Carlyle Group L.P.
Form 10-Q
May 04, 2016

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, 2016
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 or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý Accelerated filer ¨

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

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

The number of the Registrant’s common units representing limited partner interests outstanding as of April 29, 2016 was 80,908,905.

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as “outlook,” “believe,” “expect,” “potential,” “continue,” “may,” “will,” “should,” “seek,” “approximately,” “pred “plan,” “estimate,” “anticipate” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include, but are not limited to, those described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission (the “SEC”), which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Website and Social Media Disclosure

We use our website (www.carlyle.com), our corporate Facebook page (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. Our “carry funds” refer to (i) those investment funds that we advise, including the buyout funds, growth capital funds, real estate funds, infrastructure funds, certain energy funds and opportunistic credit, distressed debt and mezzanine funds (but excluding our structured credit funds, hedge funds, business development companies, mutual fund, and fund of funds vehicles), where we receive a special residual allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund and (ii) those investment funds advised by NGP Energy Capital Management (together with its affiliates and subsidiaries, “NGP”) from which we are entitled to receive a carried interest. The “NGP management fee funds” refer to those funds advised by NGP from which we only receive an allocation of income based on the funds’ management fees. Our “fund of funds vehicles” refers to those funds, accounts and vehicles advised by AlpInvest Partners B.V. (“AlpInvest”), Metropolitan Real Estate Equity Management, LLC (“Metropolitan”), and Diversified Global Asset Management (“DGAM”). 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 Operations - Our Family of Funds.”

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

(a) for substantially all carry funds and certain co-investment vehicles where the original investment period has not expired, and for Metropolitan fund of funds vehicles during the weighted-average investment period of the underlying funds, the amount of limited partner capital commitments, and for AlpInvest fund of funds vehicles, the amount of external investor capital commitments during the commitment fee period, and for the NGP management fee funds and certain carry funds advised by NGP, the amount of investor capital commitments before the first investment realization;

(b) for substantially all carry funds and certain co-investment vehicles where the original investment period has expired and for Metropolitan fund of funds vehicles after the expiration of the weighted-average investment period of the underlying funds, the remaining amount of limited partner invested capital at cost, and for the NGP management fee funds and certain carry funds advised by NGP where the first investment has been realized, the amount of partner commitments less realized and written-off investments;

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

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

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

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

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

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

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

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

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

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 our carry funds, co-investment vehicles, fund of funds vehicles, and NGP management fee funds, total AUM includes the fair value of the capital invested, whereas Fee-earning AUM includes the amount of capital commitments or the remaining amount of invested capital, 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.

With respect to certain of the hedge funds and vehicles that we advise, we are entitled to incentive fees that are paid annually, semi-annually or quarterly, as the case may be, if the net asset value of an investor’s account has increased above the high-water mark. A hedge fund's or vehicle’s “high-water mark” refers to the highest period end net asset value of an investor’s account on which incentive fees were previously paid.

PART I – FINANCIAL INFORMATION

Item1. Financial Statements
The Carlyle Group L.P.
Condensed Consolidated Balance Sheets
(Dollars in millions)

