September 30, 2014. The decrease is a result of a decline in performance fees at our hedge fund of funds in 2015 as compared to 2014.

Distributable Earnings. Distributable earnings were $10.4 million and $32.3 million for the nine months ended September 30, 2015 and 2014, respectively. The decrease in distributable earnings was due to the decrease in fee related earnings of $17.7 million and the decrease in realized net performance fees of $4.3 million.

Fee-earning AUM as of and for the Three and Nine Months Ended September 30, 2015 and 2014

Fee-earning AUM is presented below for each period together with the components of change during each respective period.

	As of September 30,	
	2015	2014
Investment Solutions	(Dollars in millions)	
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	$7,543	$9,726
Fee-earning AUM based on invested capital (2)	1,181	1,051
Fee-earning AUM based on net asset value	2,037	2,903
Fee-earning AUM based on lower of cost or fair market value	18,616	21,594
Total Fee-earning AUM	$29,377	$35,274

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

(2) Includes amounts committed to or reserved for certain Metropolitan fund of funds vehicles.

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The table below breaks out Fee-earning AUM by its respective components during the period.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Investment Solutions	(Dollars in millions)		(Dollars in millions)	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$30,325	$39,358	$33,082	$35,067
Acquisitions	—	—	—	2,894
Inflows, including Fee-paying Commitments (1)	762	882	4,487	4,431
Outflows, including Distributions (2)	(1,757)	(2,731)	(5,924)	(4,748)
Subscriptions, net of Redemptions (3)	131	(61)	16	(195)
Market Appreciation/(Depreciation) (4)	(142)	57	(168)	274
Foreign Exchange and other (5)	58	(2,231)	(2,116)	(2,449)
Balance, End of Period	$29,377	$35,274	$29,377	$35,274

(1) Inflows represent mandates where commitment fee period was activated and capital invested by fund of funds vehicles outside the commitment fee period or weighted-average investment period.

(2) Outflows represent distributions from fund of funds vehicles outside the commitment fee period or weighted-average investment period and changes in fee basis for fund of funds vehicles where the commitment fee period or weighted-average investment period has expired.

(3) Represents subscriptions and redemptions in our fund of hedge funds vehicles.

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

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

Fee-earning AUM was $29.4 billion at September 30, 2015, a decrease of $0.9 billion, or approximately 3%, compared to $30.3 billion at June 30, 2015. This was driven by outflows of $1.8 billion, primarily in our AlpInvest fund of funds vehicles. This was offset by inflows of $0.8 billion in our AlpInvest and Metropolitan fund of funds vehicles and net subscriptions of $0.1 billion in our DGAM fund of hedge funds vehicles. Distributions from funds still in the commitment or weighted-average investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital. Increases in fair value have an impact on Fee-earning AUM for Investment Solutions as fully committed funds are based on the lower of cost or fair value of the underlying investments.

Fee-earning AUM was $29.4 billion at September 30, 2015, a decrease of $3.7 billion, or approximately 11%, compared to $33.1 billion at December 31, 2014. This decrease was a result of outflows of $5.9 billion, which were primarily driven by our Alpinvest and Metropolitan fund of funds vehicles outside of the commitment fee period and decreases for foreign exchange of $2.1 billion. This was offset by inflows of $4.5 billion, also primarily in our AlpInvest fund of funds vehicles.

Fee-earning AUM was $29.4 billion at September 30, 2015, a decrease of $5.9 billion, or approximately 17%, compared to $35.3 billion at September 30, 2014. This decrease was driven by outflows of $7.5 billion, due to $4.9 billion in dispositions and $2.6 billion for reductions in fee basis from commitments to lower of cost or fair value, both primarily in our AlpInvest fund of funds vehicles, foreign exchange decrease of $3.3 billion in our Euro-denominated AlpInvest fund of funds vehicles, and net redemptions of $0.8 billion in our fund of hedge fund vehicles. This was partially offset by inflows of $6.0 billion.

Fee-earning AUM was $35.3 billion at September 30, 2014, a decrease of $4.1 billion, or approximately 10%, compared to $39.4 billion at June 30, 2014. This decrease is driven by outflows of $1.7 billion for certain fund of funds vehicles’ change in fee basis methodology from commitments to lower of cost or fair value and distributions of $1.0 billion, in addition to foreign exchange loss of $2.2 billion in our Euro-denominated fund of funds vehicles, and net redemptions in our fund of hedge funds vehicles of $0.1 billion. This was offset by inflows of $0.9 billion in our AlpInvest fund of funds vehicles and $0.1 billion of market appreciation.

Fee-earning AUM was $35.3 billion at September 30, 2014, an increase of $0.2 billion, or approximately 1%, compared to $35.1 billion at December 31, 2013. This increase was driven by the acquisition of DGAM of $2.9 billion, inflows of $4.4 billion and market appreciation of $0.3 billion, offset by outflows of $4.7 billion, due to $2.8 billion in dispositions and $1.9 billion for reductions in fee basis from commitments to lower of cost or fair value, both primarily in our AlpInvest fund of funds vehicles, foreign exchange loss of $2.4 billion, and net redemptions of $0.2 billion in our fund of hedge fund vehicles.

Total AUM as of and for the Three and Nine Month Period Ended September 30, 2015

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

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Available Capital	Fair Value of Capital	Total AUM	Available Capital	Fair Value of Capital	Total AUM
	(Dollars in millions)			(Dollars in millions)		
Investment Solutions						
Balance, Beginning of Period	$16,231	$34,423	$50,654	$16,206	$34,563	$50,769
Acquisitions	—	—	—	—	—	—
Commitments (1)	(49)	—	(49)	2,946	—	2,946
Capital Called, net (2)	(1,154)	1,090	(64)	(3,800)	3,548	(252)
Distributions (3)	116	(3,249)	(3,133)	265	(8,808)	(8,543)
Subscriptions, net of Redemptions (4)	—	130	130	—	31	31
Market Appreciation/(Depreciation) (5)	—	1,403	1,403	—	6,911	6,911
Foreign Exchange and other (6)	(72)	77	5	(545)	(2,371)	(2,916)
Balance, End of Period	$15,072	$33,874	$48,946	$15,072	$33,874	$48,946

(1) Represents capital raised by our fund of funds vehicles, including activation of new mandates, net of expired available capital.

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

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

(4) Represents the net result of subscriptions to and redemptions from our fund of hedge funds vehicles.

(5) Market Appreciation/(Depreciation) represents changes in the net asset value of our fund of hedge funds vehicles and realized and unrealized gains (losses) on fund investments, secondary investments, co-investments, and real estate fund of funds vehicles. Fair market values for fund of funds vehicles are based on the latest available valuations of the underlying limited partnership interests (in most cases as of June 30, 2015) as provided by their general partners, plus the net cash flows since the latest valuation, up to September 30, 2015.

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

Total AUM was $48.9 billion at September 30, 2015, a decrease of $1.8 billion, or approximately 4%, compared to $50.7 billion at June 30, 2015. This decrease was primarily driven by distributions of $3.1 billion. This was offset by $1.4 billion of market appreciation and net subscriptions of $0.1 billion in our DGAM fund of hedge funds vehicles. Market appreciation for the quarter was driven by a 5% increase in our AlpInvest fund of funds vehicles ($1.4 billion), 3% increase in our Metropolitan fund of funds vehicles ($36 million), and was partially offset by a 2% decrease in our DGAM fund of hedge funds vehicles ($35 million).

