Carlyle Group L.P.
Form 10-Q
May 03, 2017

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

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2017
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
Commission File Number: 001-35538

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

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

1001 Pennsylvania Avenue, NW
Washington, D.C., 20004-2505
(Address of principal executive offices) (Zip Code)

(202) 729-5626
(Registrant’s telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

The number of the registrant's common units representing limited partner interests outstanding as of April 28, 2017 was 85,818,358.

TABLE OF CONTENTS

		Page
PART I – FINANCIAL INFORMATION		
Item 1.	Financial Statements	5
	Unaudited Condensed Consolidated Financial Statements – March 31, 2017 and 2016:	
	Condensed Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016	5
	Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2017 and 2016	6
	Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2017 and 2016	7
	Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016	8
	Notes to the Condensed Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	62
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	133
Item 4.	Controls and Procedures	134
PART II – OTHER INFORMATION		
Item 1.	Legal Proceedings	135
Item 1A.	Risk Factors	135
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	135
Item 3.	Defaults Upon Senior Securities	135
Item 4.	Mine Safety Disclosures	135
Item 5.	Other Information	135
Item 6.	Exhibits	136
SIGNATURE		137
INDEX TO EXHIBITS		138

1

Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, contingencies, our distribution policy, and other non-historical statements. You can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "wil "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these w other comparable words. Such forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements including, but not limited to, those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the United States Securities and Exchange Commission ("SEC") on February 16, 2017, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings with the SEC. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Website and Social Media Disclosure

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

Unless the context suggests otherwise, references in this report to "Carlyle," the "Company," "we," "us" and "our" refer to The Carlyle Group L.P. and its consolidated subsidiaries. When we refer to the "partners of The Carlyle Group L.P.," we are referring specifically to the common unitholders and our general partner and any others who may from time to time be partners of that specific Delaware limited partnership. When we refer to our "senior Carlyle professionals," we are referring to the partner-level personnel of our firm. References in this report to the ownership of the senior Carlyle professionals include the ownership of personal planning vehicles of these individuals.

"Carlyle funds," "our funds" and "our investment funds" refer to the investment funds and vehicles advised by Carlyle.

"Carry funds" generally refers to closed-end investment vehicles, in which commitments are drawn down over a specified investment period, and in which the general partner receives a special residual allocation of income from limited partners, which we refer to as carried interest, in the event that specified investment returns are achieved by the fund. Disclosures referring to carry funds will also include the impact of certain commitments which do not earn carried interest, but are either part of, or associated with our carry funds. The rate of carried interest, as well as the share of carried interest allocated to Carlyle, may vary across the carry fund platform. Carry funds generally include the following investment vehicles across our four business segments:

- Corporate Private Equity: Buyout & growth funds advised by Carlyle
-

- Real Assets: Real estate, power, infrastructure and energy funds advised by Carlyle, as well as those energy funds advised by NGP Energy Capital Management in which Carlyle is entitled to receive a share of carried interest
- Global Market Strategies: Distressed credit, corporate mezzanine and energy credit funds, as well as certain closed-end credit funds advised by Carlyle
- Investment Solutions: Funds and vehicles advised by AlpInvest Partners B.V. ("AlpInvest") and Metropolitan Real Estate Equity Management, LLC ("Metropolitan), which include primary fund, secondary and co-investment strategies

Carry funds specifically exclude those funds advised by NGP Energy Capital Management in which Carlyle is not entitled to receive a share of carried interest (or "NGP management fee funds"), collateralized loan obligation vehicles (CLOs), business development companies, and our hedge fund platform.

2

For an explanation of the fund acronyms used throughout this Quarterly Report, refer to “Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation - Our Family of Funds.”

“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 is generally based on one of the following, once fees have been activated:

(a) the amount of limited partner capital commitments, generally for carry funds where the original investment period has not expired, for AlpInvest carry funds during the commitment fee period and for Metropolitan carry funds during the weighted-average investment period of the underlying funds;

(b) the remaining amount of limited partner invested capital at cost, generally for carry funds and certain co-investment vehicles where the original investment period has expired and Metropolitan carry funds after the expiration of the weighted-average investment period of the underlying funds;

(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;

(d) the external investor portion of the net asset value of our hedge fund and fund of hedge funds vehicles (pre redemptions and subscriptions), as well as certain carry funds;

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

(f) the lower of cost or fair value of invested capital, generally for AlpInvest carry funds where the commitment fee period has expired and certain carry funds where the investment period has expired.

“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 carry funds and related co-investment vehicles and NGP management fee funds 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.

We include in our calculation of AUM and Fee-earning AUM certain energy and renewable resources funds that we jointly advise with Riverstone Holdings L.L.C. (“Riverstone”) and certain NGP management fee funds and carry funds that are advised by NGP.

For most of our carry funds, total AUM includes the fair value of the capital invested, whereas Fee-earning AUM includes the amount of capital commitments or the remaining amount of invested capital, depending on whether the 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 AUM and Fee-earning AUM may differ from the calculations of other alternative asset managers. As a result, these measures may not be comparable to similar measures presented by other alternative asset managers. In addition, our calculation of AUM (but not Fee-earning AUM) includes uncalled commitments to, and the fair value of invested capital in, our investment funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management or performance fees. Our calculations of AUM or Fee-earning AUM are not based on any definition of AUM or Fee-earning AUM that is set forth in the agreements governing the investment funds that we manage or advise.

“Vermillion” refers to our commodities advisor and business advised by Carlyle Commodity Management L.L.C., which was formerly known as Vermillion Asset Management until August 2015.

Changes to Disclosure and Presentation of Key Performance Metrics

Investment funds and vehicles advised by AlpInvest Partners B.V. and Metropolitan Real Estate Equity Management, LLC, which comprise our Investment Solutions segment, are now included in our "carry funds" definition. Accordingly, they are now included in our Invested Capital, Realized Proceeds and Fund Appreciation metrics. We have recast metrics for 2016, including supplemental key metrics information available on our website. In addition, we have also adjusted the methodology for recognition of Invested Capital to an investment timing basis, rather than the timing of cash flows to and from our fund investors, to better reflect capital deployed by our funds during a given period.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements
The Carlyle Group L.P.
Condensed Consolidated Balance Sheets
(Dollars in millions)

	March 31, 2017 (Unaudited)	December 31, 2016
Assets		
Cash and cash equivalents	$ 799.2	$ 670.9
Cash and cash equivalents held at Consolidated Funds	386.5	761.5
Restricted cash	75.4	13.1
Corporate treasury investments	148.9	190.2
Accrued performance fees	3,016.7	2,481.1
Investments	1,169.0	1,107.0
Investments of Consolidated Funds	3,903.1	3,893.7
Due from affiliates and other receivables, net	199.9	227.2
Due from affiliates and other receivables of Consolidated Funds, net	53.4	29.5
Receivables and inventory of a consolidated real estate VIE	173.8	145.4
Fixed assets, net	92.6	106.1
Deposits and other	46.5	39.4
Other assets of a consolidated real estate VIE	32.7	31.5
Intangible assets, net	40.1	42.0
Deferred tax assets	237.4	234.4
Total assets	$ 10,375.2	$ 9,973.0
Liabilities and partners' capital		
Debt obligations	$ 1,331.7	$ 1,265.2
Loans payable of Consolidated Funds	3,587.5	3,866.3
Loans payable of a consolidated real estate VIE at fair value (principal amount of $141.5 million and $144.4 million as of March 31, 2017 and December 31, 2016, respectively)	77.8	79.4
Accounts payable, accrued expenses and other liabilities	372.6	369.8
Accrued compensation and benefits	1,726.8	1,661.8
Due to affiliates	283.9	223.6
Deferred revenue	242.1	54.0
Deferred tax liabilities	76.1	76.6
Other liabilities of Consolidated Funds	560.0	637.0
Other liabilities of a consolidated real estate VIE	177.5	124.5
Accrued giveback obligations	161.2	160.8
Total liabilities	8,597.2	8,519.0
Commitments and contingencies		
Partners' capital (common units 85,818,358 and 84,610,951 issued and outstanding as of March 31, 2017 and December 31, 2016, respectively)	498.5	403.1
Accumulated other comprehensive loss	(96.1)	(95.2)
Non-controlling interests in consolidated entities	246.7	277.8
Non-controlling interests in Carlyle Holdings	1,128.9	868.3
Total partners' capital	1,778.0	1,454.0
Total liabilities and partners' capital	$ 10,375.2	$ 9,973.0

See accompanying notes.

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

	Three Months Ended March 31,	
	2017	2016
Revenues		
Fund management fees	$246.3	$ 289.5
Performance fees		
Realized	83.2	131.8
Unrealized	598.4	13.4
Total performance fees	681.6	145.2
Investment income (loss)		
Realized	(0.2)	12.6
Unrealized	46.5	(22.2)
Total investment income (loss)	46.3	(9.6)
Interest and other income	10.4	4.7
Interest and other income of Consolidated Funds	42.9	28.9
Revenue of a consolidated real estate VIE	92.6	24.4
Total revenues	1,120.1	483.1
Expenses		
Compensation and benefits		
Base compensation	146.0	166.3
Equity-based compensation	72.8	75.4
Performance fee related		
Realized	45.8	61.6
Unrealized	271.3	7.9
Total compensation and benefits	535.9	311.2
General, administrative and other expenses	93.8	82.3
Interest	15.0	15.3
Interest and other expenses of Consolidated Funds	45.2	23.4
Interest and other expenses of a consolidated real estate VIE	119.6	23.4
Other non-operating expenses	—	3.8
Total expenses	809.5	459.4
Other income (loss)		
Net investment gains (losses) of Consolidated Funds	17.1	(8.4)
Income before provision for income taxes	327.7	15.3
Provision for income taxes	5.8	7.4
Net income	321.9	7.9
Net income (loss) attributable to non-controlling interests in consolidated entities	3.3	(2.3)
Net income attributable to Carlyle Holdings	318.6	10.2
Net income attributable to non-controlling interests in Carlyle Holdings	235.6	1.8
Net income attributable to The Carlyle Group L.P.	$83.0	$ 8.4
Net income attributable to The Carlyle Group L.P. per common unit (see Note 14)		
Basic	$0.97	$ 0.10
Diluted	$0.90	$ 0.01
Weighted-average common units		
Basic	85,337,534	80,885,060
Diluted	91,967,452	299,949,767

Distributions declared per common unit	$0.16	$ 0.29

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

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

	Three Months Ended March 31,	
	2017	2016
Net income	$321.9	$7.9
Other comprehensive income		
Foreign currency translation adjustments	10.1	19.0
Cash flow hedges		
Reclassification adjustment for loss included in interest expense	—	0.6
Defined benefit plans		
Unrealized loss for the period	—	(0.2)
Less: reclassification adjustment for loss during the period, included in base compensation expense	0.3	—
Other comprehensive income	10.4	19.4
Comprehensive income	332.3	27.3
Comprehensive (income) loss attributable to non-controlling interests in consolidated entities	(6.9)	4.9
Comprehensive income attributable to redeemable non-controlling interests in consolidated entities	—	(0.1)
Comprehensive income attributable to Carlyle Holdings	325.4	32.1
Comprehensive income attributable to non-controlling interests in Carlyle Holdings	(240.6)	(18.1)
Comprehensive income attributable to The Carlyle Group L.P.	$84.8	$14.0

See accompanying notes.