	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Cash and cash equivalents	$ 911.2	$ 991.5
Cash and cash equivalents held at Consolidated Funds	140.3	1,612.7
Restricted cash	13.0	18.9
Restricted cash and securities of Consolidated Funds	—	18.4
Accrued performance fees	3,061.1	2,988.6
Investments	1,011.3	885.9
Investments of Consolidated Funds	2,681.8	23,998.8
Due from affiliates and other receivables, net	198.0	195.3
Due from affiliates and other receivables of Consolidated Funds, net	41.5	765.3
Receivables and inventory of a consolidated real estate VIE	164.9	143.6
Fixed assets, net	107.7	110.9
Deposits and other	49.7	49.0
Other assets of a consolidated real estate VIE	40.7	47.6
Intangible assets, net	127.1	135.7
Deferred tax assets	227.6	219.4
Total assets	$ 8,775.9	$ 32,181.6
Liabilities and partners’ capital		
Debt obligations	$ 1,256.6	$ 1,135.7
Loans payable of Consolidated Funds	2,477.9	17,064.7
Loans payable of a consolidated real estate VIE at fair value (principal amount of $122.5 million and $125.6 million as of March 31, 2016 and December 31, 2015, respectively)	73.5	75.4
Accounts payable, accrued expenses and other liabilities	272.2	463.8
Accrued compensation and benefits	1,830.7	1,953.2
Due to affiliates	221.1	245.9
Deferred revenue	218.5	40.9
Deferred tax liabilities	110.7	103.5
Other liabilities of Consolidated Funds	231.8	1,838.6
Other liabilities of a consolidated real estate VIE	84.1	84.4
Accrued giveback obligations	266.5	252.0
Total liabilities	7,043.6	23,258.1
Commitments and contingencies		
Redeemable non-controlling interests in consolidated entities	6.2	2,845.9
Partners’ capital (common units 81,040,289 and 80,408,702 issued and outstanding as of March 31, 2016 and December 31, 2015, respectively)	488.3	485.9
Accumulated other comprehensive loss	(85.7)	(90.1)
Partners’ capital appropriated for Consolidated Funds	—	120.8
Non-controlling interests in consolidated entities	262.0	4,493.8
Non-controlling interests in Carlyle Holdings	1,061.5	1,067.2
Total partners’ capital	1,726.1	6,077.6
Total liabilities and partners’ capital	$ 8,775.9	$ 32,181.6

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,	
	2016	2015
Revenues		
Fund management fees	$289.5	$ 269.5
Performance fees		
Realized	131.8	326.8
Unrealized	13.4	246.2
Total performance fees	145.2	573.0
Investment income (loss)		
Realized	12.6	8.9
Unrealized	(22.2)	(2.1)
Total investment income (loss)	(9.6)	6.8
Interest and other income	4.7	6.0
Interest and other income of Consolidated Funds	28.9	226.3
Revenue of a consolidated real estate VIE	24.4	55.2
Total revenues	483.1	1,136.8
Expenses		
Compensation and benefits		
Base compensation	166.3	180.1
Equity-based compensation	75.4	89.9
Performance fee related		
Realized	61.6	143.0
Unrealized	7.9	173.7
Total compensation and benefits	311.2	586.7
General, administrative and other expenses	82.3	116.8
Interest	15.3	14.6
Interest and other expenses of Consolidated Funds	23.4	237.8
Interest and other expenses of a consolidated real estate VIE	23.4	70.0
Other non-operating expenses	3.8	1.1
Total expenses	459.4	1,027.0
Other income (loss)		
Net investment gains (losses) of Consolidated Funds	(8.4)	505.5
Income before provision for income taxes	15.3	615.3
Provision for income taxes	7.4	10.5
Net income	7.9	604.8
Net income (loss) attributable to non-controlling interests in consolidated entities	(2.3)	439.1
Net income attributable to Carlyle Holdings	10.2	165.7
Net income attributable to non-controlling interests in Carlyle Holdings	1.8	126.2
Net income attributable to The Carlyle Group L.P.	$8.4	$ 39.5
Net income attributable to The Carlyle Group L.P. per common unit (see Note 14)		
Basic	$0.10	$ 0.58
Diluted	$0.01	$ 0.54
Weighted-average common units		
Basic	80,885,060	67,684,674

Diluted	299,949,762	72,347,771
Distributions declared per common unit	$0.29	$ 1.61

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,	
	2016	2015
Net income	$7.9	$604.8
Other comprehensive income (loss)		
Foreign currency translation adjustments	19.0	(465.1)
Cash flow hedges		
Reclassification adjustment for loss included in interest expense	0.6	0.5
Defined benefit plans		
Unrealized gain (loss) for the period	(0.2)	2.6
Less: reclassification adjustment for loss during the period, included in base compensation expense	—	0.1
Other comprehensive income (loss)	19.4	(461.9)
Comprehensive income	27.3	142.9
Comprehensive loss attributable to partners' capital appropriated for Consolidated Funds	—	57.6
Comprehensive (income) loss attributable to non-controlling interests in consolidated entities	4.9	(61.4)
Comprehensive income attributable to redeemable non-controlling interests in consolidated entities	(0.1)	(76.5)
Comprehensive income attributable to Carlyle Holdings	32.1	62.6
Comprehensive income attributable to non-controlling interests in Carlyle Holdings	(18.1)	(30.5)
Comprehensive income attributable to The Carlyle Group L.P.	$14.0	$32.1

See accompanying notes.