Total AUM was $48.9 billion at September 30, 2015, a decrease of $1.9 billion, or approximately 4%, compared to $50.8 billion at December 31, 2014. This decrease was primarily driven by $8.5 billion of distributions, primarily in our AlpInvest fund of funds vehicles, and decreases for foreign exchange of $2.9 billion in our Euro-denominated fund of funds vehicles. Offsetting this was $6.9 billion of market appreciation and commitments of $2.9 billion in our AlpInvest and Metropolitan fund of funds vehicles. Market appreciation for the year was driven by a 22% increase in our AlpInvest fund of funds vehicles ($6.8 billion), 9% increase in our Metropolitan fund of funds vehicles ($136 million), and was partially offset by a 3% decrease in our DGAM fund of hedge funds vehicles ($57 million).

Fund Performance Metrics
Fund performance information for our AlpInvest funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of September 30, 2015, 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.
The following tables reflect the performance of our significant funds in our Investment Solutions business.

			TOTAL INVESTMENTS as of September 30, 2015						
	Vintage Year	Fund Size	Cumulative Invested Capital (2)(8)	Total Fair Value (3)(8)	MOIC (4)	Gross IRR (6)		Net IRR (7)	
Investment Solutions (1)	(Reported in Local Currency, in Millions)								
Fully Committed Funds (5)									
Main Fund I - Fund Investments	2000	€5,174.6	€4,347.3	€ 7,141.9	1.6x	12	%	12	%
Main Fund II - Fund Investments	2003	€4,545.0	€4,953.6	€ 7,798.4	1.6x	10	%	10	%
Main Fund III - Fund Investments	2005	€11,500.0	€12,701.8	€ 19,429.1	1.5x	10	%	10	%
Main Fund IV - Fund Investments	2009	€4,877.3	€3,990.5	€ 5,436.5	1.4x	16	%	15	%
Main Fund I - Secondary Investments	2002	€519.4	€508.0	€ 958.2	1.9x	57	%	54	%
Main Fund II - Secondary Investments	2003	€998.4	€1,032.3	€ 1,890.3	1.8x	27	%	26	%
Main Fund III - Secondary Investments	2006	€2,250.0	€2,410.9	€ 3,541.9	1.5x	11	%	10	%
Main Fund IV - Secondary Investments	2010	€1,859.1	€1,926.9	€ 3,084.2	1.6x	20	%	19	%
Main Fund II - Co-Investments	2003	€1,090.0	€948.7	€ 2,604.1	2.7x	44	%	42	%
Main Fund III - Co-Investments	2006	€2,760.0	€2,898.1	€ 3,943.7	1.4x	5	%	5	%
Main Fund IV - Co-Investments	2010	€1,475.0	€1,386.8	€ 3,037.4	2.2x	24	%	23	%
Main Fund V - Co-Investments	2012	€1,122.2	€1,033.0	€ 1,820.9	1.8x	41	%	37	%
Main Fund II - Mezzanine Investments	2004	€700.0	€782.9	€ 1,073.5	1.4x	8	%	7	%
Main Fund III - Mezzanine Investments	2006	€2,000.0	€1,891.7	€ 2,502.3	1.3x	10	%	9	%
All Other Funds (9)	Various		€1,910.1	€ 2,661.5	1.4x	16	%	12	%
Total Fully Committed Funds			€42,722.5	€ 66,924.2	1.6x	13	%	12	%
Funds in the Commitment Period (5)									
Main Fund V - Fund Investments (10)	2012	€5,080.0	€1,819.8	€ 1,888.7	1.0x	NM		NM	
Main Fund VI - Fund Investments (10)	2015	€1,106.4	€5.0	€ 4.6	0.9x	NM		NM	
Main Fund V - Secondary Investments	2011	€4,271.2	€2,573.8	€ 3,642.6	1.4x	29	%	26	%
Main Fund VI - Co-Investments (10)	2014	€1,115.0	€342.8	€ 337.0	1.0x	NM		NM	
All Other Funds (9)	Various		€191.7	€ 208.0	1.1x	14	%	8	%
			€4,933.1	€ 6,080.8	1.2x	21	%	18	%

Total Funds in the Commitment Period							
TOTAL INVESTMENT SOLUTIONS	€47,655.6	€ 73,005.0	1.5x	13	%	12	%
TOTAL INVESTMENT SOLUTIONS (USD)(11)	$53,282.2	$ 81,624.6	1.5x				

(1) Includes private equity and mezzanine primary fund investments, secondary fund investments and co-investments originated by the AlpInvest team. Excluded from the performance information shown are a) investments that were not originated by AlpInvest, b) Direct Investments, which was spun off from AlpInvest in 2005 and c) Metropolitan Real Estate fund of funds vehicles. As of September 30, 2015, these excluded investments represent $0.6 billion of AUM at AlpInvest and $1.7 billion of AUM at Metropolitan.

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

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

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

(5) Fully Committed funds are past the expiration date of the commitment period as defined in the respective limited partnership agreement.

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

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

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

(9) Aggregate includes Main Fund I - Co-Investments, Main Fund I - Mezzanine Investments, Main Fund IV - Mezzanine Investments, Main Fund V - Mezzanine Investments, AlpInvest CleanTech Funds and funds which are not included as part of a main fund.

(10) Returns are not considered meaningful as the commitment period commenced in 2012, 2014, and 2015, respectively for Main Fund V - Fund Investments, Main Fund VI - Co-Investments, and Main Fund VI - Fund Investments.

(11) Represents the U.S. dollar equivalent balance translated at the spot rate as of period end.

Liquidity and Capital Resources

Historical Liquidity and Capital Resources

We have historically required limited capital resources to support the working capital and operating needs of our business. Our management fees have largely covered our operating costs and we have distributed all realized performance fees after related compensation to equityholders. Historically, approximately 95% of all capital commitments to our funds have been provided by our fund investors, with the remaining amount typically funded by our senior Carlyle professionals, operating executives and other professionals.

Cash Flows

The significant captions and amounts from our consolidated statements of cash flows which include the effects of our Consolidated Funds and CLOs in accordance with U.S. GAAP are summarized below.

	Nine Months Ended September 30,	
	2015	2014
	(Dollars in millions)	
Statements of Cash Flows Data		
Net cash provided by operating activities	$4,442.7	$2,516.3
Net cash provided by (used in) investing activities	(267.7)	47.1
Net cash used in financing activities	(4,040.1)	(2,072.0)
Effect of foreign exchange rate changes	(69.4)	(63.8)
Net change in cash and cash equivalents	$65.5	$427.6

Net Cash Provided by Operating Activities. Net cash provided by operating activities is primarily driven by our earnings in the respective periods after adjusting for non-cash performance fees, the related non-cash performance fee related compensation, and non-cash equity-based compensation, all of which are included in earnings. Cash used to purchase investments and trading securities as well as the proceeds from the sale of such investments are also reflected in our operating activities as investments are a normal part of our operating activities. Over time investment proceeds may be greater than investment purchases.