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

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities		
Net income	$321.9	$7.9
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	10.0	17.8
Equity-based compensation	72.8	75.4
Excess tax benefits related to equity-based compensation	—	0.7
Non-cash performance fees	(348.8)	(7.4)
Other non-cash amounts	0.1	(2.3)
Consolidated Funds related:		
Realized/unrealized (gain) loss on investments of Consolidated Funds	(35.2)	67.8
Realized/unrealized (gain) loss from loans payable of Consolidated Funds	18.1	(59.4)
Purchases of investments by Consolidated Funds	(691.5)	(320.9)
Proceeds from sale and settlements of investments by Consolidated Funds	755.6	177.7
Non-cash interest income, net	(1.5)	(0.7)
Change in cash and cash equivalents held at Consolidated Funds	375.0	277.4
Change in other receivables held at Consolidated Funds	(23.6)	(9.0)
Change in other liabilities held at Consolidated Funds	(82.1)	(154.5)
Investment (income) loss	(44.8)	10.3
Purchases of investments	(56.8)	(22.1)
Proceeds from the sale of investments	168.8	62.3
Payments of contingent consideration	(22.5)	(75.6)
Deconsolidation of Claren Road (see Note 10)	(23.3)	—
Changes in deferred taxes, net	(3.1)	(5.3)
Change in due from affiliates and other receivables	(2.4)	3.7
Change in receivables and inventory of a consolidated real estate VIE	(27.9)	(21.9)
Change in deposits and other	(6.7)	(1.3)
Change in other assets of a consolidated real estate VIE	(1.7)	8.6
Change in accounts payable, accrued expenses and other liabilities	12.6	(24.5)
Change in accrued compensation and benefits	(159.8)	(143.6)
Change in due to affiliates	67.1	(22.8)
Change in other liabilities of a consolidated real estate VIE	56.6	6.2
Change in deferred revenue	188.0	175.2
Net cash provided by operating activities	514.9	19.7
Cash flows from investing activities		
Change in restricted cash	(62.1)	5.7
Purchases of fixed assets, net	(3.7)	(4.2)
Net cash provided by (used in) investing activities	(65.8)	1.5
Cash flows from financing activities		
Proceeds from debt obligations	66.1	—
Net payments on loans payable of a consolidated real estate VIE	(7.4)	(9.4)
Net borrowings (payments) on loans payable of Consolidated Funds	(330.5)	7.6

Payments of contingent consideration	—	(0.3)
Excess tax benefits related to equity-based compensation	—	(0.7)
Distributions to common unitholders	(13.7)	(23.6)
Distributions to non-controlling interest holders in Carlyle Holdings	(38.9)	(85.1)
Contributions from non-controlling interest holders	—	4.3
Distributions to non-controlling interest holders	(38.0)	(23.9)
Units repurchased	(0.2)	(6.1)
Change in due to/from affiliates financing activities	31.2	14.4
Net cash used in financing activities	(331.4)	(122.8)
Effect of foreign exchange rate changes	10.6	21.3
Increase (decrease) in cash and cash equivalents	128.3	(80.3)
Cash and cash equivalents, beginning of period	670.9	991.5
Cash and cash equivalents, end of period	$799.2	$911.2
Supplemental non-cash disclosures		
Net increase in partners' capital and accumulated other comprehensive income related to reallocation of ownership interest in Carlyle Holdings	$1.0	$0.7
Net asset impact of deconsolidation of Consolidated Funds	$—	$(7,167.9)
Tax effect from acquisition of Carlyle Holdings partnership units:		
Deferred tax asset	$—	$(0.2)
Tax receivable agreement liability	$—	$(0.2)

See accompanying notes.

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, 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 Carlyle Group L.P. is a Delaware limited partnership formed on July 18, 2011, which 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. Except as otherwise indicated by the context, references to the "Partnership" or "Carlyle" refer to The Carlyle Group L.P., together with its consolidated subsidiaries.

Carlyle provides investment management services to, and has transactions with, various private equity funds, real estate funds, private credit funds, collateralized loan obligations ("CLOs"), 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, Real Assets, Global Market Strategies, and Investment Solutions (see Note 17).

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 16) 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 generally has no effect on the net income attributable to the Partnership. The economic ownership interests of the other investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities in the accompanying condensed consolidated financial statements (see Note 2).

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, 2016 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.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The Partnership consolidates all entities that it controls either through a majority voting interest or as the primary beneficiary of variable interest entities ("VIEs"). On January 1, 2016, the Partnership adopted ASU 2015-2, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which provides a revised consolidation model for all reporting entities to use in evaluating whether to consolidate certain types of legal entities.

The Partnership evaluates (1) whether it holds a variable interest in an entity, (2) whether the entity is a VIE, and (3)whether the Partnership's involvement would make it the primary beneficiary. In evaluating whether the Partnership holds a variable interest, fees (including management fees and performance fees) that are customary and commensurate with the level of services provided, and where the Partnership does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, are not

considered variable interests. The Partnership considers all economic interests, including indirect interests, to determine if a fee is considered a variable interest.
For those entities where the Partnership holds a variable interest, the Partnership determines whether each of these entities qualifies as a VIE and, if so, whether or not the Partnership is the primary beneficiary. The assessment of whether the entity is

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

a VIE is generally performed qualitatively, which requires judgment. These judgments include: (a) determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the economic performance of the entity, (c) determining whether two or more parties' equity interests should be aggregated, and (d) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity.
For entities that are determined to be VIEs, the Partnership consolidates those entities where it has concluded it is the primary beneficiary. The primary beneficiary is defined as the variable interest holder with (a) the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. 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.
As of March 31, 2017, assets and liabilities of the consolidated VIEs reflected in the unaudited condensed consolidated balance sheets were $4.6 billion and $4.4 billion, respectively. Except to the extent of the consolidated assets of the VIEs, the holders of the consolidated VIEs’ liabilities generally do not have recourse to the Partnership.
Substantially all of our Consolidated Funds are CLOs, which are VIEs that issue loans payable that 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 (primarily because of a retained interest that is significant to the CLO), those management fees have been eliminated as intercompany transactions. As of March 31, 2017, the Partnership held $178.6 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.
Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities. Under the voting interest entity model, the Partnership consolidates those entities it controls through a majority voting interest. All significant inter-entity transactions and balances of entities consolidated have been eliminated.

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 investments in certain CLOs and strategic investment in NGP Management Company, L.L.C. (“NGP Management” and, together with its affiliates, “NGP”). Refer to Note 5 for information on the strategic investment in NGP. 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 its variable interests in these unconsolidated entities. The assets recognized in the Partnership’s unaudited condensed consolidated balance sheets related to the Partnership’s variable interests in these non-consolidated VIEs and the Partnership’s maximum exposure to loss relating to unconsolidated VIEs were as follows:

	As of March 31, 2017	December 31, 2016

	(Dollars in millions)	
Investments	$706.0	$ 664.2
Due from affiliates, net	0.1	1.8
Maximum Exposure to Loss	$706.1	$ 666.0

10

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Additionally, as of March 31, 2017, the Partnership had $38.0 million and $22.7 million recognized in the condensed consolidated balance sheet related to accrued carry and management fee receivables, respectively, related to the unconsolidated VIEs.

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.

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.

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 closed-end carry funds in the Corporate Private Equity, Real Assets and Global Market Strategies segments, management fees generally range from 1.0% to 2.0% of commitments during the fund's investment period based on limited partners' capital commitments to the funds. Following the expiration or termination of the investment period, management fees generally are based on the lower of cost or fair value of invested capital and the rate charges may also be reduced to between 0.6% and 2.0%. For certain managed accounts and longer-dated carry funds, with expected terms greater than ten years, management fees generally range from 0.2% to 1.0% based on contributions for unrealized investments or the current value of the investment. The Partnership will receive management fees 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 longer-dated carry funds, management fees are called quarterly over the life of the funds.

Within the Global Market Strategies segment, for CLOs and other structured products, management fees generally range from 0.15% to 0.6% based on the total par amounts 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 and other structured products 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. 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.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Management fees for the Partnership's private equity and real estate carry fund vehicles in the Investment Solutions segment generally range from 0.25% 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 0.25% 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; however, certain managed accounts earn management fees at all times on contributions for unrealized investments. Management fees for the Investment Solutions carry fund vehicles 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 $11.7 million and $23.5 million for the three months ended March 31, 2017 and 2016, 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).

For closed-end carry funds in the Corporate Private Equity, Real Assets and Global Market Strategies segments, the Partnership is generally entitled to a 20% allocation (or 10% to 20% on certain longer-dated carry funds and external co-investment vehicles, or approximately 2% to 10% in the majority of the Investment Solutions segment carry fund vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 7% to 9% (or 4% to 7% for certain longer-dated carry funds) and return of certain fund costs (generally subject to catch-up provisions as set forth in the fund limited partnership agreement). 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 March 31, 2017 and December 31, 2016, the Partnership has recognized $161.2 million and $160.8

million, respectively, for giveback obligations.

The Partnership is also entitled to receive performance fees pursuant to management contracts from certain of its Global Market Strategies funds 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 unaudited 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, including CLOs. 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, as it relates to its investments in NGP (see Note 5). 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. For debt securities representing non-investment grade beneficial interests in securitizations, the effective yield is determined based on the estimated cash flows of the security. Changes in the effective yield of these securities due to changes in estimated cash flows are recognized on a prospective basis as adjustments to interest income in future periods. Interest income earned by the Partnership is included in interest and other income in the accompanying unaudited condensed consolidated statements of operations. Interest income of the Consolidated Funds was $40.5 million and $27.7 million for the three months ended March 31, 2017 and 2016, respectively, and is included in interest and other income of Consolidated Funds in the accompanying unaudited condensed consolidated statements of operations.

Compensation and Benefits

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

Equity-Based Compensation – Compensation expense relating to the issuance of equity-based awards to Carlyle employees is measured at fair value on the grant date. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis. The compensation expense for awards that do not require future service is recognized immediately. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved; in certain instances, such compensation expense may be recognized prior to the grant date of the award.

Equity-based awards issued to non-employees are generally recognized as general, administrative and other expenses, except to the extent they are recognized as part of our equity method earnings because they are issued to employees of our equity method investees. 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 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.

On January 1, 2017, the Partnership adopted ASU 2016-9, Compensation - Stock Compensation (Topic 718). In accordance with ASU 2016-9, the Partnership elected to recognize equity-based award forfeitures in the period they occur as a reversal of previously recognized compensation expense. The reduction in compensation expense is determined based on the specific awards forfeited during that period. Furthermore, the Partnership is required to recognize prospectively all excess tax benefits and deficiencies as income tax benefit or expense in the statement of

operations.

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 a reversal of performance fee revenue, the related compensation expense, if any, is also reversed. As of March 31, 2017 and December 31, 2016, the Partnership had recorded a liability of $1.5 billion and $1.3 billion related to the

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

portion of accrued performance fees due to employees and advisors, respectively, which was included in accrued compensation and benefits in the accompanying unaudited 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 unaudited 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 using the asset and liability method, which requires the recognition of deferred tax assets and liabilities 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 unaudited condensed consolidated financial statements. The Partnership recognizes accrued interest and penalties related to unrecognized tax positions in the provision for income taxes. If recognized, the entire amount of unrecognized tax positions would be recorded as a reduction in the provision for income taxes.

Tax Receivable Agreement

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

Earnings Per Common Unit

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

Investments

Investments include (i) the Partnership's ownership interests (typically general partner interests) in the Funds, (ii) strategic investments made by the Partnership (both of which are accounted for as equity method investments), (iii) the investments held by the Consolidated Funds (which are presented at fair value in the Partnership's unaudited condensed consolidated financial statements), and (iv) certain credit-oriented investments, including investments in the CLOs (which are accounted for as trading securities).

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 investments held by 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.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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.

Cash and Cash Equivalents Held at Consolidated Funds

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

Restricted Cash

Restricted cash primarily represents cash held by the Partnership's foreign subsidiaries due to certain government regulatory capital requirements. Also included in restricted cash at March 31, 2017 is $65.4 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.

Corporate Treasury Investments

Corporate treasury investments represent investments in U.S. Treasury and government agency obligations, commercial paper, certificates of deposit, other investment grade securities and other investments with original maturities of greater than three months when purchased. These investments are accounted for as trading securities in which changes in the fair value of each investment are recorded through investment income (loss). Any interest earned on debt investments is recorded through interest and other income.

Derivative Instruments

The Partnership uses derivative instruments primarily to reduce its exposure to changes in foreign currency exchange rates. Derivative instruments are recognized at fair value in the unaudited condensed consolidated balance sheets with changes in fair value recognized in the unaudited condensed consolidated statements of operations for all derivatives not designated as hedging instruments.

Fixed Assets

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

Intangible Assets and Goodwill

The Partnership's intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, customer relationships, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives, which range from 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 Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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.