The Carlyle Group L.P.
Condensed Consolidated Statement of Changes in Partners' Capital and Redeemable Non-controlling Interests in Consolidated Entities
(Unaudited)
(Dollars and units in millions)

	Common Units	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Partners' Capital Appropriated for Consolidated Funds	Non-controlling Interests in Consolidated Entities	Non-controlling Interests in Carlyle Holdings	Total Partners' Capital	Redeemable Non-controlling Interests in Consolidated Entities
Balance at December 31, 2015	80.4	$485.9	$ (90.1)	$ 120.8	$ 4,493.8	$1,067.2	$6,077.6	$ 2,845.9
Reallocation of ownership interests in Carlyle Holdings	0.2	2.0	(1.2)	—	—	(0.8)	—	—
Units repurchased	(0.3)	(4.6)	—	—	—	(1.5)	(6.1)	—
Equity-based compensation	—	20.9	—	—	—	63.6	84.5	—
Net delivery of vested common units	0.7	(0.7)	—	—	—	—	(0.7)	—
Contributions	—	—	—	—	4.3	—	4.3	—
Distributions	—	(23.6)	—	—	(22.4)	(85.1)	(131.1)	(1.5)
Net income (loss)	—	8.4	—	—	(2.4)	1.8	7.8	0.1
Deconsolidation of Consolidated Funds upon adoption of ASU 2015-02 and the impact of adoption of ASU 2014-13 (see Note 2)	—	—	—	(120.8)	(4,208.8)	—	(4,329.6)	(2,838.3)
Currency translation adjustments	—	—	5.5	—	(2.5)	16.0	19.0	—
Defined benefit plans, net	—	—	—	—	—	(0.2)	(0.2)	—
Change in fair value of cash flow hedge instruments	—	—	0.1	—	—	0.5	0.6	—
Balance at March 31, 2016	81.0	$488.3	$ (85.7)	$ —	$ 262.0	$1,061.5	$1,726.1	$ 6.2

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

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities		
Net income	$7.9	$604.8
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	17.8	39.9
Equity-based compensation	75.4	89.9
Excess tax benefits related to equity-based compensation	0.7	(0.5)
Non-cash performance fees	(7.4)	(275.7)
Other non-cash amounts	(2.3)	23.8
Consolidated Funds related:		
Realized/unrealized gain (loss) on investments of Consolidated Funds	67.8	(576.4)
Realized/unrealized (gain) loss from loans payable of Consolidated Funds	(59.4)	48.8
Purchases of investments by Consolidated Funds	(320.9)	(2,139.0)
Proceeds from sale and settlements of investments by Consolidated Funds	177.7	1,992.4
Non-cash interest income, net	(0.7)	(4.0)
Change in cash and cash equivalents held at Consolidated Funds	277.4	778.1
Change in other receivables held at Consolidated Funds	(9.0)	367.2
Change in other liabilities held at Consolidated Funds	(154.5)	208.1
Investment (income) loss	10.3	(3.7)
Purchases of investments	(22.1)	(20.1)
Proceeds from the sale of investments and trading securities	62.3	271.4
Payments of contingent consideration	(75.6)	(3.3)
Changes in deferred taxes, net	(5.3)	(0.3)
Change in due from affiliates and other receivables	3.7	(7.8)
Change in receivables and inventory of a consolidated real estate VIE	(21.9)	(34.4)
Change in deposits and other	(1.3)	(6.3)
Change in other assets of a consolidated real estate VIE	8.6	15.8
Change in accounts payable, accrued expenses and other liabilities	(24.5)	(33.1)
Change in accrued compensation and benefits	(143.6)	(11.4)
Change in due to affiliates	(22.8)	12.0
Change in other liabilities of a consolidated real estate VIE	6.2	31.9
Change in deferred revenue	175.2	106.9
Net cash provided by operating activities	19.7	1,475.0
Cash flows from investing activities		
Change in restricted cash	5.7	18.3
Purchases of fixed assets, net	(4.2)	(17.4)
Net cash provided by investing activities	1.5	0.9
Cash flows from financing activities		
Net payments on loans payable of a consolidated real estate VIE	(9.4)	(11.1)
Net borrowings on loans payable of Consolidated Funds	7.6	402.2
Payments of contingent consideration	(0.3)	(0.5)
Excess tax benefits related to equity-based compensation	(0.7)	0.5