During the nine months ended September 30, 2015, investment proceeds were $371.4 million while investment purchases were $51.5 million. During the nine months ended September 30, 2014, investment proceeds were $500.2 million as compared to purchases of $191.9 million. Also included in our net cash provided by operating activities are proceeds from sales of investments by the Consolidated Funds, offset by purchases of investments by the Consolidated Funds. For the nine months ended September 30, 2015, proceeds from the sales and settlements of investments by the Consolidated Funds were $9,359.9 million, while purchases of investments by the Consolidated Funds were $7,577.3 million. For the nine months ended September 30, 2014, proceeds from the sales and settlements of investments by the Consolidated Funds were $7,805.0 million, while purchases of investments by the Consolidated Funds were $8,318.8 million.

Net Cash Provided By (Used In) Investing Activities. Our investing activities generally reflect cash used for acquisitions, fixed assets and software for internal use, and changes in restricted cash. For the nine months ended September 30, 2015, cash used in investing activities principally reflects a change in restricted cash balances, primarily due to $247.7 million of proceeds

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received on behalf of a non-consolidated Carlyle Fund related to the pending sale of an investment by that fund; these proceeds will be disbursed upon closing of the transaction. During the nine months ended September 30, 2014, the acquisition of DGAM resulted in the use of cash, net of cash acquired, of $3.1 million.

Net Cash Used in Financing Activities. Financing activities are a net use of cash in each of the historical periods presented. In June 2015, the Partnership received net proceeds from the issuance of 7,000,000 common units of $209.9 million. The Partnership used these net proceeds to acquire 7,000,000 Carlyle Holdings partnership units from the other limited partners of the Carlyle Holdings partnerships.

In March 2014, the Partnership received net proceeds from the issuance of 13,800,000 newly issued common units of $449.5 million. The Partnership used $303.4 million of these proceeds to acquire 9,300,000 Carlyle Holdings partnership units from the other limited partners of the Carlyle Holdings partnerships. The remaining net proceeds were used by the Partnership to acquire 4,500,000 newly issued Carlyle Holdings partnership units. Carlyle Holdings is using the proceeds from the issuance of the 4,500,000 Carlyle Holdings partnership units for general corporate purposes, including investments in our funds as well as investment capital for acquisitions of new fund platforms and strategies or other growth initiatives, to drive innovation across the broader Carlyle platform. Also during March 2014, we received net proceeds of $210.8 million, net of financing costs, from the issuance of $200.0 million of 5.625% senior notes due 2043 at 104.315% of par. The net proceeds from this issuance is being used for general corporate purposes, including investments in our funds as well as investment capital for acquisitions of new fund platforms and strategies and other growth initiatives.

Distributions to our common unitholders were $206.0 million and $91.9 million for the nine months ended September 30, 2015 and 2014, respectively. Distributions to the non-controlling interest holders in Carlyle Holdings were $702.4 million and $446.8 million for the nine months ended September 30, 2015 and 2014, respectively. The net borrowings (payments) on loans payable by our Consolidated Funds during the nine months ended September 30, 2015 and 2014 were $40.0 million and $1,087.6 million, respectively. For the nine months ended September 30, 2015 and 2014, contributions from non-controlling interest holders were $1,629.9 million and $1,923.9 million, respectively, which relate primarily to contributions from the non-controlling interest holders in Consolidated Funds. For the nine months ended September 30, 2015 and 2014, distributions to non-controlling interest holders were $4,325.2 million and $2,593.9 million, respectively, which relate primarily to distributions to the non-controlling interest holders in Consolidated Funds.

Our Sources of Cash and Liquidity Needs

In the future, we expect that our primary liquidity needs will be to:

- provide capital to facilitate the growth of our existing business lines;
- provide capital to facilitate our expansion into new, complementary business lines, including acquisitions;
- pay operating expenses, including compensation and compliance costs and other obligations as they arise;
- fund capital expenditures;
- repay borrowings and related interest costs and expenses;
- pay earnouts and contingent cash consideration associated with our acquisitions and strategic investments;
- pay income taxes;
- make distributions to our unitholders and the holders of the Carlyle Holdings partnership units in accordance with our distribution policy; and
- fund the capital investments of Carlyle in our funds.

With respect to distribution year 2015, the Board of Directors of our general partner has declared cumulative distributions to common unitholders totaling approximately $140.0 million, or $1.78 per common unit, consisting of (i) $0.56 per common unit in respect of the third quarter of 2015, which is payable on November 24, 2015 to common unitholders of record on November 16, 2015, (ii) $0.89 per common unit in respect of the second quarter of 2015, which was paid in August 2015, and (ii) $0.33 per common unit in respect of the first quarter of 2015, which was paid in May 2015.

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With respect to distribution year 2014, through November 2014, the Partnership paid cumulative distributions of approximately $32.3 million to common unitholders, consisting of $0.16 per common unit in respect of the first quarter of 2014, which was paid in May 2014, $0.16 per common unit in respect of the second quarter of 2014, which was paid in August 2014, and $0.16 per common unit in respect of the third quarter of 2014, which was paid in November 2014.

Distributions to common unitholders paid during the nine months ended September 30, 2015 totaled $206.0 million, representing the amount paid in March 2015 of $1.61 per common unit with respect to the fourth quarter of 2014, the amount paid in May 2015 of $0.33 per common unit with respect to the first quarter of 2015, and the amount paid in August 2015 of $0.89 per common unit with respect to the second quarter of 2015. Distributions to common unitholders paid during the nine months ended September 30, 2014 totaled $91.9 million, representing the amount paid in March 2014 of $1.40 per common unit with respect to the fourth quarter of 2013, the amount paid in May 2014 of $0.16 per common unit with respect to the first quarter of 2014, and the amount paid in August 2014 of $0.16 per common unit with respect to the second quarter of 2014.

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

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

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

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

Generally, we intend to have Carlyle commit to fund approximately 1% of the capital commitments to our future carry funds, although we may elect to invest additional amounts in funds focused on new investment areas. We may, from time to time, exercise our right to purchase additional interests in our investment funds that become available in the ordinary course of their operations. We expect our senior Carlyle professionals and employees to continue to make significant capital contributions to our funds based on their existing commitments, and to make capital commitments to future funds consistent with the level of their historical commitments. We also intend to make investments in our open-end funds and our CLO vehicles.

We generally use our working capital and cash flows to invest in growth initiatives, service our debt, fund the working capital needs of our business and investment funds and pay distributions to our unitholders. We have multiple sources of liquidity to meet our capital needs, including cash on hand, annual cash flows, accumulated earnings and funds from our senior credit facility, including a term loan facility and a revolving credit facility with $750.0 million available as of September 30, 2015. We believe these sources will be sufficient to fund our capital needs for at least the next 12 months. If we determine that market conditions are favorable after taking into account our liquidity requirements, including the amounts available under our senior credit facility, we may seek to issue and sell common units in a registered public offering or to issue additional senior notes or other debt. For example, during the second quarter of 2015, we issued 7,000,000 common units in a registered public offering that provided net proceeds to us of $209.9 million. Additionally, during the first quarter of 2014, we issued 13,800,000 common units in a registered public offering that provided net proceeds to us of $449.5 million. We also issued $200 million of 5.625% senior notes due 2043 during the first quarter of 2014 that provided net proceeds to us of $210.8 million. We used the entire net proceeds from the 2015 equity issuance and a portion of the net proceeds from the 2014 equity issuance to purchase from certain holders, including certain of our directors and executive officers, an equivalent number of outstanding Carlyle Holdings partnership units. The remaining proceeds from the 2014 equity issuance and the proceeds from the debt issuance is being used for general corporate purposes, investments in our funds as well as investment capital for acquisitions of new fund platforms and strategies or other growth initiatives, to drive innovation across the broader Carlyle platform.