Accumulated Other Comprehensive Income (Loss)

The Partnership’s accumulated other comprehensive income (loss) is comprised of 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 March 31, 2017 and December 31, 2016 were as follows:

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Currency translation adjustments	$(92.7)	$ (91.7)
Unrealized losses on defined benefit plans	(3.4)	(3.5)
Total	$(96.1)	$ (95.2)

Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the unaudited 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 $3.7 million and $(10.8) million for the three months ended March 31, 2017 and 2016, respectively, are included in general, administrative and other expenses in the unaudited condensed consolidated statements of operations.

Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805) - Clarifying the Definition of a Business. ASU 2017-01 changes the criteria for determining whether a group of assets acquired is a business. Specifically, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the assets acquired would not be considered a business. The guidance is effective for the Partnership on January 1, 2018 and is required to be applied prospectively, however, early adoption is permitted. This guidance will impact the Partnership's analysis of the accounting for any future acquisitions occurring after the date of adoption.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment. ASU 2017-04 simplifies an entity’s annual goodwill test for impairment by eliminating the requirement to calculate the implied fair value of goodwill, and instead an entity should compare the fair value of a reporting unit with its carrying amount. The impairment charge will then be the amount by which the carrying amount exceeds the reporting unit’s fair value. An entity would still have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance is effective for the Partnership on January 1, 2020 and requires the guidance to be applied using a prospective transition method. Early

adoption is permitted. The Partnership does not expect the impact of this guidance to be material.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash. ASU 2016-18 clarifies the presentation of restricted cash in the statement of cash flows by requiring the amounts described as restricted cash be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. If cash and cash equivalents and restricted cash are presented separately on the statement of financial position, a reconciliation of these separate line items to the total cash amount included in the statement of cash flows will be required either in the footnotes or on the face of the statement of cash flows. The guidance is effective for

the Partnership on January 1, 2018 and ASU 2016-18 requires the guidance to be applied using a retrospective transition method. Early adoption is permitted; however, the Partnership expects to reflect this change in presentation of restricted cash in its first quarter 2018 condensed consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 clarifies the classification of several discrete cash flow issues, including the treatment of cash distributions from equity method investments. The guidance is effective for the Partnership on January 1, 2018 and ASU 2016-15 requires the guidance to be applied using a retrospective transition method. Early adoption is permitted, provided that all of the amendments for all of the topics are adopted in the same period. The Partnership is currently assessing the potential impact of this guidance to its consolidated statements of cash flows.

In June 2016, the FASB issued ASU 2016-13, Accounting for Financial Instruments - Credit Losses (Topic 326). ASU 2016-13 requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Currently, GAAP requires an "incurred loss" methodology that delays recognition until it is probable a loss has been incurred. Under the new standard, the allowance for credit losses must be deducted from the amortized cost of the financial asset to present the net amount expected to be collected. The income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This provision of the guidance requires a modified retrospective transition method and will result in a cumulative-effect adjustment in retained earnings upon adoption. This guidance is effective for the Partnership on January 1, 2020 and early adoption is permitted. The Partnership is currently assessing the potential impact of this guidance.

In March 2016, the FASB issued ASU 2016-9, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. ASU 2016-9 changes certain aspects of accounting for share-based payments to employees. ASU 2016-9 requires the income tax effects of awards to be recognized through the income statement when the awards vest or are settled. Previously, an entity was required to determine for each award whether the difference between the deduction for tax purposes and the compensation cost recognized for financial reporting purposes resulted in either an excess tax benefit or a tax deficiency. Excess tax benefits were recognized in partners' capital, while tax deficiencies were recognized as an offset to accumulated excess tax benefits or in the income statement. Under ASU 2016-9, all excess tax benefits and tax deficiencies are required to be recognized as income tax benefit or expense in the income statement. This provision of the guidance is required to be applied prospectively. Additionally, ASU 2016-9 allows an employer to withhold employee shares upon vest up to maximum statutory tax rates without causing an award to be classified as a liability. This provision of the guidance requires a modified retrospective transition method. Finally, the previous equity-based compensation guidance required cost to be measured based on the number of awards that are expected to vest. Under ASU 2016-9, an accounting policy election can be made to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. This guidance was effective for the Partnership on January 1, 2017. The Partnership adopted this guidance on that date by recording an adjustment for the cumulative effect of adoption in partners' capital on January 1, 2017. The impact of the adjustment was not material to total partners' capital.

In February 2016, the FASB issued ASU 2016-2, Leases (Topic 842). ASU 2016-2 requires lessees to recognize virtually all of their leases on the balance sheet, by recording a right-of-use asset and a lease liability. The lease liability will be measured at the present value of lease payments and the right-of-use asset will be based on the lease

liability value, subject to adjustments. Leases can be classified as either operating leases or finance leases. Operating leases will result in straight-line lease expense, while finance leases will result in front-loaded expense. This guidance is effective for the Partnership on January 1, 2019 and ASU 2016-2 requires the guidance to be applied using a modified retrospective method. Early adoption is permitted. The Partnership is currently assessing the potential impact of this guidance, however, the Partnership's total assets and total liabilities on its consolidated balance sheet will increase upon adoption of this guidance.

The FASB issued ASU 2014-9, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-9") in May 2014 and subsequently issued several amendments to the standard. ASU 2014-9, and related amendments, provide 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

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

when the entity satisfies a performance obligation. The guidance in ASU 2014-9, and the related amendments, is effective for the Partnership beginning on January 1, 2018, and the Partnership plans to adopt this guidance on that date.

Upon adoption of ASU 2014-9, performance fees that represent a performance-based capital allocation from fund limited partners to the Partnership (commonly known as “carried interest”, which comprised over 80% of the Partnership's performance fee revenues for each of the years ended December 31, 2016, 2015 and 2014) will be accounted for as earnings from financial assets within the scope of ASC 323, Investments - Equity Method and Joint Ventures, and therefore will not be in the scope of ASU 2014-9. In accordance with ASC 323, the Partnership will record equity method income (losses) as a component of investment income based on the change in our proportionate claim on net assets of the investment fund, including performance-based capital allocations, assuming the investment fund was liquidated as of each reporting date pursuant to each fund's governing agreements. The Partnership will apply this change in accounting on a full retrospective basis. This change in accounting will result in a reclassification from performance fee revenues to investment income (losses). The Partnership is still determining the potential additional impacts of ASU 2014-9 on its financial statements for those arrangements within the scope of ASU 2014-9, including its accounting for management fees and performance fees earned under other types of contracts.

3. 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.

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.

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.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The following table summarizes the Partnership’s assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of March 31, 2017:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$ —	$ —	$10.8	$10.8
Bonds	—	—	417.6	417.6
Loans	—	—	3,473.2	3,473.2
Other	—	—	1.5	1.5
	—	—	3,903.1	3,903.1
Investments in CLOs and other	—	—	155.9	155.9
Corporate treasury investments				
Bonds	—	87.8	—	87.8
Commercial paper and other	—	61.1	—	61.1
	—	148.9	—	148.9
Foreign currency forward contracts	—	3.4	—	3.4
Total	$ —	$152.3	$4,059.0	$4,211.3
Liabilities				
Loans payable of Consolidated Funds[1]	$ —	$ —	$3,587.5	$3,587.5
Contingent consideration[2]	—	—	1.5	1.5
Loans payable of a consolidated real estate VIE	—	—	77.8	77.8
Foreign currency forward contracts	—	6.0	—	6.0
Total	$ —	$6.0	$3,666.8	$3,672.8

(1) Senior and subordinated notes issued by CLO vehicles are classified based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

(2) Related to contingent consideration associated with the Partnership's acquisitions, excluding employment-based contingent consideration (see Note 8).

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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, 2016:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$ —	$ —	$10.3	$10.3
Bonds	—	—	396.4	396.4
Loans	—	—	3,485.6	3,485.6
Other	—	—	1.4	1.4
	—	—	3,893.7	3,893.7
Investments in CLOs and other	—	—	152.6	152.6
Corporate treasury investments				
Bonds	—	91.3	—	91.3
Commercial paper and other	—	98.9	—	98.9
	—	190.2	—	190.2
Foreign currency forward contracts	—	2.5	—	2.5
Total	$ —	$192.7	$4,046.3	$4,239.0
Liabilities				
Loans payable of Consolidated Funds[1]	$ —	$ —	$3,866.3	$3,866.3
Contingent consideration[2]	—	—	1.5	1.5
Loans payable of a consolidated real estate VIE	—	—	79.4	79.4
Foreign currency forward contracts	—	10.0	—	10.0
Total	$ —	$10.0	$3,947.2	$3,957.2

(1) Senior and subordinated notes issued by CLO vehicles are classified based on the more observable fair value of the CLO financial assets, less (i) the fair value of any beneficial interests held by the Partnership and (ii) the carrying value of any beneficial interests that represent compensation for services.

(2) Related to contingent consideration associated with the Partnership's acquisitions, excluding employment-based contingent consideration (see Note 8).

There were no transfers from Level II to Level I during the three months ended March 31, 2017 and March 31, 2016.

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 is 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

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 (including corporate treasury 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 measures the financial liabilities of its consolidated CLOs based on the fair value of the financial assets of its consolidated CLOs, as the Partnership believes the fair value of the financial assets are more observable. 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 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.
The Partnership measures the CLO loan payables held by third party beneficial interest holders on the basis of the fair value of the financial assets of the CLO and the beneficial interests held by the Partnership. The Partnership continues to measure the CLO loans payable that it holds at fair value based on both discounted cash flow analyses and third-party quotes, as described above.
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.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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

	Financial Assets Three Months Ended March 31, 2017 Investments of Consolidated Funds					
	Equity securities	Bonds	Loans	Other	Investments in CLOs and other	Total
Balance, beginning of period	$10.3	$396.4	$3,485.6	$1.4	$ 152.6	$4,046.3
Purchases	—	66.1	625.4	—	—	691.5
Sales and distributions	—	(56.4)	(408.1)	—	(2.1)	(466.6)
Settlements	—	—	(291.1)	—	—	(291.1)
Realized and unrealized gains (losses), net						
Included in earnings	0.3	5.3	31.0	0.1	2.9	39.6
Included in other comprehensive income	0.2	6.2	30.4	—	2.5	39.3
Balance, end of period	$10.8	$417.6	$3,473.2	$1.5	$ 155.9	$4,059.0
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$0.3	$5.1	$28.4	$0.1	$ 2.9	$36.8

	Financial Assets Three Months Ended March 31, 2016 Investments of Consolidated Funds							
	Equity securities	Bonds	Loans	Partnership and LLC interests(2)	Other	Investments in CLOs and other	Restricted securities of Consolidated Funds	Total
Balance, beginning of period	$575.3	$1,180.9	$15,686.7	$ 59.6	$5.0	$ 1.4	$ 8.7	$17,517.6
Deconsolidation of funds(1)	(562.1)	(890.7)	(13,506.9)	—	(5.0)	123.8	(8.7)	(14,849.6)
Purchases	8.9	47.9	251.8	12.3	—	—	—	320.9
Sales and distributions	(5.1)	(12.5)	(59.3)	—	—	(2.6)	—	(79.5)
Settlements	—	—	(100.7)	—	—	—	—	(100.7)
Realized and unrealized gains (losses), net								
Included in earnings	(6.0)	(8.0)	(61.7)	2.4	0.2	4.0	—	(69.1)
Included in other comprehensive income	0.5	14.3	54.0	—	—	(2.4)	—	66.4
Balance, end of period	$11.5	$331.9	$2,263.9	$ 74.3	$0.2	$ 124.2	$ —	$2,806.0
Changes in unrealized gains (losses) included in earnings	$(5.7)	$(8.0)	$(60.1)	$ 2.4	$0.3	$ 4.0	$ —	$(67.1)

related to financial assets still
held at the reporting date

(1) As a result of the adoption of ASU 2015-2 and the deconsolidation of certain CLOs on January 1, 2016, $123.8 million of investments that the Partnership held in those CLOs are no longer eliminated in consolidation and are now included in investments in CLOs and other for the three months ended March 31, 2016.