Distributions to common unitholders	(23.6)	(110.9)
Distributions to non-controlling interest holders in Carlyle Holdings	(85.1)	(403.6)
Contributions from non-controlling interest holders	4.3	752.2
Distributions to non-controlling interest holders	(23.9)	(1,268.4)
Units repurchased	(6.1)	—
Change in due to/from affiliates financing activities	14.4	(5.2)
Change in due to/from affiliates and other receivables of Consolidated Funds	—	(962.2)
Net cash used in financing activities	(122.8)	(1,607.0)
Effect of foreign exchange rate changes	21.3	(86.1)
Decrease in cash and cash equivalents	(80.3)	(217.2)
Cash and cash equivalents, beginning of period	991.5	1,242.0
Cash and cash equivalents, end of period	$911.2	$1,024.8
Supplemental non-cash disclosures		
Net increase in partners’ capital and accumulated other comprehensive income related to reallocation of ownership interest in Carlyle Holdings	$0.7	$9.2
Initial consolidation of Consolidated Funds	$—	$36.0
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 (the “Partnership” or “Carlyle”), is one of the world’s largest global alternative asset management firms that originates, structures and acts as lead equity investor in management-led buyouts, strategic minority equity investments, equity private placements, consolidations and buildups, growth capital financings, real estate opportunities, bank loans, high-yield debt, distressed assets, mezzanine debt and other investment opportunities. The Partnership is a Delaware limited partnership formed on July 18, 2011. The Partnership is managed and operated by its general partner, Carlyle Group Management L.L.C., which is in turn wholly-owned and controlled by Carlyle’s founders and other senior Carlyle professionals.

Carlyle provides investment management services to, and has transactions with, various private equity funds, real estate funds, business development companies, collateralized loan obligations (“CLOs”), hedge funds and other investment products sponsored by the Partnership for the investment of client assets in the normal course of business. Carlyle typically serves as the general partner, investment manager or collateral manager, making day-to-day investment decisions concerning the assets of these products. Carlyle operates its business through four reportable segments: Corporate Private Equity, Global Market Strategies, Real Assets and Investment Solutions (see Note 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 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, partners’ capital appropriated for Consolidated Funds and redeemable 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, 2015 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.

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. We expect 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 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, 2016, the Partnership paid an aggregate of $6.1 million to repurchase and retire 400,519 units with the majority of repurchases done via open market transactions.

The Carlyle Group L.P.

Notes to the Condensed Consolidated Financial Statements
(Unaudited)

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. As a result, the Partnership deconsolidated the majority of the Partnership's consolidated funds on January 1, 2016. Upon adoption, the Partnership deconsolidated approximately $23.2 billion in assets and approximately $16.1 billion in liabilities, and, using the modified retrospective method, recorded a $4.3 billion cumulative effect adjustment to partners' capital and $2.8 billion to redeemable non-controlling interests in consolidated entities. The adoption of the new consolidation guidance had no impact on net income (loss) attributable to Carlyle Holdings or to net income (loss) attributable to the Partnership. Prior period results were not restated upon adoption.
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 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 the funds we deconsolidated on January 1, 2016, the Partnership's fee arrangements were not considered to be variable interests.
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, 2016, assets and liabilities of the remaining Consolidated Funds reflected in the condensed consolidated balance sheets were $3.1 billion and $2.9 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, 2016, the Partnership held $72.2 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.