Since our inception through September 30, 2015, we and our senior Carlyle professionals, operating executives and other professionals have invested or committed to invest in or alongside our funds. Approximately 5% of all capital commitments to our funds are funded collectively by us and our senior Carlyle professionals, operating executives and other professionals. The current invested capital and unfunded commitment of Carlyle and our senior Carlyle professionals, operating executives and other professionals to our investment funds as of September 30, 2015, consisted of the following:

Asset Class	Current Equity Invested	Unfunded Commitment	Total Current Equity Invested and Unfunded Commitment
	(Dollars in millions)		
Corporate Private Equity	$1,527.6	$2,011.4	$3,539.0
Global Market Strategies	1,133.8	351.6	1,485.4
Real Assets	890.9	734.1	1,625.0
Investment Solutions	223.8	35.7	259.5
Total	$3,776.1	$3,132.8	$6,908.9

A substantial majority of these investments have been funded by, and a substantial majority of the remaining commitments are expected to be funded by, senior Carlyle professionals, operating executives and other professionals through our internal co-investment program. Of the $3.1 billion of unfunded commitments, approximately $2.7 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership.

Investments as of September 30, 2015 consist of the following (dollars in millions):

Investments	$897.2
Less: Amounts attributable to non-controlling interests in consolidated entities	(239.0)
Less: Strategic equity method investment in NGP Management	(464.3)
Less: Investment in the general partner of NGP X associated with carried interest rights	—
Investments excluding non-controlling interests and NGP	193.9
Plus: investments in Consolidated Funds, eliminated in consolidation	194.7
Total investments attributable to Carlyle Holdings, exclusive of NGP management	$388.6

Another source of liquidity we may use to meet our capital needs is the realized carried interest and incentive fee revenue generated by our investment funds. Carried interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return. Incentive fees earned on hedge fund structures are realized at the end of each fund's measurement period. Incentive fees earned on our CLO vehicles are paid upon the dissolution of such vehicles.

Our accrued performance fees by segment as of September 30, 2015, gross and net of accrued giveback obligations, are set forth below:

Asset Class	Accrued Performance Fees	Accrued Giveback Obligation	Net Accrued Performance Fees
	(Dollars in millions)		
Corporate Private Equity	$2,074.0	$(50.3)	$2,023.7
Global Market Strategies	96.6	—	96.6
Real Assets	318.5	(213.7)	104.8
Investment Solutions	526.7	—	526.7
Total	$3,015.8	$(264.0)	$2,751.8
Plus: Investment in the general partner of NGP X associated with carried interest rights			—
Less: Accrued performance fee-related compensation			(1,518.6)
Plus: Receivable for giveback obligations from current and former employees			30.4
Less: Deferred taxes on accrued performance fees			(95.7)
Less: Net accrued performance fees attributable to non-controlling interests in consolidated entities			131.7
Net accrued performance fees excluding compensation and non-controlling interests			1,299.6
Plus: Net accrued performance fees in Consolidated Funds, eliminated in consolidation			23.3
Less/Plus: Timing differences between the period when accrued performance fees are realized and the period they are collected/distributed			(13.5)
Net accrued performance fees attributable to Carlyle Holdings, excluding realized amounts			$1,309.4

As of September 30, 2015, the net accrued performance fees attributable to Carlyle Holdings, excluding realized amounts, related to our carry funds and our other vehicles by segment were as follows (dollars in millions):

Carry fund-related	
Corporate Private Equity:	
Buyout	$1,055.4
Growth Capital	75.2
Total Corporate Private Equity	1,130.6
Real Assets:	
Real Estate	161.5
Natural Resources	8.7
Legacy Energy	(77.3)
Total Real Assets	92.9
Global Market Strategies	43.8
Investment Solutions and other non-carry funds	42.1
Net accrued performance fees attributable to Carlyle Holdings	$1,309.4

Cash and cash equivalents were approximately $1.3 billion at September 30, 2015. However, a portion of this cash is allocated for specific business purposes, including, but not limited to, (i) performance fee-related cash that has been received but not yet distributed as performance fee-related compensation and amounts owed to non-controlling interests; (ii) proceeds received from realized investments that are allocable to non-controlling interests; and (iii) regulatory capital. After deducting cash amounts allocated to these specific requirements, the remaining cash and cash equivalents is approximately $1.1 billion as of September 30, 2015. This remaining amount will be used towards our primary liquidity needs, as previously outlined. This amount does not take into consideration ordinary course of business payables and reserves for specific business purposes, including, but not limited to, giveback obligations.

Our Balance Sheet and Indebtedness
Total assets were $32.8 billion at September 30, 2015, a decrease of $3.2 billion from December 31, 2014. The decrease in total assets was primarily attributable to decreases in investments of Consolidated Funds, accrued performance fees and cash and cash equivalents held at Consolidated Funds of $2.0 billion, $0.8 billion, and $0.4 billion, respectively. Cash and cash equivalents were approximately $1.3 billion at September 30, 2015 and $1.2 billion at December 31, 2014.
Total liabilities were $23.4 billion at September 30, 2015, an increase of $0.3 billion from December 31, 2014. The increase in liabilities was primarily attributable to an increase in loans payable of Consolidated Funds of $0.6 billion, partially offset by a decrease in accrued compensation and benefits of $0.3 billion from December 31, 2014 to September 30, 2015.
The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the assets of the Consolidated Funds are not available to meet our liquidity requirements and similarly the liabilities of the Consolidated Funds are non-recourse to us. The assets and liabilities of the consolidated real estate VIE are also held in separate legal entities; we have not guaranteed or assumed any obligation for repayment of its liabilities nor are its assets available to meet our liquidity requirements.

Our balance sheet without the effect of the Consolidated Funds can be seen in Note 20 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. At September 30, 2015, our total assets were $6.7 billion, including cash and cash equivalents of $1.3 billion and accrued performance fees of $3.0 billion.
Loans Payable. Loans payable on our balance sheet at September 30, 2015 reflects $25.0 million outstanding under our senior credit facility, comprised of $25.0 million of term loan balance outstanding. No amount was outstanding under the revolving credit facility of our senior credit facility. Additionally, loans payable at September 30, 2015 includes $14.1 million outstanding under a separate term loan entered into during 2013 related to an investment in a CLO.
Senior Credit Facility. The senior credit facility includes $25.0 million in a term loan and $750.0 million in a revolving credit facility. The term loan and revolving credit facility mature on May 5, 2020. Principal amounts outstanding under the amended term loan and revolving credit facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.75%, or (b) at LIBOR plus an applicable margin not to exceed 1.75% (1.33% at September 30, 2015).
On May 5, 2015, the Partnership entered into Amendment No. 2 to the senior credit facility, which: (i) extended the maturity date of the term loan and revolving credit facility from August 9, 2018 to May 5, 2020, (ii) revised the management fee earning assets covenant to remove the step up requirement to add a percentage of future acquired AUM to set the minimum management fee earning assets amount, (iii) changed the definition of Indebtedness to provide for a deduction of unrestricted cash, and (iv) reduced the corporate ratings-based pricing grid.
The senior credit facility is unsecured. We are required to maintain management fee earning assets (as defined in the amended senior credit facility) of at least $65.3 billion and a total debt leverage ratio of less than 3.0 to 1.0, in each case, tested on a quarterly basis. Non-compliance with any of the financial or non-financial covenants without cure or waiver would constitute an event of default under the senior credit facility. An event of default resulting from a breach of certain financial or non-financial covenants may result, at the option of the lenders, in an acceleration of the principal and interest outstanding, and a termination of the revolving credit facility. The senior credit facility also contains other customary events of default, including defaults based on events of bankruptcy and insolvency, nonpayment of principal, interest or fees when due, breach of specified covenants, change in control and material inaccuracy of representations and warranties.
CLO Term Loan. On October 3, 2013, the Partnership borrowed €12.6 million ($14.1 million at September 30, 2015) under a new term loan and security agreement with a financial institution. Interest on the term loan accrues at EURIBOR plus 1.75% (1.75% at September 30, 2015). The Partnership may prepay the facility in whole or in part at any time without penalty. The facility is scheduled to mature on the earlier of five years after closing or the date that the CLO is dissolved. The facility is secured by the Partnership’s investment in the CLO.