(2) As a result of the retrospective adoption of ASU 2015-7, the beginning balance of Partnership and LLC interests that are measured at fair value using the NAV per share practical expedient have been revised to reflect their exclusion from the fair value hierarchy.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

	Financial Liabilities Three Months Ended March 31, 2017			
	Loans Payable of Consolidated Funds	Contingent Consideration	Loans Payable of a consolidated real estate VIE	Total
Balance, beginning of period	$3,866.3	$ 1.5	$ 79.4	$3,947.2
Borrowings	431.5	—	—	431.5
Paydowns	(762.0)	—	(7.4)	(769.4)
Realized and unrealized (gains) losses, net				
Included in earnings	18.1	—	5.3	23.4
Included in other comprehensive income	33.6	—	0.5	34.1
Balance, end of period	$3,587.5	$ 1.5	$ 77.8	$3,666.8
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$26.4	$ —	$ 5.3	$31.7

	Financial Liabilities Three Months Ended March 31, 2016				
	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	$17,046.7	$ 29.1	$ 20.8	$ 75.4	$17,172.0
Deconsolidation of funds	(14,600.3)	(29.0)	—	—	(14,629.3)
Borrowings	12.7	—	—	—	12.7
Paydowns	(5.1)	—	(0.3)	(9.4)	(14.8)
Realized and unrealized (gains) losses, net					
Included in earnings	(59.3)	(0.1)	3.8	7.1	(48.5)
Included in other comprehensive income	64.3	—	—	0.4	64.7
Balance, end of period	$2,459.0	$ —	$ 24.3	$ 73.5	$2,556.8
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$(70.5)	$ —	$ 3.8	$ 7.1	$(59.6)

Realized and unrealized gains and losses included in earnings for Level III investments for investments in CLOs and 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, non-controlling interests in consolidated entities and non-controlling interests in Carlyle Holdings in the condensed consolidated balance sheets.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The following table summarizes quantitative information about the Partnership's Level III inputs as of March 31, 2017:

(Dollars in millions)	Fair Value at March 31, 2017	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	$ 9.8	Discounted Cash Flow	Discount Rates	9% - 10% (9%)
			Exit Cap Rate	7% - 10% (7%)
	1.0	Consensus Pricing	Indicative Quotes ($ per share)	15 - 15 (15)
Bonds	417.6	Consensus Pricing	Indicative Quotes (% of Par)	78 - 109 (101)
Loans	3,473.2	Consensus Pricing	Indicative Quotes (% of Par)	49 - 103 (99)
Other	1.5	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	6 - 7 (7)
	3,903.1			
Investments in CLOs and other:				
Senior secured notes	119.0	Discounted Cash Flow with Consensus Pricing	Discount Rates	1% - 10% (2%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	45% - 75% (60%)
			Indicative Quotes (% of Par)	88 - 102 (100)
Subordinated notes and preferred shares	35.2	Discounted Cash Flow with Consensus Pricing	Discount Rates	8% - 13% (10%)
			Default Rates	1% - 10% (2%)
			Recovery Rates	20% - 75% (60%)
			Indicative Quotes (% of Par)	0 - 98 (93)
Other	1.7	Comparable Multiple	LTM EBITDA Multiple	5.7x - 5.7x (5.7x)
Total	$ 4,059.0			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes [(1)]	$ 3,384.2	Other	N/A	N/A
Subordinated notes and preferred shares [(1)]	50.9	Other	N/A	N/A
	152.4	Discounted Cash Flow with Consensus Pricing	Discount Rates	8% - 13% (10%)
			Default Rates	1% - 3% (2%)

			Recovery Rates	45% - 75% (60%)
			Indicative Quotes (% of Par)	7 - 97 (79)
Loans payable of a consolidated real estate VIE	77.8	Discounted Cash Flow	Discount to Expected Payment	10% - 55% (35%)
			Discount Rate	20% - 30% (23%)
Contingent consideration[2]	1.5	Other	N/A	N/A
Total	$3,666.8			

(1) Beginning on January 1, 2016, CLO loan payables held by third party beneficial interest holders are measured on the basis of the fair value of the financial assets of the CLO and the beneficial interests held by the Partnership.
(2) Relates to contingent consideration associated with the Partnership's acquisitions (see Note 8).

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The following table summarizes quantitative information about the Partnership's Level III inputs as of December 31, 2016:

(Dollars in millions)	Fair Value at December 31, 2016	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	$ 9.6	Discounted Cash Flow	Discount Rates	9% - 10% (9%)
			Exit Cap Rate	7% - 9% (7%)
	0.7	Consensus Pricing	Indicative Quotes ($ per share)	10 - 10 (10)
Bonds	396.4	Consensus Pricing	Indicative Quotes (% of Par)	74 - 108 (99)
Loans	3,485.6	Consensus Pricing	Indicative Quotes (% of Par)	31 - 102 (99)
Other	1.4	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	6 - 8 (7)
	3,893.7			
Investments in CLOs and other				
Senior secured notes	115.9	Discounted Cash Flow with Consensus Pricing	Discount Rate	1% - 11% (2%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	50% - 74% (71%)
			Indicative Quotes (% of Par)	82 - 102 (99)
Subordinated notes and preferred shares	35.4	Discounted Cash Flow with Consensus Pricing	Discount Rate	9% - 14% (12%)
			Default Rates	1% - 10% (2%)
			Recovery Rates	50% - 74% (64%)
			Indicative Quotes (% of Par)	2 - 101 (96)
Other	1.3	Comparable Multiple	LTM EBITDA Multiple	5.7 x - 5.7x (5.7x)
Total	$ 4,046.3			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes[(1)]	$ 3,672.5	Other	N/A	N/A

Subordinated notes and preferred shares[1]	26.9	Other	N/A	N/A
	166.9	Discounted Cash Flow with Consensus Pricing	Discount Rates	9% - 14% (12%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	50% - 74% (66%)
			Indicative Quotes (% of Par)	7 - 90 (68)
Loans payable of a consolidated real estate VIE	79.4	Discounted Cash Flow	Discount to Expected Payment	10% - 55% (37%)
			Discount Rate	20% - 30% (23%)
Contingent consideration[2]	1.5	Other	N/A	N/A
Total	$ 3,947.2			

(1) Beginning on January 1, 2016, CLO loan payables held by third party beneficial interest holders are measured on the basis of the fair value of the financial assets of the CLOs and the beneficial interests held by the Partnership.
(2) Relates to contingent consideration associated with the Partnership's acquisitions (see Note 8).

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

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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 investments in CLOs and other investments include EBITDA multiples, discount rates, default rates, recovery rates and indicative quotes. Significant decreases in EBITDA multiples, recovery rates or indicative quotes in isolation would result in a significantly lower fair value measurement. Significant increases in discount rates or default rates in isolation would result in a significantly lower fair value measurement.
The significant unobservable inputs used in the fair value measurement of the Partnership's loans payable of Consolidated Funds are discount rates, default rates, 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 or 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.

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

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Corporate Private Equity	$1,830.8	$1,375.4
Real Assets	528.0	483.4
Global Market Strategies	83.3	68.6
Investment Solutions	574.6	553.7
Total	$3,016.7	$2,481.1

Approximately 19% of accrued performance fees at March 31, 2017 are related to Carlyle Partners V, L.P., one of the Partnership's Corporate Private Equity funds.
Approximately 27% of accrued performance fees at December 31, 2016, are related to Carlyle Partners V, L.P. and Carlyle Asia 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 (see Note 9), and accrued giveback obligations, which are separately presented in the condensed consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Corporate Private Equity	$(4.1)	$(3.9)
Real Assets	(157.1)	(156.9)

Total	$(161.2)	$(160.8)

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Corporate Private Equity	$568.0	$27.5
Real Assets	57.8	102.2
Global Market Strategies	20.0	1.6
Investment Solutions	35.8	13.9
Total	$681.6	$145.2

Approximately 79%, or $537.5 million, of performance fees for the three months ended March 31, 2017 are related to the following funds along with total revenue recognized (total revenue includes performance fees, fund management fees, and investment income):
•Carlyle Partners V, L.P. (Corporate Private Equity segment) - $184.6 million,
•Carlyle Partners VI, L.P. (Corporate Private Equity segment) - $253.6 million, and
•Carlyle Asia Partners IV, L.P. (Corporate Private Equity segment) - $165.1 million.
Approximately 92%, or $133.1 million, of performance fees for the three months ended March 31, 2016 are related to the following funds along with total revenue recognized (total revenue includes performance fees, fund management fees, and investment income):
•Carlyle Partners V, L.P. (Corporate Private Equity segment) - $73.5 million,
•Carlyle Asia Partners III, L.P. (Corporate Private Equity segment) - $(15.3) million,
•Carlyle Realty Partners V, L.P. (Real Assets segment) - $51.9 million,
•Carlyle Realty Partners VI, L.P. (Real Assets segment) - $19.6 million, and
•Carlyle Realty Partners VII, L.P. (Real Assets segment) - $36.3 million.

5. Investments
Investments consist of the following:

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Equity method investments, excluding accrued performance fees	$1,009.6	$950.9
Investments in CLOs and other	159.4	156.1
Total investments	$1,169.0	$1,107.0

Strategic Investment in NGP
In December 2012, the Partnership entered into an agreement with ECM Capital, L.P. (“ECM”) and Barclays Natural Resource Investments, a division of Barclays Bank PLC (“BNRI”), to make an investment in NGP Management Company, L.L.C. (“NGP Management” and, together with its affiliates, “NGP”), an Irving, Texas-based energy investor. The agreement was amended in March 2017 to further align the interests of the Partnership and NGP. 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

28

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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.

In consideration for these interests, the Partnership paid an aggregate of $504.6 million in cash to ECM and BNRI, and issued 996,572 Carlyle Holdings partnership units to ECM that vest ratably through 2017. In January 2016, the Partnership also paid contingent consideration to BNRI of $183.0 million, of which $63.0 million was paid in cash and $120.0 million was paid by a six year promissory note issued by the Partnership (see Note 7). The transaction also included contingent consideration payable to ECM comprised of up to $45.0 million in cash (of which $22.5 million was paid in March 2017 with the balance payable in January 2018), together with up to $15.0 million in Carlyle Holdings partnership units or cash, which is payable in January 2018, and 597,944 Carlyle Holdings partnership units that were issued in December 2012 and substantially vested upon the amendment in March 2017. The Partnership has also agreed to issue common units on each of February 1, 2018, 2019, and 2020, with a value of $10.0 million per year to an affiliate of NGP Management, and subsequent to 2020, to issue common units on an annual basis with a value not to exceed $10.0 million per year based on a prescribed formula, which will vest over a 42-month period. The Partnership has the right to purchase the remaining equity interests in NGP Management in specific remote situations designed to protect the Partnership's interest.
The Partnership accounts for its investments in NGP under the equity method of accounting. The Partnership recorded its investments in NGP 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 (which were granted in 2012 to certain NGP personnel) were deemed to be compensatory arrangements; these elements are recognized as an expense under applicable U.S. GAAP.
The Partnership records investment income (loss) for its equity income allocation from NGP management fees and performance fees, and also records its share of any allocated expenses from NGP Management, expenses associated with the compensatory elements of the transaction, and the amortization of the basis differences related to the definitive-lived identifiable intangible assets of NGP Management. The net investment earnings (loss) recognized in the Partnership's condensed consolidated statements of operations for the three months ended March 31, 2017 and 2016 were as follows:

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Management fees	$17.6	$20.7
Performance fees	35.6	—
Investment income (loss)	4.0	(1.5)
Expenses	(26.0)	(3.6)
Amortization of basis differences	(2.1)	(13.8)
Net investment income	$29.1	$1.8

The difference between the Partnership's remaining carrying value of its investment and its share of the underlying net assets of the investee was $27.7 million and $29.8 million as of March 31, 2017 and December 31, 2016, respectively; these differences are amortized over a period of 10 years from the initial investment date. In addition, net investment

income for the three months ended March 31, 2017 includes $20.8 million of accelerated expenses (that the Partnership otherwise would have incurred later in the year) as a result of the March 2017 amendment to acknowledge that the performance conditions related to the contingently issuable Carlyle Holdings partnership units had substantially been met ahead of the measurement date.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Equity Method Investments

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

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Corporate Private Equity	$305.8	$ 282.4
Real Assets	659.7	622.8
Global Market Strategies	16.0	20.1
Investment Solutions	28.1	25.6
Total	$1,009.6	$ 950.9

Investment Income (Loss)

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

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Income (loss) from equity investments	$45.4	$(6.4)
Income (loss) from investments in CLOs and other investments	0.9	(3.5)
Other investment income	—	0.3
Total	$46.3	$(9.6)

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 March 31,	
	2017	2016
	(Dollars in millions)	
Corporate Private Equity	$7.6	$(2.3)
Real Assets	35.0	1.8
Global Market Strategies	1.3	(4.9)
Investment Solutions	1.5	(1.0)
Total	$45.4	$(6.4)

Investments in CLOs and Other Investments

Investments in CLOs and other investments as of March 31, 2017 and December 31, 2016 primarily consisted of $159.4 million and $156.1 million, respectively, of investments in CLO senior and subordinated notes, derivative

instruments, and corporate mezzanine securities and bonds.