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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 strategic investment in NGP Management Company, L.L.C. ("NGP Management" and, together with its affiliates, "NGP"). Refer to Note 5 for information on this investment. The Partnership's involvement with such entities is in the form of direct equity interests and fee arrangements. The maximum exposure to loss represents the loss of assets recognized by the Partnership relating to its variable interests in these unconsolidated entities. The assets recognized in the Partnership's 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, 2016	December 31, 2015
	(Dollars in millions)	
Investments	$624.5	$ 466.8
Due from affiliates, net	3.7	19.4
Maximum Exposure to Loss	$628.2	$ 486.2

Additionally, as of March 31, 2016, the Partnership had $24.2 million and $8.5 million recognized in the condensed consolidated balance sheet related to performance fee and management fee arrangements, 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. Prior to January 1, 2016, the excess of the CLO assets over the CLO liabilities upon consolidation was reflected in the Partnership's condensed consolidated balance sheets as partners' capital appropriated for Consolidated Funds. Net income attributable to the investors in the CLOs was included in net income (loss) attributable to non-controlling interests in consolidated entities in the condensed consolidated statements of operations and partners' capital appropriated for Consolidated Funds in the condensed consolidated balance sheets.

On January 1, 2016, the Partnership adopted ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. ASU 2014-13 relates to reporting entities that elect to measure all eligible financial assets and financial liabilities of a consolidated collateralized financing entity at fair value. The Partnership's consolidated CLOs are consolidated collateralized financing entities for which the Partnership has measured financial assets and financial liabilities at fair value. Prior to January 1, 2016, the Partnership's practice was to classify the difference between the fair value of the financial assets and the fair value of the financial liabilities within partners' capital appropriated for Consolidated Funds. ASU 2014-13 provides the option for a reporting entity to initially measure both the financial assets and financial liabilities using the fair value of either the financial assets or financial liabilities, whichever is more observable. In adopting this guidance on January 1, 2016, the Partnership applied the modified retrospective method by recording a cumulative effect adjustment to appropriated partners' capital of $2.0 million as of January 1, 2016. As a result of applying this adoption method, prior periods have not been impacted. The adoption of this guidance did not have an impact on net income attributable to Carlyle Holdings or to net income attributable to the Partnership.

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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.

Business Combinations

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

Revenue Recognition

Fund Management Fees

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

Management fees for corporate private equity, closed-end carry funds in the global market strategies segment and real assets funds generally range from 1% to 2% of commitments during the investment period of the relevant fund. Following the expiration or termination of the investment period of such funds, the management fees generally step-down to between 0.6% and 2.0% generally on the lower of cost or fair value of capital invested; however, certain of the Partnership's managed accounts base management fees at all times on contributions for unrealized investments or the current value of the investment. The Partnership will receive management fees for corporate private equity and real assets funds during a specified period of time, which is generally ten years from the initial closing date, or, in some instances, from the final closing date, but such termination date may be earlier in certain limited circumstances or later if extended for successive one-year periods, typically up to a maximum of two years. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees are generally called semi-annually in advance and are recognized as earned over the subsequent six month period.

For certain global market strategies funds, management fees are calculated based on assets under management of the funds with generally lower fee rates. Hedge funds typically pay management fees quarterly that generally range from 1.25% to 1.65% of NAV per year. Management fees for the business development companies are due quarterly in arrears at annual rates that range from 0.25% to 1.0% of gross assets, excluding cash and cash equivalents. Management fees for the CLOs and other structured products typically range from 0.15% to 1.0% on the total par amount of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semi-annually based on the terms and recognized over the respective period. Management fees for the CLOs/structured products are governed by indentures and collateral management agreements. The Partnership will receive management fees for the CLOs until redemption of the securities issued by the CLOs, which is generally five to ten years after issuance. Open-ended funds typically do not have stated termination dates.