3.875% Senior Notes. In January 2013, Carlyle Holdings Finance L.L.C., an indirect finance subsidiary of the Partnership, issued $500.0 million of 3.875% senior notes due February 1, 2023 at 99.966% of par. Interest is payable semi-annually on February 1 and August 1, beginning August 1, 2013. The notes are unsecured and unsubordinated obligations of Carlyle Holdings Finance L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Carlyle Group L.P. and each of the Carlyle Holdings partnerships. The indenture governing the notes contains customary covenants that, among other things, limit Carlyle Holdings Finance L.L.C. and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole

redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.
5.625% Senior Notes. In March 2013, Carlyle Holdings II Finance L.L.C., an indirect finance subsidiary of the Partnership, issued $400.0 million of 5.625% Senior Notes due March 30, 2043 at 99.583% of par. Interest is payable semi-annually on March 30 and September 30, beginning September 30, 2013. The notes are unsecured and unsubordinated obligations of Carlyle Holdings II Finance L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Carlyle Group L.P. and each of the Carlyle Holdings partnerships. The indenture governing the notes contains customary covenants and financial restrictions that, among other things, limit Carlyle Holdings Finance II L.L.C. and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.

In March 2014, Carlyle Holdings II Finance L.L.C. issued $200.0 million of 5.625% Senior Notes due March 30, 2043 at 104.315% of par. These notes were issued as additional 5.625% Senior Notes due March 30, 2043 and will be treated as a single class with the already outstanding $400.0 million aggregate principal amount of these senior notes.
Obligations of CLOs. Loans payable of the Consolidated Funds represent amounts due to holders of debt securities issued by the CLOs. We are not liable for any loans payable of the CLOs. Several of the CLOs issued preferred shares representing the most subordinated interest, however these tranches are mandatorily redeemable upon the maturity dates of the senior secured loans payable, and as a result have been classified as liabilities under U.S. GAAP, and are included in loans payable of Consolidated Funds in our combined and consolidated balance sheets.
As of September 30, 2015, the following borrowings were outstanding at our CLOs, including preferred shares classified as liabilities (dollars in millions):

	Borrowing Outstanding	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior secured notes	$15,731.6	1.86	% %	9.32
Subordinated notes and preferred shares	1,193.9	N/A	(1)	8.52
Combination notes	20.0	N/A	(2)	6.51
Total	$16,945.5			

(1) The subordinated notes and preferred shares do not have contractual interest rates, but instead receive distributions from the excess cash flows of the CLOs.
(2) The combination notes do not have contractual interest rates and have recourse only to securities specifically held to collateralize such combination notes.

The fair value of senior secured notes, subordinated notes and preferred shares, and combination notes of our CLOs as of September 30, 2015 was $15,460.0 million, $1,186.2 million, and $18.9 million, respectively.
Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consists of cash and cash equivalents, corporate loans, corporate bonds and other securities.
Loans Payable of a Consolidated Real Estate VIE. This balance consists of the borrowings of Urbplan for its real estate development activities. As of September 30, 2015, the principal amount outstanding on the loans was approximately $167.8 million. The Partnership records the borrowings of Urbplan at fair value on its consolidated balance sheet; the fair value of the Urbplan borrowings at September 30, 2015 was $109.1 million. The principal amounts of the loans accrue interest at a variable rate based on an index plus an applicable margin. Interest rates are based on: (i) CDI plus a margin ranging from 4.0% to 7.4% (18.1% to 21.6% as of September 30, 2015); (ii) IGP-M plus a margin of 12.0% (20.3% as of September 30, 2015); or (iii) IPCA plus a margin ranging from 11.0% to 13.5%

(20.5% to 23.0% as of September 30, 2015).

Substantially all of Urbplan's customer and other receivables and investments have been pledged as collateral for the loans. As of September 30, 2015, substantially all of the loans payable of Urbplan are not in compliance with their related debt covenants or are otherwise in technical default. These violations do not cause a default or event of default under the

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Partnership's senior credit facility or senior notes. Urbplan management is in discussions with the lenders to cure or re-negotiate the loans in default. Currently there are no outstanding notices of acceleration of payment on the loans in default.

All of the loans payable of Urbplan are contractually non-recourse to us.

Unconsolidated Entities

Our Corporate Private Equity funds have not historically utilized substantial leverage at the fund level other than short-term borrowings under certain fund level lines of credit which are used to fund liquidity needs in the interim between the date of an investment and the receipt of capital from the investing fund's investors. These funds do, however, make direct or indirect investments in companies that utilize leverage in their capital structure. The degree of leverage employed varies among portfolio companies.

Certain of our real estate funds have entered into lines of credit secured by their investors' unpaid capital commitments or by a pledge of the equity of the underlying investment. Due to the relatively large number of investments made by these funds, the lines of credit are primarily employed to reduce the overall number of capital calls or for working capital needs. In certain instances, however, they may be used for other investment related activities, including serving as bridge financing for investments. The degree of leverage employed varies among portfolio companies.

Off-balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning limited or general partner interests in consolidated and non-consolidated funds, entering into derivative transactions, entering into operating leases and entering into guarantee arrangements. We also have ongoing capital commitment arrangements with certain of our consolidated and non-consolidated funds. We do not have any other off-balance sheet arrangements that would require us to fund losses or guarantee target returns to investors in any of our other investment funds.