Investments of Consolidated Funds

The Partnership consolidates the financial positions and results of operations of certain CLOs in which it is the primary beneficiary. During the three months ended March 31, 2017, the Partnership did not form any CLOs in which it is the primary beneficiary.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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

Interest and Other Income of Consolidated Funds

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

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Interest income from investments	$40.5	$27.7
Other income	2.4	1.2
Total	$42.9	$28.9

Net Investment Gains (Losses) of Consolidated Funds

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

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Gains (losses) from investments of Consolidated Funds	$35.2	$(67.8)
Gains (losses) from liabilities of CLOs	(18.1)	59.4
Total	$17.1	$(8.4)

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

	Three Months Ended March 31,	
	2017	2016
	(Dollars in millions)	
Realized losses	$(2.1)	$(6.2)
Net change in unrealized gains (losses)	37.3	(61.6)
Total	$35.2	$(67.8)

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

6. Intangible Assets and Goodwill

The following table summarizes the carrying amount of intangible assets as of March 31, 2017 and December 31, 2016:

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Acquired contractual rights	$74.9	$ 74.1
Acquired trademarks	1.1	1.0
Accumulated amortization	(46.1)	(43.2)
Finite-lived intangible assets, net	29.9	31.9
Goodwill[(1)]	10.2	10.1
Intangible assets, net	$40.1	$ 42.0

(1) Changes in the carrying amount of goodwill is due to foreign currency translation.

As of March 31, 2017, all of the remaining finite-lived intangible assets, net, and goodwill are associated with the Partnership's Investment Solutions segment.

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 March 31, 2017 and 2016, the Partnership evaluated for indicators of impairment certain definite-lived intangible assets associated with acquired contractual rights for fee income. No impairment losses were recorded during the three months ended March 31, 2017 and 2016.
Intangible asset amortization expense was $2.5 million and $10.4 million during the three months ended March 31, 2017 and 2016, respectively, and is included in general, administrative, and other expenses in the unaudited condensed consolidated statements of operations.
The following table summarizes the expected amortization expense for April 1, 2017 through December 31, 2021 (Dollars in millions):

2017	$7.5
2018	9.1
2019	5.3
2020	5.3
2021	2.7
	$29.9

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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

	As of March 31, 2017		As of December 31, 2016	
	Borrowing Outstanding	Carrying Value	Borrowing Outstanding	Carrying Value
Senior Credit Facility Term Loan Due 5/05/2020	$25.0	$24.7	$25.0	$24.7
CLO Term Loans (See below)	34.1	34.1	33.8	33.8
Euro CLO Financing	66.1	66.1	—	—
3.875% Senior Notes Due 2/01/2023	500.0	497.3	500.0	497.2
5.625% Senior Notes Due 3/30/2043	600.0	600.7	600.0	600.7
Promissory Note Due 1/01/2022	108.8	108.8	108.8	108.8
Total debt obligations	$1,334.0	$1,331.7	$1,267.6	$1,265.2

Senior Credit Facility
As of March 31, 2017, the senior credit facility included $25.0 million in a term loan and $750.0 million in a revolving credit facility. As of March 31, 2017, 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 March 31, 2017, the interest rate was 1.92%). There was no amount outstanding under the revolving credit facility at March 31, 2017. Interest expense under the senior credit facility was not significant for the three months ended March 31, 2017 and 2016. The fair value of the outstanding balances of the term loan and revolving credit facility at March 31, 2017 and December 31, 2016 approximated par value based on current market rates for similar debt instruments and are classified as Level III within the fair value hierarchy.
On April 6, 2017, the Partnership borrowed $250.0 million against the $750.0 million revolving credit facility.

CLO Term Loans

For certain of our CLOs, the Partnership finances a portion of its investment in the CLOs through the proceeds received from term loans with financial institutions. The Partnership's outstanding CLO term loans consist of the following (Dollars in millions):

Formation Date	Borrowing Outstanding March 31, 2017		Borrowing Outstanding December 31, 2016		Maturity Date (2)	Interest Rate as of March 31, 2017	
October 3, 2013	$ 13.5	(1)	$ 13.2	(1)	September 28, 2018	1.75%	(3)
June 7, 2016	20.6		20.6		July 15, 2027	2.82%	(4)
	$ 34.1		$ 33.8				

(1) Original borrowing of €12.6 million.
(2) Maturity date is earlier of date indicated or the date that the CLO is dissolved.

(3) Incurs interest at EURIBOR plus 1.75%.
(4) Incurs interest at the weighted average rate of the underlying senior notes. Interest income on the underlying collateral approximated the amount of interest expense and was not significant for the three months ended March 31, 2017.

The CLO term loans are secured by the Partnership's investments in the respective CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and do not have recourse to any other Carlyle entity. Interest expense on these term loans was not significant for the three months ended March 31, 2017 and 2016. The fair value of the outstanding balance of the CLO term loans at March 31, 2017 approximated par value based on current market rates for similar debt instruments. These CLO term loans are classified as Level III within the fair value hierarchy.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

In January 2017, the Partnership entered into a master credit agreement with a financial institution under which the financial institution expects to provide term loans to the Partnership for the purchase of eligible interests in CLOs. This master credit agreement is available to the Partnership to purchase up to $100 million of eligible interests in up to five CLOs. This agreement will terminate at the earlier of the last closing of the fifth CLO term loan under this agreement and January 2020. Any term loan to be issued under this master credit agreement will be secured by the Partnership’s investment in the respective CLO as well as any senior management fee and subordinated management fee payable by each CLO. Any term loan will bear interest at LIBOR plus a weighted average spread over LIBOR on the CLO notes and an applicable margin. Interest will be due quarterly. As of March 31, 2017, no term loans had been issued under this master credit agreement.

European CLO Financing

On February 28, 2017, a subsidiary of the Partnership entered into a financing agreement with several financial institutions under which these financial institutions provided a €61.8 million term loan ($66.1 million at March 31, 2017) to the Partnership. This term loan is secured by the Partnership’s investments in the retained notes in certain European CLOs that were formed in 2014 and 2015. This term loan will mature on the earlier of September 21, 2029 or the date that the certain European CLO retained notes have been redeemed. The Partnership may prepay the term loan in whole or in part at any time after the third anniversary of the date of issuance without penalty. Prepayment of the term loan within the first three years will incur a penalty based on the prepayment amount. Interest on this term loan accrues at EURIBOR plus applicable margins (2.33% at March 31, 2017). Interest expense on this term loan was not significant for the three months ended March 31, 2017. The fair value of the outstanding balance of the term loan at March 31, 2017 approximated par value based on current rates for similar debt instruments. This term loan is classified as Level III within the fair value hierarchy.

3.875% Senior Notes

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

Interest expense on the notes was $5.0 million for the three months ended March 31, 2017 and 2016. At March 31, 2017 and December 31, 2016, the fair value of the notes, including accrued interest, was approximately $511.7 million and $512.8 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. These notes were issued as additional 5.625% Senior Notes and are 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 March 31, 2017 and 2016. At March 31, 2017 and December 31, 2016, the fair value of the notes, including accrued interest, was approximately $619.3 million and $603.1 million, respectively, based on indicative quotes. The notes are classified as Level II within the fair value hierarchy.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Promissory Note

On January 1, 2016, the Partnership issued a $120.0 million promissory note to BNRI as a result of a contingent consideration arrangement entered into in 2012 between the Partnership and BNRI as part of the Partnership's strategic investment in NGP (see Note 5). Interest on the promissory note accrues at the three month LIBOR plus 2.50% (3.65% at March 31, 2017). The Partnership may prepay the promissory note in whole or in part at any time without penalty. The promissory note is scheduled to mature on January 1, 2022. Interest expense on the promissory note was not significant for the three months ended March 31, 2017 and 2016. The fair value of the outstanding balance of the promissory note at March 31, 2017 approximated par value based on current market rates for similar debt instruments and is classified as Level III within the fair value hierarchy.

In December 2016, the Partnership repurchased $11.2 million of the promissory note for a purchase price of approximately $9.0 million. Approximately $108.8 million of the promissory note is outstanding at March 31, 2017 and December 31, 2016.

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 March 31, 2017.

The consolidated real estate VIE was not in compliance with the debt covenants related to substantially all of its loans payable as of March 31, 2017 (see Note 16); such violations do not cause a default or event of default under the Partnership's senior credit facility, CLO term loans, senior notes, or the loans payable of Consolidated Funds.

Loans Payable of Consolidated Funds

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

As of March 31, 2017 and December 31, 2016, the following borrowings were outstanding, which includes preferred shares classified as liabilities (Dollars in millions):

	As of March 31, 2017					
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate			Weighted Average Remaining Maturity in Years
Senior secured notes	$3,371.0	$3,384.2	2.43	%		11.05
Subordinated notes, preferred shares and other	224.1	203.3	N/A		(a)	8.94
Total	$3,595.1	$3,587.5				

	As of December 31, 2016			
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate	Weighted Average Remaining

					Maturity in Years
Senior secured notes	$3,681.0	$ 3,672.5	2.45	%	10.22
Subordinated notes, preferred shares and other	195.6	193.8	N/A	(a)	9.26
Total	$3,876.6	$ 3,866.3			

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

(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.

Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consisted of cash and cash equivalents, corporate loans, corporate bonds and other securities. As of March 31, 2017 and December 31, 2016, the fair value of the CLO assets was $4.3 billion and $4.7 billion, respectively.

8. Contingent Consideration

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

	Rollforward For The Three Months Ended March 31, 2017 Contingent cash and other consideration payable to non-Carlyle personnel (Dollars in millions)
Balance, beginning of period	$ 37.6
Change in carrying value	14.5
Payments	(22.5)
Balance, end of period	$ 29.6

The fair value of contingent cash and other 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.

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 3 for additional disclosures related to the fair value of these instruments as of March 31, 2017 and December 31, 2016.