For further information regarding our off-balance sheet arrangements, see Note 2 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

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Contractual Obligations

The following table sets forth information relating to our contractual obligations as of September 30, 2015 on a consolidated basis and on a basis excluding the obligations of the Consolidated Funds:

	October 1, 2015 to December 31, 2015	2016-2017	2018-2019	Thereafter	Total
	(Dollars in millions)				
Loans payable and senior notes[(a)]	$—	$—	$14.1	$1,125.0	$1,139.1
Interest payable[(b)]	14.0	108.8	107.9	844.7	1,075.4
Contingent cash consideration[(c)]	5.1	94.4	57.8	234.7	392.0
Operating lease obligations[(d)]	13.3	105.0	86.8	336.7	541.8
Capital commitments to Carlyle funds[(e)]	3,132.8	—	—	—	3,132.8
Tax receivable agreement payments[(f)]	—	7.9	11.4	118.7	138.0
Loans payable of Consolidated Funds[(g)]	339.3	584.5	728.3	18,230.9	19,883.0
Loans payable of a consolidated real estate VIE[(h)]	19.5	78.4	65.1	144.7	307.7
Unfunded commitments of the CLOs and Consolidated Funds[(i)]	899.7	—	—	—	899.7
Redemptions payable of Consolidated Funds[(j)]	900.0	—	—	—	900.0
Consolidated contractual obligations	5,323.7	979.0	1,071.4	21,035.4	28,409.5
Loans payable of Consolidated Funds[(g)]	(339.3)	(584.5)	(728.3)	(18,230.9)	(19,883.0)
Loans payable of a consolidated real estate VIE[(h)]	(19.5)	(78.4)	(65.1)	(144.7)	(307.7)
Capital commitments to Carlyle funds[(e)]	(2,748.4)	—	—	—	(2,748.4)
Unfunded commitments of the CLOs and Consolidated Funds[(i)]	(899.7)	—	—	—	(899.7)
Redemptions payable of Consolidated Funds[(j)]	(900.0)	—	—	—	(900.0)
Carlyle Operating Entities contractual obligations	$416.8	$316.1	$278.0	$2,659.8	$3,670.7

(a) The table above assumes that no prepayments are made on the term loans or senior notes and that the outstanding balance on the revolving credit facility is repaid on the maturity date of the senior credit facility. On May 5, 2015, we entered into Amendment No. 2 to the senior credit facility to extend the maturity date of the term loan and revolving credit facility from August 9, 2018 until May 5, 2020. The term loan entered into during 2013 related to an investment in a CLO matures on the earlier of 2018 or the date that the CLO is dissolved. For purposes of the table above, it is assumed that the CLO does not dissolve prior to 2018.

(b) The interest rate on the loans payable consist of 3.875% on $500.0 million of senior notes, 5.625% on $600.0 million of senior notes, approximately 2.21% on $25.0 million of the term loan of our senior credit facility (inclusive of the effect of the outstanding interest rate swaps), and approximately 1.75% on $14.1 million of our CLO term loan. Interest payments assume that no prepayments are made and loans are held until maturity.

(c) These obligations represent our probability-weighted estimate of amounts to be paid on the contingent cash consideration obligations associated with our business acquisitions and strategic investment in NGP Management. The actual amounts to be paid under these agreements will not be determined until the specific performance conditions are met. Refer to "— Contingent Cash Payments for Business Acquisitions and Strategic Investments" below for the maximum amounts we may be required to pay under these arrangements and Note 6 and Note 9 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information. Included in these amounts are $12.2 million of employment-based contingent consideration payments that have been earned but are not payable until the individuals are no longer employees of Carlyle, the timing of which cannot be predicted. For purposes of the table above, the timing has been based on a probability-weighted estimate.

(d) We lease office space in various countries around the world and maintain our headquarters in Washington, D.C., where we lease our primary office space under a non-cancelable lease agreement expiring on July 31, 2026. Our office leases in other locations expire in various years from 2015 through 2031. The amounts in this table represent the minimum lease payments required over the term of the lease.

(e) These obligations represent commitments by us to fund a portion of the purchase price paid for each investment made by our funds. These amounts are generally due on demand and are therefore presented in the less than one year category. A substantial majority of these investments is expected to be funded by senior Carlyle professionals and other professionals through our internal co-investment program. Of the $3.1 billion of unfunded commitments, approximately $2.7 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership.

(f) Represents obligations by the Partnership's corporate taxpayers to make payments under the tax receivable agreement. Holders of partnership units in Carlyle Holdings may exchange their Carlyle Holdings partnership units for common units in The Carlyle Group L.P. on a one-for-one basis. These exchanges may reduce the amount of tax that the corporate taxpayers would be required to pay in the future. The corporate taxpayers will pay to the limited partner of Carlyle Holdings making the exchange 85% of the amount of cash savings that the corporate taxpayers realize upon an exchange. See "Tax Receivable Agreement" below.

(g) These obligations represent amounts due to holders of debt securities issued by the consolidated CLO vehicles. These obligations include interest to be paid on debt securities issued by the consolidated CLO vehicles. Interest payments assume that no prepayments are made and loans are held until maturity. For debt securities with rights only to the residual value of the CLO and no stated interest, no interest payments were included in this calculation. Interest payments on variable-rate debt securities are based on interest rates in effect as of September 30, 2015, at spreads to market rates pursuant to the debt agreements, and range from 0.21% to 12.65%.

(h) These obligations represent amounts owed to the lenders of Urbplan. These obligations include interest to be paid on the loans of Urbplan. Principal and interest payments shown herein assume that amounts will be paid according to the contractual maturities of the loans without acceleration due to default or covenant violation or other voluntarily prepayments. Interest payments on variable-rate debt are based on interest rates in effect as of September 30, 2015, at spreads to market rates pursuant to the loan agreements, and range from 18.1% to 23.0%. Due to the timing and availability of financial information from Urbplan, we consolidate the financial position and results of operations of Urbplan on a financial reporting lag of 90 days. The balances shown in this table are based on Urbplan's outstanding borrowings as of June 30, 2015.

(i) These obligations represent commitments of the CLOs and Consolidated Funds to fund certain investments. These amounts are generally due on demand and are therefore presented in the less than one year category.

(j) Our consolidated hedge funds are subject to quarterly or monthly redemption by investors in these funds. These obligations represent the amount of redemptions where the amount requested in the redemption notice has become fixed and payable.

Excluded from the table above are liabilities for uncertain tax positions of $19.4 million at September 30, 2015 as we are unable to estimate when such amounts may be paid. Also excluded from the table above are outstanding commitments of Urbplan for land development services with an estimated $48 million of future costs to be incurred; these amounts have been excluded as we are unable to determine when such amounts will be paid.

Contingent Funding of the Consolidated Real Estate VIE

As described in Note 17 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, we and certain of our senior Carlyle professionals have made and may make additional investments in Urbplan. From 2013 through September 30, 2015, $297.3 million has been funded to Urbplan by us and our senior Carlyle professionals (including losses from related foreign currency forward contracts). We have funded $71.9 million of the $297.3 million and the remaining $225.4 million has been funded by our senior Carlyle professionals indirectly through the Partnership. For the three months ended September 30, 2015, $27.1 million was funded to Urbplan, of which we funded $6.8 million and the senior Carlyle professionals funded $20.3 million indirectly through us.

From April 2013 through September 30, 2015, the cumulative investment losses related to Urbplan totaled $50.2 million, of which $49.1 million were realized losses and $1.1 million are unrealized losses.

While no contractual or other obligations exist to provide additional financial support to Urbplan, the Partnership and its senior Carlyle professionals expect to provide additional capital funding to Urbplan in the future and Urbplan will continue to seek capital funding from unaffiliated parties. At this time, Urbplan is estimated to require approximately $60 million of additional capital over the next twelve months and it is possible that even further capital may be required. Whether and to what extent the Partnership and its senior Carlyle professionals continue to provide financial support will be based on the circumstances at the time (including levels of third-party funding participation).

We may not recover, in whole or in part, the capital that we have invested in or any additional capital that we may elect to invest in Urbplan in the future, and our results of operations could be adversely impacted by impairments, write-downs, lawsuits by customers or creditors, other claims against Urbplan or us or other losses associated with our investment in Urbplan. Urbplan is currently a party to various litigation, disputes and other potential claims. We do not believe it is probable that the outcome of any existing Urbplan litigation, government investigations and proceedings, disputes, or other potential claims will materially affect us or our consolidated financial statements.