Based on the terms of the underlying contracts, the maximum amounts that could be paid from contingent cash obligations associated with business acquisitions and the strategic investment in NGP Management as of March 31,

2017 is $49.3 million versus the liabilities recognized on the balance sheet of $29.6 million. Based on the historical and projected performance of the Partnership's acquisitions, the Partnership believes that approximately $10.3 million of the maximum amounts of the contingent cash obligations are unlikely to be paid.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

9. Accrued Compensation and Benefits

Accrued compensation and benefits consist of the following:

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Accrued performance fee-related compensation	$1,546.5	$1,307.4
Accrued bonuses	80.1	177.2
Other	100.2	177.2
Total	$1,726.8	$1,661.8

10. Commitments and Contingencies

Capital Commitments

The Partnership and its unconsolidated affiliates have unfunded commitments to entities within the following segments as of March 31, 2017 (Dollars in millions):

	Unfunded Commitments
Corporate Private Equity	$ 1,363.3
Real Assets	655.1
Global Market Strategies	459.5
Investment Solutions	111.6
Total	$ 2,589.5

Of the $2.6 billion of unfunded commitments, approximately $2.3 billion is subscribed individually by senior Carlyle professionals, advisors 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 (4.00% weighted-average rate at March 31, 2017). As of March 31, 2017 and December 31, 2016, approximately $10.9 million and $9.6 million, respectively, were outstanding under the credit facility and payable by the employees. The amount funded by the Partnership under this guarantee as of March 31, 2017 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 $161.2 million at March 31, 2017, is shown as accrued giveback obligations in the condensed consolidated balance sheets, representing the giveback obligation that would need to be paid if the funds were liquidated at their current fair values at March 31, 2017. However, the ultimate giveback obligation, if any, generally is not paid until the end of a fund’s life or earlier if the giveback becomes fixed and early payment is agreed upon by the fund's partners (see Note 2). The Partnership has recorded $2.8 million and $5.6 million of unbilled receivables from former and current employees and senior Carlyle

professionals as of March 31, 2017 and December 31, 2016, respectively, related to giveback obligations, which are included in due from affiliates and other receivables, net in the accompanying condensed consolidated balance sheets. The receivables are collateralized by investments

made by individual senior Carlyle professionals and employees in Carlyle-sponsored funds. In addition, $340.5 million and $356.9 million have been withheld from distributions of carried interest to senior Carlyle professionals and employees for potential giveback obligations as of March 31, 2017 and December 31, 2016, respectively. Such amounts are held on behalf of the respective current and former Carlyle employees to satisfy any givebacks they may owe and are held by entities not included in the accompanying condensed consolidated balance sheets. Current and former senior Carlyle professionals and employees are personally responsible for their giveback obligations. As of March 31, 2017, approximately $102.6 million of the Partnership's accrued giveback obligation is the responsibility of various current and former senior Carlyle professionals and other limited partners of the Carlyle Holdings partnerships, and the net accrued giveback obligation attributable to Carlyle Holdings is $58.6 million.

If, at March 31, 2017, all of the investments held by the Partnership’s Funds were deemed worthless, a possibility that management views as remote, the amount of realized and distributed carried interest subject to potential giveback would be $1.1 billion, on an after-tax basis where applicable.

Leases

The Partnership leases office space in various countries around the world and maintains its headquarters in Washington, D.C., where it leases its primary office space under a non-cancelable lease agreement expiring on July 31, 2026. Office leases in other locations expire in various years from 2017 through 2032. These leases are accounted for as operating leases. Rent expense was approximately $14.1 million and $13.6 million for the three months ended March 31, 2017 and 2016, 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):

2017	$38.9
2018	48.5
2019	47.1
2020	46.5
2021	42.4
Thereafter	328.8
	$552.2

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 $54.7 million and $60.3 million as of March 31, 2017 and December 31, 2016, 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, inquiries, employment-related matters, 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, in excess of amounts accrued, 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 in excess of amounts accrued. The Partnership believes that the claims asserted against the Partnership in the pending litigation matters described below are without merit and intends to vigorously contest such allegations.

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

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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 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 was 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, and activity related to the suit resumed in the fall of 2015. A new judge was appointed to hear the case and the Attorney General moved to dismiss the entire litigation so that the Attorney General can pursue its own recovery from the defendants in the action. A hearing for that motion to dismiss was held in 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 more than $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. The trial, in the Royal Court of Guernsey, began in June 2016 and ended in December 2016. The Court has not rendered its decision.

The Partnership currently is and expects to continue to be, from time to time, subject to examinations, formal and informal inquiries and investigations by various U.S. and non-U.S. governmental and regulatory agencies, including but not limited to, the SEC, Department of Justice, state attorneys general, FINRA, National Futures Association and the U.K. Financial Conduct Authority. The Partnership routinely cooperates with such examinations, inquiries and investigations, and they may result in the commencement of civil, criminal, or administrative or other proceedings against the Partnership or its personnel. For example, among various other requests for information, the SEC has requested information about: (i) the Partnership's historical practices relating to the acceleration of monitoring fees received from certain of the Partnership's funds' portfolio companies, (ii) the Partnership's relationship with a third-party investment adviser to a registered investment company that has invested in various investment funds sponsored by the Partnership, and (iii) a complaint allegedly made by a former employee who has filed a claim against the Partnership in district court for wrongful termination of his employment. The Partnership is cooperating fully with the SEC's inquiries.

A hedge fund and two structured finance vehicles managed by an affiliate of the Partnership invested approximately $400 million in petroleum commodities that the Partnership believes were misappropriated by third parties outside the U.S. The Partnership is pursuing various remedies on behalf of these investment vehicles, including claims under property & casualty insurance policies and claims against parties believed to have been involved in the misappropriation (the "Recovery Efforts"), but the amount and timing of recovery by the investment vehicles is uncertain. Certain of these investment vehicles were also adversely impacted by losses on commodity price hedges and delays in repayment by another counterparty. In December 2016, the Partnership repurchased investor interests in the hedge fund for $100 million, settling potential claims against the Partnership and acquiring rights to proceeds from the Recovery Efforts. Other investors also have asserted claims relating to these matters and the Partnership could incur significant additional costs or liabilities in connection with these claims.

It is not possible to predict the ultimate outcome of all pending investigations and legal proceedings and employment-related matters, 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 does not believe 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 the Partnership's financial results in any particular period.

The Partnership accrues an estimated loss contingency liability when it is probable that such a liability has been incurred and the amount of the loss can be reasonably estimated. As of March 31, 2017, the Partnership had recorded liabilities aggregating to $175 million for litigation-related contingencies, regulatory examinations and inquiries, and other matters. The

Partnership evaluates its outstanding legal and regulatory proceedings and other matters each quarter to assess its loss contingency accruals, and makes adjustments in such accruals, upward or downward, as appropriate, based on management's best judgment after consultation with counsel. There is no assurance that the Partnership's accruals for loss contingencies will not need to be adjusted in the future or that, in light of the uncertainties involved in such matters, the ultimate resolution of these matters will not significantly exceed the accruals that the Partnership has recorded.

Transaction with Claren Road

On December 12, 2016, the Partnership signed an agreement with the founders of Claren Road Asset Management, LLC and its subsidiaries (collectively, "Claren Road") to transfer all of the Partnership's 63% ownership interest in Claren Road to its founders. As a result of the transaction, the Partnership is also relieved of all of its obligations under the 2010 acquisition agreement, including any potential future obligations thereunder. This transaction closed on January 31, 2017. The Partnership recorded additional base compensation expense of approximately $25.0 million in the year ended December 31, 2016 associated with the transfer of the interests to Claren Road in addition to the disposition of approximately $4.4 million of intangible assets and approximately $10.8 million of potential future obligations. The remaining income before provision for income taxes for the year ended December 31, 2016 was not material. The impact of this transaction on our results for the three months ended March 31, 2017 was not material. Claren Road was part of the Partnership's Global Market Strategies segment.

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 Partnership and the funds make investments outside of the United States. Investments outside the United States 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 Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The Partnership considers cash, cash equivalents, securities, receivables, equity method investments, accounts payable, accrued expenses, other liabilities, loans, 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 7.

11. Related Party Transactions

Due from Affiliates and Other Receivables, Net

The Partnership had the following due from affiliates and other receivables at March 31, 2017 and December 31, 2016:

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Unbilled receivable for giveback obligations from current and former employees	$2.8	$ 5.6
Notes receivable and accrued interest from affiliates	14.3	37.6
Other receivables from unconsolidated funds and affiliates, net	182.8	184.0
Total	$199.9	$ 227.2

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 6.79% as of March 31, 2017. 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 March 31, 2017 and December 31, 2016:

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Due to affiliates of Consolidated Funds	$0.2	$ 0.2
Due to non-consolidated affiliates [(1)]	105.4	29.7
Performance-based contingent cash consideration related to acquisitions	28.1	36.1
Amounts owed under the tax receivable agreement	134.7	137.8

Other	15.5	19.8
Total	$283.9	$ 223.6

(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 Carlyle Holdings partnership units in June 2015 and March 2014,

respectively, as well as the exchange in May 2012 by CalPERS of its Carlyle Holdings partnership units for Partnership common units.

Other Related Party Transactions

In the normal course of business, the Partnership has made use of aircraft owned by entities controlled by senior Carlyle professionals. The senior Carlyle professionals paid for their purchases of 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, which is made at market rates, totaled $1.2 million and $1.1 million for the three months ended March 31, 2017 and 2016, 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 can be distributed to senior Carlyle professionals and employees on a current basis, but is subject to repayment by the subsidiary of the Partnership that acts as general partner of the fund in the event that certain specified return thresholds are not ultimately achieved. The senior Carlyle professionals and certain other investment professionals have personally guaranteed, subject to certain limitations, the obligation of these subsidiaries in respect of this general partner obligation. Such guarantees are several and not joint and are limited to a particular individual’s distributions received.

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

12. 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 was $5.8 million and $7.4 million for the three months ended March 31, 2017 and 2016, respectively.

In the normal course of business, the Partnership is subject to examination by federal and certain state, local and foreign tax regulators. As of March 31, 2017, the Partnership’s U.S. federal income tax returns for the years 2013 through 2016 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 2012 to 2016. Foreign tax returns are generally subject to audit from 2009 to 2016. 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.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

13. Non-controlling Interests in Consolidated Entities

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

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	$13.6	$ 13.5
Non-Carlyle interests in majority-owned subsidiaries	301.9	331.7
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	(68.8)	(67.4)
Non-controlling interests in consolidated entities	$246.7	$ 277.8

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

	Three Months Ended March 31,	
	2017	2016
	(Dollars in Millions)	
Non-Carlyle interests in Consolidated Funds	$(0.1)	$1.2
Non-Carlyle interests in majority-owned subsidiaries	0.8	1.7
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	2.6	(5.3)
Net income (loss) attributable to other non-controlling interests in consolidated entities	3.3	(2.4)
Net income attributable to redeemable non-controlling interests in consolidated entities	—	0.1
Non-controlling interests in income (loss) of consolidated entities	$3.3	$(2.3)

14. Earnings Per Common Unit

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

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Basic	Diluted	Basic	Diluted
Net income attributable to The Carlyle Group L.P.	$83,000,000	$83,000,000	$8,400,000	$8,400,000
Incremental net (loss) income from assumed exchange of Carlyle Holdings partnership units	—	—	—	(6,400,000)
Net income attributable to common units	$83,000,000	$83,000,000	$8,400,000	$2,000,000
Weighted-average common units outstanding	85,337,534	91,967,452	80,885,060	299,949,767
Net income per common unit	$0.97	$0.90	$0.10	$0.01

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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

	Three Months Ended March 31, 2017		Three Months Ended March 31, 2016	
	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. weighted-average common units outstanding	85,337,534	85,337,534	80,885,060	80,885,060
Unvested deferred restricted common units	—	6,031,974	—	1,809,650
Issuable Carlyle Holdings Partnership units	—	597,944	—	—
Weighted-average vested Carlyle Holdings Partnership units	—	—	—	216,955,323
Unvested Carlyle Holdings Partnership units	—	—	—	299,734
Weighted-average common units outstanding	85,337,534	91,967,452	80,885,060	299,949,767

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.

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 issuable Carlyle Holdings partnership units associated with the Partnership's strategic investments in NGP. For purposes of determining the dilutive weighted-average common units, it is assumed that March 31, 2017 and 2016 represent the end of the contingency period.

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, 224,675,389 of vested Carlyle Holdings partnership units and 2,991,731 of unvested Carlyle Holdings partnership units for the three months ended March 31, 2017 were antidilutive, and therefore have been excluded. Further, based on these calculations, 216,955,323 of vested Carlyle Holdings partnership units and 299,734 of unvested Carlyle Holdings partnership units for the three months ended March 31, 2016 were dilutive. As a result, the net loss of non-controlling interests in Carlyle Holdings associated with the assumed exchange of $6.4 million for the three months ended March 31, 2016 has been included in net income (loss) attributable to The Carlyle Group L.P. for purposes of the dilutive earnings per common unit calculation.

On August 1, 2013, as part of acquiring the remaining 40% equity interests in AlpInvest, the Partnership issued 914,087 common units that are subject to vesting conditions. As of March 31, 2017, 7,782 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.