The assets and liabilities of Urbplan are held in legal entities separate from the Partnership; we have not guaranteed or assumed any obligation for repayment of Urbplan's liabilities nor are the assets of Urbplan available to meet our liquidity requirements. However, if Urbplan fails to complete its construction projects, customers, partners, government agencies or municipalities or other creditors in certain circumstances might seek to assert claims against us and our assets unrelated to Urbplan under certain consumer protection or other laws.

Contingent Cash Payments for Business Acquisitions and Strategic Investments

We have certain contingent cash obligations associated with our business acquisitions and our strategic investment in NGP Management. For our business acquisitions, these contingent cash payments relate to performance-based contingent cash consideration payable to the sellers of the businesses, some of whom are Carlyle professionals. Certain of these payments to those Carlyle professionals require such Carlyle professionals to be employed by us at the time the performance conditions are met, while other payments are not contingent upon employment.

For our strategic investment in NGP Management, the contingent cash payments relate to performance-based contingent cash consideration payable to ECM Capital, L.P. and an affiliate of Barclays Bank PLC. The performance-based contingent cash consideration payable to an affiliate of Barclays Bank PLC totaling $183.0 million, which will be payable in 2016 approximately one-third in cash and approximately two-thirds by a six year promissory note (accruing interest at the three

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month LIBOR plus 2.5%) issued by the Partnership, if the performance conditions are met, is earned based on NGP's achievement of certain business performance goals, including the successful fundraising by NGP of new fund commitments. See Note 6 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information.

The amounts shown in the contractual obligations table above represent our probability-weighted estimate of amounts to be paid on the contingent cash consideration obligations associated with our business acquisitions and our strategic investment in NGP Management. Except as noted below, the following table represents the maximum amounts that could be paid from our contingent cash obligations associated with our business acquisitions and our strategic investment in NGP Management:

	As of September 30, 2015			
	Business Acquisitions	NGP Investment	Total	Liability Recognized on Financial Statements(1)
	(Dollars in millions)			
Performance-based contingent cash consideration	$209.3	$183.0	$392.3	$223.7
Employment-based contingent cash consideration	180.7	45.0	225.7	90.4
Total	$390.0	$228.0	$618.0	$314.1

(1) On our consolidated balance sheet, the liability for performance-based contingent cash consideration is included in due to affiliates (for amounts owed to Carlyle professionals and NGP) and accounts payable, accrued expenses, and other liabilities (for amounts owed to other sellers), and the liability for employment-based contingent cash consideration is included in accrued compensation and benefits.

Some of the employment-based contingent cash consideration agreements do not contain provisions limiting the amount that could be paid by us. For purposes of the table above, we have used our current estimate of the amount to be paid upon the determination dates for such payments. In our consolidated financial statements, we record the performance-based contingent cash consideration from our business acquisitions at fair value at each reporting period. For the employment-based contingent cash consideration, we accrue the compensation liability over the implied service period.

Guarantees

In 2001, we entered into an agreement with a financial institution pursuant to which we are the guarantor on a credit facility for eligible employees investing in Carlyle sponsored funds. This credit facility renews on an annual basis, allowing for annual incremental borrowings up to an aggregate of $11.3 million, and accrues interest at the lower of the prime rate, as defined, or three-month LIBOR plus 3%, reset quarterly. At September 30, 2015, approximately $7.2 million was outstanding under the credit facility and payable by the employees. No material funding under the guarantee has been required, and we believe the likelihood of any material funding under the guarantee to be remote.

Indemnifications

In many of our service contracts, we agree to indemnify the third-party service provider under certain circumstances. The terms of the indemnities vary from contract to contract, and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our consolidated financial statements as of September 30, 2015.

Tax Receivable Agreement

Holders of partnership units in Carlyle Holdings (other than The Carlyle Group L.P.'s wholly-owned subsidiaries), subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to such holders as set forth in the partnership agreements of the Carlyle Holdings partnerships, may (subject to the terms of the exchange agreement) exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three

Carlyle Holdings partnerships to effect an exchange for a common unit. The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that Carlyle Holdings I GP Inc. and any other corporate taxpayers would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

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

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

Contingent Obligations (Giveback)

An accrual for potential repayment of previously received performance fees of $264.0 million at September 30, 2015 is shown as accrued giveback obligations on the consolidated balance sheet, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at September 30, 2015. However, the ultimate giveback obligation, if any, does not arise until the end of a fund's life. We have recorded $30.4 million of unbilled receivables from former and current employees and our individual senior Carlyle professionals as of September 30, 2015 related to giveback obligations, which are included in due from affiliates and other receivables, net in our consolidated balance sheet as of such date.

If, as of September 30, 2015, all of the investments held by our funds were deemed worthless, the amount of realized and distributed carried interest subject to potential giveback would be $1.9 billion, on an after-tax basis where applicable.

Our senior Carlyle professionals and employees who have received carried interest distributions are severally responsible for funding their proportionate share of any giveback obligations. However, the governing agreements of certain of our funds provide that to the extent a current or former employee from such funds does not fund his or her respective share, then we may have to fund additional amounts beyond what we received in carried interest, although we will generally retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations.

Contingencies

In the ordinary course of business, we are a party to litigation, investigations, disputes and other potential claims. Certain of these matters are described below. We are not currently able to estimate the reasonably possible amount of loss or range of loss for the matters that have not been resolved. We do not believe it is probable that the outcome of any existing litigation, investigations, disputes or other potential claims will materially affect us. We believe that these matters described below are without merit and intend to vigorously contest all allegations for the matters that have not been resolved.

Along with many other companies and individuals in the financial sector, Carlyle and Carlyle Mezzanine Partners, L.P. ("CMP") are named as defendants in Foy v. Austin Capital, a case filed in June 2009, pending in the State of New Mexico's First Judicial District Court, County of Santa Fe, which purports to be a qui tam suit on behalf of the State of New Mexico

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under the state Fraud Against Taxpayers Act (“FATA”). The suit alleges that investment decisions by New Mexico public investment funds were improperly influenced by campaign contributions and payments to politically connected placement agents. The plaintiffs seek, among other things, actual damages, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including Carlyle and CMP on the grounds that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has brought two civil actions against certain of those defendants, not including the Carlyle defendants. The Attorney General has stated that its investigation is continuing and it may bring additional civil actions. Foy v. Austin Capital had been stayed while the plaintiff pursued an interlocutory appeal on the question of whether FATA could be applied retroactively to events that occurred prior to its effective date. In June 2015, the New Mexico Supreme Court ruled that FATA could be applied retroactively in certain circumstances. A new judge has been appointed to hear the case and the Attorney General recently indicated that it intended to file a motion to dismiss the entire litigation so that the Attorney General can pursue its own recovery from the defendants in the action. The judge has set a schedule for hearing that motion to dismiss with oral argument scheduled for April 2016.