15. Equity and Equity-Based Compensation

Unit Repurchase Program

In February 2016, the Board of Directors of the general partner of the Partnership authorized the repurchase of up to $200 million of common units and/or Carlyle Holdings units. Under this unit repurchase program, units may be

repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The Partnership expects that the majority of repurchases under this program will be done via open market transactions. No units will be repurchased from the Partnership's executive officers under this program. The timing and actual number of common units and/or Carlyle Holdings

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

units repurchased will depend on a variety of factors, including legal requirements, price, and economic and market conditions. This unit repurchase program may be suspended or discontinued at any time and does not have a specified expiration date. During the three months ended March 31, 2017, the Partnership paid an aggregate of $0.2 million to repurchase and retire 14,190 units with all of the repurchases done via open market transactions. Since inception of this program, the Partnership has paid an aggregate of $59.1 million to repurchase and retire 3.7 million units.

Quarterly Unit Exchange Program

Beginning in the second quarter of 2017, senior Carlyle professionals will be able to exchange their Carlyle Holdings partnership units for common units on a quarterly basis, subject to the terms of the Exchange Agreement.

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, 2017, 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 32,645,874.
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. These 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. For both the three months ended March 31, 2017 and 2016, the expense associated with these awards was not material.

As of March 31, 2017, the total unrecognized equity-based compensation expense related to unvested common units was not material and is expected to be recognized within the year.

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. The Partnership recorded equity-based compensation expense associated with these awards of $35.3 million and $42.5 million for the three months ended March 31, 2017 and 2016, 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. As disclosed in Note 5, the performance condition was removed as part of the March 2017 agreement with NGP. 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 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 periods prior to 2017 for Carlyle Holdings partnership

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

units that vest based on the achievement of performance conditions, the Partnership used the minimum number of partnership units within the range of potential values for measurement and recognition purposes.
As of March 31, 2017, the total unrecognized equity-based compensation expense related to unvested Carlyle Holdings partnership units, considering estimated forfeitures, is $188.0 million, which is expected to be recognized over a weighted-average term of 1.1 years.

Deferred Restricted Common Units
The deferred restricted common units are unvested when granted and vest ratably over a service period, which ranges up to six years. The grant-date fair value of the deferred restricted common units granted to Carlyle's employees 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 per unit discount that generally ranges up to 40%, as these unvested awards do not participate in any Partnership distributions. The Partnership recorded compensation expense of $37.5 million and $31.7 million for the three months ended March 31, 2017 and 2016, respectively, with $4.2 million and $4.3 million of corresponding deferred tax benefits, respectively. As of March 31, 2017, the total unrecognized equity-based compensation expense related to unvested deferred restricted common units is $265.1 million, which is expected to be recognized over a weighted-average term of 2.2 years.
Equity-based awards issued to non-employees are recognized as general, administrative and other expenses. The expense associated with the deferred restricted common units granted to NGP personnel by the Partnership are recognized as a reduction of the Partnership's investment income in NGP Management. The grant-date fair value of deferred restricted common units granted to Carlyle's non-employee directors 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 based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. The expense for equity-based awards issued to non-employees was not significant for the three months ended March 31, 2017 and 2016.
A summary of the status of the Partnership's non-vested equity-based awards as of March 31, 2017 and a summary of changes for the three months ended March 31, 2017, 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, 2016	17,240,000	$ 22.22	16,705,920	$ 19.21	38,911	$ 21.67	2,520	$ 34.81
Granted	—	$ —	7,561,820	$ 13.97	—	$ —	—	$ —
Vested	—	$ —	1,076,913	$ 23.05	31,129	$ 21.53	2,520	$ 34.81
Forfeited	437,314	$ 22.00	242,386	$ 21.90	—	$ —	—	$ —
Balance, March 31, 2017	16,802,686	$ 22.22	22,948,441	$ 17.26	7,782	$ 22.22	—	$ —

16. 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

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

90 days. The Partnership will disclose the effect of intervening events at Urbplan that materially affect the financial position or results of operations of the Partnership, if any.
The assets and liabilities of Urbplan are held in legal entities separate from the Partnership; the Partnership has not guaranteed or assumed any obligation for repayment of Urbplan’s liabilities nor are the assets of Urbplan available to meet the liquidity requirements of the Partnership. Urbplan has substantially completed construction of its development projects, and no new development projects have been approved. At this time, Urbplan's projected revenues and cash flow may be insufficient to timely satisfy all of Urbplan's debt obligations, necessitating a restructuring of its debt obligations or a potential bankruptcy reorganization or insolvency proceeding. Furthermore, while the Partnership has not expressly assumed any of Urbplan's obligations or liabilities, in any such proceeding customers or other creditors in certain circumstances might seek to assert claims against the Partnership and its affiliate assets unrelated to Urbplan under certain consumer protection, labor or other laws.
Urbplan is currently a party to a significant number of claims filed against Urbplan by its customers. In addition, Urbplan is a party to various other litigation, government investigations and proceedings, disputes and other potential claims. As of March 31, 2017, the Partnership has recorded liabilities of approximately $70 million related to such matters in other liabilities of a consolidated real estate VIE. 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 March 31, 2017, $375.8 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 $128.3 million of the $375.8 million and the remaining $247.5 million has been funded by senior Carlyle professionals indirectly through the Partnership. For the three months ended March 31, 2017, $6.7 million was funded to Urbplan by the Partnership.

No contractual or other obligations exist to provide additional financial support to Urbplan from the Partnership. Urbplan continues to seek opportunities to restructure its existing debt obligations to reduce its cash requirements. The Partnership does not anticipate providing any additional financial support to satisfy Urbplan's debt obligations. The Partnership may consider providing additional financial support for other purposes, depending on the circumstances at the time, including the ability of Urbplan to satisfactorily restructure its debt obligations with its financial creditors. The Partnership does not expect any such additional funding to exceed $25 million.
The assets and liabilities recognized in the Partnership’s condensed consolidated balance sheets as of March 31, 2017 and December 31, 2016 related to Urbplan were as follows:

	As of March 31, 2017	December 31, 2016
	(Dollars in millions)	
Receivables and inventory of a consolidated real estate VIE:		
Customer and other receivables	$114.7	$ 99.4
Inventory costs in excess of billings and advances	59.1	46.0
	$173.8	$ 145.4
Other assets of a consolidated real estate VIE:		
Restricted investments	$13.8	$ 12.7
Fixed assets, net	0.2	0.2
Deferred tax assets	4.3	9.1

Other assets	14.4	9.5
	$32.7	$ 31.5
Loans payable of a consolidated real estate VIE, at fair value (principal amount of $141.5 million and $144.4 million as of March 31, 2017 and December 31, 2016, respectively)	$77.8	$ 79.4
Other liabilities of a consolidated real estate VIE:		
Accounts payable	$13.1	$ 14.6
Other liabilities	164.4	109.9
	$177.5	$ 124.5

47

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The revenues and expenses recognized in the Partnership's condensed consolidated statements of operations for the three months ended March 31, 2017 and 2016, respectively, related to Urbplan were as follows:

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
	(Dollars in millions)	
Revenue of a consolidated real estate VIE		
Land development services	$91.8	$ 19.1
Investment income	0.8	5.3
	$92.6	$ 24.4
Interest and other expenses of a consolidated real estate VIE:		
Costs of products sold and services rendered	$55.9	$ 10.7
Interest expense	8.9	7.5
Change in fair value of loans payable	0.6	0.7
Compensation and benefits	1.4	1.7
G&A and other expenses	52.8	2.8
	$119.6	$ 23.4

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. Most of the 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 $29.2 million and $91.5 million of customer advances received as of March 31, 2017 and December 31, 2016, respectively, and lots returned or otherwise recovered by Urbplan. 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. 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 55% of the outstanding principal amounts of the loans as of March 31, 2017. 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 of 4.0% (16.2% as of March 31, 2017); (ii) IGP-M plus a margin of 12.0% (16.9% as of March 31, 2017); or (iii) IPCA plus a margin ranging from 8.8% to 15.0% (13.4% to 19.6% as of March 31, 2017). Outstanding principal amounts on the loans based on current contractual terms are payable as follows (Dollars in millions):

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

2017	$15.5
2018	14.8
2019	22.1
2020	22.0
2021	20.1
Thereafter	47.0
	$141.5

Most of Urbplan's customer and other receivables and investments have been pledged as collateral for the loans. As of March 31, 2017, 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.

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. This balance also includes amounts accrued for various litigation, government investigations and proceedings, disputes and other potential claims, including claims filed against Urbplan by its customers.

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. Impairment charges are recorded in general and administrative expenses within interest and other expenses of a consolidated real estate VIE.

As of March 31, 2017, Urbplan's outstanding commitments for land development services are estimated to be less than $10.0 million of future costs to be incurred.

17. Segment Reporting

Carlyle conducts its operations through four reportable segments:

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

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.

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, and interest rate products and their derivatives. We have exited our hedge fund business (ESG in 2016 and Claren Road in January 2017) and are in the process of winding down our remaining commodities positions.

Investment Solutions – The Investment Solutions segment advises global private equity fund of funds programs and related co-investment and secondary activities through AlpInvest. This segment also includes Metropolitan, a global manager of real estate fund of funds and related co-investment and secondary activities, and for the three months ended

March 31, 2016, Diversified Global Asset Management ("DGAM"). The Partnership wound down the operations of DGAM throughout 2016.
The Partnership's reportable business segments are differentiated by their various investment focuses and strategies. Overhead costs are generally allocated based on direct base compensation expense for each segment. The Partnership includes adjustments to reflect the Partnership's economic interests in Claren Road (through January 2017), ESG (through June 2016), and Vermillion. Beginning in July 2015 in connection with the departure of certain Vermillion principals and the restructuring of its operations, the Partnership's economic interests were increased in stages and is 88% (to the extent Vermillion exceeds certain performance hurdles). Otherwise, the Partnership's economic interest, and share of management fees of Vermillion, is 100%. Effective January 1, 2016, the Partnership's economic interest in Claren Road increased from 55% to 63% as a result of reallocation of interest from a departing founder. On January 31, 2017, the Partnership transferred all of its economic interests in Claren Road to its founders (see Note 10). The Partnership's earnings from its investment in NGP 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 fees, and does not include net income (loss) attributable to non-Carlyle interests in consolidated entities 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, changes in the tax receivable agreement liability, 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 estimated fair value of contingent consideration issued in conjunction with acquisitions or strategic investments, gains and losses from the retirement of debt, charges associated with contract terminations and employee severance.
Fee Related Earnings ("FRE") is a component of ENI and is used to assess the ability of the business to cover direct base compensation and operating expenses from total fee revenues. FRE differs from income (loss) before provision for income taxes computed in accordance with U.S. GAAP in that it adjusts for the items included in the calculation of ENI and also adjusts ENI to exclude net performance fees, investment income from investments in Carlyle funds, equity-based compensation and certain general, administrative and other expenses when the timing of any future payment is uncertain.
Distributable Earnings ("DE") is FRE plus realized net performance fees and realized investment income, and is used to assess performance and amounts potentially available for distribution. DE is used by management primarily in making resource deployment and compensation decisions across the Partnership's four reportable segments. Management also uses Distributable Earnings in our budgeting, forecasting, and the overall management of our 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, the key performance measures discussed above and all segment data exclude the assets, liabilities and operating results related to the Consolidated Funds.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The following table presents the financial data for the Partnership's four reportable segments as of and for the three months ended March 31, 2017:

	March 31, 2017 and the Three Months Then Ended				
	Corporate Private Equity	Real Assets	Global Market Strategies	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$115.7	$56.0	$ 48.1	$ 35.8	$255.6
Portfolio advisory fees, net	3.8	0.1	0.1	—	4.0
Transaction fees, net	7.7	—	—	—	7.7
Total fund level fee revenues	127.2	56.1	48.2	35.8	267.3
Performance fees					
Realized	51.3	13.5	5.6	12.6	83.0
Unrealized	515.3	78.7	14.5	23.2	631.7
Total performance fees	566.6	92.2	20.1	35.8	714.7
Investment income (loss)					
Realized	0.2	(8.1)	2.4	0.1	(5.4)
Unrealized	5.5	5.2	4.2	1.1	16.0
Total investment income (loss)	5.7	(2.9)	6.6	1.2	10.6
Interest income	1.1	0.6	1.6	0.1	3.4
Other income	1.3	0.4	3.4	0.1	5.2
Total revenues	701.9	146.4	79.9	73.0	1,001.2
Segment Expenses					
Compensation and benefits					
Direct base compensation	55.4	19.7	17.1	16.1	108.3
Indirect base compensation	18.7	10.9	6.6	2.8	39.0
Equity-based compensation	15.0	8.8	4.3	2.0	30.1
Performance fee related					
Realized	26.1	6.8	2.7	12.1	47.7
Unrealized	227.8	19.3	6.8	19.0	272.9
Total compensation and benefits	343.0	65.5	37.5	52.0	498.0
General, administrative, and other indirect expenses	35.0	15.6	23.2	6.8	80.6
Depreciation and amortization expense	3.7	1.8	1.2	0.8	7.5
Interest expense	6.8	4.1	2.6	1.5	15.0
Total expenses	388.5	87.0	64.5	61.1	601.1
Economic Net Income	$313.4	$59.4	$ 15.4	$ 11.9	$400.1
(-) Net Performance Fees	312.7	66.1	10.6	4.7	394.1
(-) Investment Income (Loss)	5.7	(2.9)	6.6	1.2	10.6
(+) Equity-based Compensation	15.0	8.8	4.3	2.0	30.1
(=) Fee Related Earnings	$10.0	$5.0	$ 2.5	$ 8.0	$25.5
(+) Realized Net Performance Fees	25.2	6.7	2.9	0.5	35.3
(+) Realized Investment Income (Loss)	0.2	(8.1)	2.4	0.1	(5.4)

(=) Distributable Earnings	$35.4	$3.6	$ 7.8	$ 8.6	$55.4
Segment assets as of March 31, 2017	$2,967.8	$1,640.9	$ 716.7	$ 889.9	$6,215.3

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The following table presents the financial data for the Partnership's four reportable segments for the three months ended March 31, 2016:

	Three Months Ended March 31, 2016				
	Corporate Private Equity	Real Assets	Global Market Strategies	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$127.2	$65.2	$ 51.1	$ 36.4	$279.9
Portfolio advisory fees, net	3.1	—	0.1	—	3.2
Transaction fees, net	20.3	—	—	—	20.3
Total fund level fee revenues	150.6	65.2	51.2	36.4	303.4
Performance fees					
Realized	126.2	1.8	1.8	2.2	132.0
Unrealized	(93.1)	97.7	(0.3)	11.7	16.0
Total performance fees	33.1	99.5	1.5	13.9	148.0
Investment income (loss)					
Realized	4.5	2.2	0.8	—	7.5
Unrealized	(6.1)	(4.7)	(2.1)	(1.0)	(13.9)
Total investment income (loss)	(1.6)	(2.5)	(1.3)	(1.0)	(6.4)
Interest income	0.9	0.5	1.5	0.1	3.0
Other income	1.5	0.4	1.1	0.1	3.1
Total revenues	184.5	163.1	54.0	49.5	451.1
Segment Expenses					
Compensation and benefits					
Direct base compensation	59.8	20.2	23.2	18.6	121.8
Indirect base compensation	19.6	9.2	8.2	2.8	39.8
Equity-based compensation	17.8	6.2	5.0	2.4	31.4
Performance fee related					
Realized	58.6	0.8	0.8	1.7	61.9
Unrealized	(44.7)	44.8	(1.1)	11.8	10.8
Total compensation and benefits	111.1	81.2	36.1	37.3	265.7
General, administrative, and other indirect expenses	30.9	14.9	19.2	9.4	74.4
Depreciation and amortization expense	3.4	1.5	1.5	0.9	7.3
Interest expense	6.9	4.0	2.7	1.6	15.2
Total expenses	152.3	101.6	59.5	49.2	362.6
Economic Net Income (Loss)	$32.2	$61.5	$ (5.5)	$ 0.3	$88.5
(-) Net Performance Fees	19.2	53.9	1.8	0.4	75.3
(-) Investment Loss	(1.6)	(2.5)	(1.3)	(1.0)	(6.4)
(+) Equity-based Compensation	17.8	6.2	5.0	2.4	31.4
(=) Fee Related Earnings	$32.4	$16.3	$ (1.0)	$ 3.3	$51.0
(+) Realized Net Performance Fees	67.6	1.0	1.0	0.5	70.1
(+) Realized Investment Income	4.5	2.2	0.8	—	7.5
(=) Distributable Earnings	$104.5	$19.5	$ 0.8	$ 3.8	$128.6

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The following table reconciles the Total Segments to the Partnership's Income Before Provision for Taxes for the three months ended March 31, 2017 and 2016, and Total Assets as of March 31, 2017.

	March 31, 2017 and the Three Months Then Ended				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$1,001.2	$ 42.9	$ 76.0	(a)	$ 1,120.1
Expenses	$601.1	$ 53.0	$ 155.4	(b)	$ 809.5
Other income	$—	$ 17.1	$ —	(c)	$ 17.1
Economic net income	$400.1	$ 7.0	$ (79.4)	(d)	$ 327.7
Total assets	$6,215.3	$ 4,343.0	$ (183.1)	(e)	$ 10,375.2

	Three Months Ended March 31, 2016				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$451.1	$ 28.9	$ 3.1	(a)	$ 483.1
Expenses	$362.6	$ 29.7	$ 67.1	(b)	$ 459.4
Other income	$—	$ (8.4)	$ —	(c)	$ (8.4)
Economic net income	$88.5	$ (9.2)	$ (64.0)	(d)	$ 15.3

(a) The Revenues adjustment principally represents fund management and performance fees earned from the Consolidated Funds which were eliminated in consolidation to arrive at the Partnership's total revenues, adjustments for amounts attributable to non-controlling interests in consolidated entities, adjustments related to expenses associated with the investments in NGP Management and its affiliates that are included in operating captions or are excluded from the segment results, adjustments to reflect the Partnership's share of Urbplan's net losses as a component of investment income, the inclusion of tax expenses associated with certain performance fees, and adjustments to reflect the Partnership's ownership interests in Claren Road (through January 2017), ESG (through June 2016), and Vermillion 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, changes in the tax receivable agreement liability, charges and credits associated with Carlyle corporate actions and non-recurring items and adjustments to reflect the Partnership's economic interests in Claren Road (through January 2017), ESG (through June 2016), and Vermillion, as detailed below (Dollars in millions):

	Three Months Ended March 31,	
	2017	2016
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	$67.0	$45.4

Acquisition related charges, including amortization of intangibles and impairment	8.8	17.7
Other non-operating expense	—	3.8
Tax expense associated with performance fees	(2.9)	(3.3)
Non-Carlyle economic interests in acquired businesses and the consolidated real estate VIE	87.5	2.4
Severance and other adjustments	2.8	7.4
Elimination of expenses of Consolidated Funds	(7.8)	(6.3)
	$155.4	$67.1

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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

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

	Three Months Ended March 31,	
	2017	2016
Income before provision for income taxes	$327.7	$15.3
Adjustments:		
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	67.0	45.4
Acquisition related charges, including amortization of intangibles and impairment	8.8	17.7
Other non-operating expense	—	3.8
Tax provision associated with performance fees	(2.9)	(3.3)
Net (income) loss attributable to non-controlling interests in consolidated entities	(3.3)	2.3
Severance and other adjustments	2.8	7.3
Economic Net Income	$400.1	$88.5
Net performance fees[(1)]	394.1	75.3
Investment income (loss)[(1)]	10.6	(6.4)
Equity-based compensation	30.1	31.4
Fee Related Earnings	$25.5	$51.0
Realized performance fees, net of related compensation	35.3	70.1
Realized investment income (loss)[(1)]	(5.4)	7.5
Distributable Earnings	$55.4	$128.6

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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

	Three Months Ended March 31, 2017		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$83.2	$ (0.2)	$ 83.0
Unrealized	598.4	33.3	631.7
Total performance fees	681.6	33.1	714.7
Performance fee related compensation expense			
Realized	45.8	1.9	47.7
Unrealized	271.3	1.6	272.9
Total performance fee related compensation expense	317.1	3.5	320.6
Net performance fees			
Realized	37.4	(2.1)	35.3
Unrealized	327.1	31.7	358.8
Total net performance fees	$364.5	$ 29.6	$ 394.1
Investment income (loss)			
Realized	$(0.2)	$ (5.2)	$ (5.4)
Unrealized	46.5	(30.5)	16.0
Investment income (loss)	$46.3	$ (35.7)	$ 10.6

	Three Months Ended March 31, 2016		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance fees			
Realized	$131.8	$ 0.2	$ 132.0
Unrealized	13.4	2.6	16.0
Total performance fees	145.2	2.8	148.0
Performance fee related compensation expense			
Realized	61.6	0.3	61.9
Unrealized	7.9	2.9	10.8
Total performance fee related compensation expense	69.5	3.2	72.7
Net performance fees			
Realized	70.2	(0.1)	70.1
Unrealized	5.5	(0.3)	5.2
Total net performance fees	$75.7	$ (0.4)	$ 75.3
Investment income (loss)			
Realized	$12.6	$ (5.1)	$ 7.5
Unrealized	(22.2)	8.3	(13.9)

Total investment income (loss)	$(9.6)	$ 3.2	$ (6.4)

(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, (iii) the reclassification of NGP performance fees, which are included in investment income in U.S. GAAP financial statements, and (iv) the

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

reclassification of certain tax expenses associated with performance fees. Adjustments to investment income (loss) also include the reclassification of earnings for the investments in 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 are also included in these financial statement captions to reflect the Partnership's economic interests in Claren Road (through January 2017), ESG (through June 2016), and Vermillion.

(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.

18. Subsequent Events

In April 2017, the Board of Directors of the general partner of the Partnership declared a quarterly distribution of $0.10 per common unit to common unitholders of record at the close of business on May 15, 2017, payable on May 22, 2017.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

19. Supplemental Financial Information

The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Partnership's financial position as of March 31, 2017 and December 31, 2016 and results of operations for the three months ended March 31, 2017 and 2016. The supplemental statement of cash flows is presented without effects of the Consolidated Funds.

	As of March 31, 2017			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	$799.2	$ —	$ —	$ 799.2
Cash and cash equivalents held at Consolidated Funds	—	386.5	—	386.5
Restricted cash	75.4	—	—	75.4
Corporate treasury investments	148.9	—	—	148.9
Accrued performance fees	3,016.7	—	—	3,016.7
Investments	1,348.8	—	(179.8)	1,169.0
Investments of Consolidated Funds	—	3,903.1	—	3,903.1
Due from affiliates and other receivables, net	203.2	—	(3.3)	199.9
Due from affiliates and other receivables of Consolidated Funds, net	—	53.4	—	53.4
Receivables and inventory of a consolidated real estate VIE	173.8	—	—	173.8
Fixed assets, net	92.6	—	—	92.6
Deposits and other	46.5	—	—	46.5
Other assets of a consolidated real estate VIE	32.7	—	—	32.7
Intangible assets, net	40.1	—	—	40.1
Deferred tax assets	237.4	—	—	237.4
Total assets	$6,215.3	$ 4,343.0	$ (183.1)	$ 10,375.2
Liabilities and partners' capital				
Debt obligations	$1,331.7	$ —	$ —	$ 1,331.7
Loans payable of Consolidated Funds	—	3,587.5	—	3,587.5
Loans payable of a consolidated real estate VIE at fair value (principal amount of $141.5 million)	77.8	—	—	77.8
Accounts payable, accrued expenses and other liabilities	372.6	—	—	372.6
Accrued compensation and benefits	1,726.8	—	—	1,726.8
Due to affiliates	283.7	0.2	—	283.9
Deferred revenue	242.1	—	—	242.1
Deferred tax liabilities	76.1	—	—	76.1
Other liabilities of Consolidated Funds	—			