Carlyle Capital Corporation Limited (“CCC”) was a fund sponsored by the Partnership that invested in AAA-rated residential mortgage backed securities on a highly leveraged basis. In March of 2008, amidst turmoil throughout the mortgage markets and money markets, CCC filed for insolvency protection in Guernsey. The Guernsey liquidators who took control of CCC in March 2008 filed a suit on July 7, 2010 against the Partnership, certain of its affiliates and the former directors of CCC in the Royal Court of Guernsey seeking $1.0 billion in damages in a case styled Carlyle Capital Corporation Limited v. Conway et al. The Guernsey liquidators allege that the Partnership and the CCC board of directors were negligent, grossly negligent or willfully mismanaged the CCC investment program and breached certain fiduciary duties allegedly owed to CCC and its shareholders. The liquidators further allege (among other things) that the directors and the Partnership put the interests of the Partnership ahead of the interests of CCC and its shareholders and gave priority to preserving and enhancing the Partnership’s reputation and its “brand” over the best interests of CCC. On July 24, 2013, plaintiffs filed an amended complaint, which contained further detail in support of the existing claims but no new defendants or claims. On December 20, 2013, defendants filed a defense to the amended complaint and on June 30, 2014 plaintiffs filed their reply. In September 2015, the liquidators served expert reports. Expert witness reports for us and the CCC directors are due on February 1, 2016. The Court has set the case schedule and trial is scheduled for June 2016.

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

Other Contingencies

From 2007 to 2009, a Luxembourg subsidiary of CEREP I, a real estate fund, received proceeds from the sale of real estate located in Paris, France. Based on a provision in the Luxembourg-France tax treaty, it did not report or pay tax in France on gain from the sale. The French tax authorities asserted that CEREP I was ineligible to claim exemptions from French tax under the tax treaty, and issued a tax assessment seeking to collect taxes, interest and penalties.

On April 15, 2015, the French tax court issued an opinion in this matter that was adverse to CEREP I, holding the Luxembourg property company liable for €105 million (including penalties and interest accrued since the beginning of the tax dispute). The Partnership disagrees with the outcome and filed a petition of appeal on July 3, 2015. In June 2015, in satisfaction of the obligation to the French government, CEREP I paid approximately €30 million of the tax obligations and the Partnership paid approximately €67 million in its capacity as a guarantor. The remaining €7 million of the tax obligations was paid in the third quarter of 2015. CEREP I has approximately €1 million in net assets as of September 30, 2015. Additionally, the French Ministry of Justice is expected to continue its investigation of the actions of the Luxembourg property company and its former directors, managers and representatives in claiming the tax treaty exemptions.

We were required to provide a financial guarantee to the French government in July 2012 for the amount of French tax assessed against CEREP I. Since that time, we have consolidated CEREP I into our consolidated financial statements. CEREP I recognized a loss of approximately $34 million which has been included in net investment gains/losses of Consolidated Funds for the three months ended March 31, 2015 and the nine months ended September 30, 2015, and this amount reduced net income attributable to Carlyle Holdings in our condensed consolidated financial statements. In 2013 and 2014, we had previously recognized losses of approximately €42 million for the French tax matter, which were reflected in net investment gains/losses of Consolidated Funds and reduced net income attributable to Carlyle Holdings.

Carlyle Holdings Partnership Units

A rollforward of the outstanding Carlyle Holdings partnership units from December 31, 2014 through September 30, 2015 is as follows:

	Units as of December 31, 2014	Units Issued	Units Forfeited	Units Exchanged	Units as of September 30, 2015
Carlyle Holdings partnership units held by the Partnership	67,029,042	5,376,029	(11,674)	7,131,214	79,524,611
Carlyle Holdings partnership units not held by the Partnership	251,195,295	—	(444,477)	(7,131,214)	243,619,604
Total Carlyle Holdings partnership units	318,224,337	5,376,029	(456,151)	—	323,144,215

The Carlyle Holdings partnership units issued to the Partnership during the period from December 31, 2014 through September 30, 2015 relate to: (i) the vesting of the Partnership's deferred restricted common units during the nine months ended September 30, 2015, (ii) the satisfaction of certain performance-vesting contingent consideration arrangements related to our acquisition of DGAM, and (iii) the acquisition by the Partnership of 15,566 Carlyle Holdings partnership units upon the vesting of certain of the Partnership's common units associated with the acquisition of the remaining 40% equity interest in AlpInvest in August 2013. Further, the Partnership is expected to acquire an additional 716,404 Carlyle Holdings partnership units in future periods upon the vesting of certain of the Partnership's unvested common units associated with the acquisition of the remaining 40% equity interest in AlpInvest in August 2013.

The Carlyle Holdings partnership units forfeited during the period from December 31, 2014 through September 30, 2015 relate to unvested Carlyle Holdings partnership units and unvested common units that were forfeited when the holder ceased to provide services to the Partnership. The Carlyle Holdings partnership units exchanged relate to the exchange of Carlyle Holdings partnership units held by NGP for common units on a one-for-one basis and the Partnership's use of the net cash proceeds from the issuance of 7,000,000 common units in June 2015 to acquire 7,000,000 Carlyle Holdings partnership units from certain limited partners of Carlyle Holdings.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our primary exposure to market risk is related to our role as general partner or investment advisor to our investment funds and the sensitivities to movements in the fair value of their investments, including the effect on management fees, performance fees and investment income. Although our investment funds share many common themes, each of our alternative asset management asset classes runs its own investment and risk management processes, subject to our overall risk tolerance and philosophy. The investment process of our investment funds involves a comprehensive due diligence approach, including review of reputation of shareholders and management, company size and sensitivity of cash flow generation, business sector and competitive risks, portfolio fit, exit risks and other key factors highlighted by the deal team. Key investment decisions are subject to approval by both the fund-level managing directors, as well as the investment committee, which is generally comprised of one or more of the three founding partners, one "sector" head, one or more operating executives and senior investment professionals associated with that particular fund. Once an investment in a portfolio company has been made, our fund teams closely monitor the performance of the portfolio company, generally through frequent contact with management and the receipt of financial and management reports. There was no material change in our market risks during the three months ended September 30, 2015. For additional information, refer to our Annual Report on Form 10-K for the year ended December 31, 2014.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our co-principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

Our management, with the participation of our co-principal executive officers and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our co-principal executive officers and principal financial officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2015 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required with respect to this item can be found under "Legal Matters" in Note 11, Commitments and Contingencies, of the notes to the Partnership's unaudited condensed consolidated financial statements contained in this quarterly report, and such information is incorporated by reference into this Item 1.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information under Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, which is accessible on the SEC's website at sec.gov.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Required exhibits are listed in the Index to Exhibits and are incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	The Carlyle Group L.P.	
	By:	Carlyle Group Management L.L.C., its general partner
Date: November 5, 2015	By:	/s/ Curtis L. Buser
	Name:	Curtis L. Buser
	Title:	Chief Financial Officer (Principal Financial Officer and Authorized Officer)

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INDEX TO EXHIBITS
The following is a list of all exhibits filed or furnished as part of this report:

Exhibit No.	Description
3.1	Certificate of Limited Partnership of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 to Registrant’s Registration Statement on Form S-1 (File No. 333-176685) filed with the SEC on September 6, 2011).
3.2	Amended and Restated Limited Partnership Agreement of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 on Form 8-K filed with the SEC on May 8, 2012).
31.1 *	Certification of the co-principal executive officer pursuant to Rule 13a – 14(a).
31.2 *	Certification of the co-principal executive officer pursuant to Rule 13a – 14(a).
31.3 *	Certification of the co-principal executive officer pursuant to Rule 13a – 14(a).
31.4 *	Certification of the principal financial officer pursuant to Rule 13a – 14(a).
32.1 *	Certification of the co-principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of the co-principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3 *	Certification of the co-principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.4 *	Certification of the principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

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