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

The Partnership also provides transaction advisory and portfolio advisory services to the portfolio companies, and where covered by separate contractual agreements, recognizes fees for these services when the service has been provided and collection is reasonably assured. Fund management fees includes transaction and portfolio advisory fees of $23.5 million and $7.6 million for the three months ended March 31, 2016 and 2015, respectively, net of any offsets as defined in the respective partnership agreements. Fund management fees exclude the reimbursement of any partnership expenses paid by the Partnership on behalf of the Carlyle funds pursuant to the limited partnership agreements, including amounts related to the pursuit of actual, proposed, or unconsummated investments, professional fees, expenses associated with the acquisition, holding and disposition of investments, and other fund administrative expenses.

Performance Fees

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

Carried interest is ultimately realized when: (i) an underlying investment is profitably disposed of, (ii) certain costs borne by the limited partner investors have been reimbursed, (iii) the fund's cumulative returns are in excess of the preferred return and (iv) the Partnership has decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by the Partnership in future periods if the funds' investment values decline below certain levels. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance fees are reversed. In all cases, each fund is considered separately in this regard, and for a given fund, performance fees can never be negative over the life of a fund. If upon a hypothetical liquidation of a fund's investments at their then-current fair values, previously recognized and distributed carried interest would be required to be returned, a liability is established for the potential giveback obligation. As of March 31, 2016 and December 31, 2015, the Partnership has recognized $266.5 million and $252.0 million, respectively, for giveback obligations.

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

Investment Income (Loss)

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

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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 condensed consolidated statements of operations. Interest income of the Consolidated Funds was $27.7 million and $208.4 million for the three months ended March 31, 2016 and 2015, respectively, and is included in interest and other income of Consolidated Funds in the accompanying condensed consolidated statements of operations.

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

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

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

Performance Fee Related Compensation – A portion of the performance fees earned is due to employees and advisors of the Partnership. These amounts are accounted for as compensation expense in conjunction with the recognition of the related performance fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon any reversal of performance fee revenue, the related compensation expense is also reversed. As of both March 31, 2016 and December 31, 2015, the Partnership had recorded a liability of $1.5 billion related to the portion of accrued performance fees due to employees and advisors, which was included in accrued compensation and benefits in the accompanying condensed consolidated financial statements.

Income Taxes
Certain of the wholly-owned subsidiaries of the Partnership and the Carlyle Holdings partnerships are subject to federal, state, local and foreign corporate income taxes at the entity level and the related tax provision attributable to the Partnership's share of this income is reflected in the condensed consolidated financial statements. Based on

applicable federal, foreign, state and local tax laws, the Partnership records a provision for income taxes for certain entities. Tax positions taken by the Partnership are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

The Partnership accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax liabilities and assets for the expected future consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement reporting and the tax basis of assets and liabilities using enacted tax rates in effect for the period in which the

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difference is expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change in the provision for income taxes. Further, deferred tax assets are recognized for the expected realization of available net operating loss and tax credit carry forwards. A valuation allowance is recorded on the Partnership's gross deferred tax assets when it is "more likely than not" that such asset will not be realized. When evaluating the realizability of the Partnership's deferred tax assets, all evidence, both positive and negative, is evaluated. Items considered in this analysis include the ability to carry back losses, the reversal of temporary differences, tax planning strategies, and expectations of future earnings.

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

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Prior to January 1, 2016, non-controlling interests related to hedge funds were subject to quarterly or monthly redemption by investors in these funds following the expiration of a specified period of time, or were withdrawn subject to a redemption fee during the period when capital could not be withdrawn. As limited partners in these types of funds have been granted redemption rights, amounts relating to third-party interests in such consolidated funds were presented as redeemable non-controlling interests in consolidated entities within the condensed consolidated balance sheets. When redeemable amounts became contractually payable to investors, they were classified as a liability and included in other liabilities of Consolidated Funds in the condensed consolidated balance sheets. As a result of the adoption of the new consolidation guidance on January 1, 2016, the Partnership deconsolidated certain hedge funds that were previously consolidated and redeemable non-controlling interests in consolidated entities do not include any third-party interests from such hedge funds. Therefore, at March 31, 2016, redeemable non-controlling interests in consolidated entities now solely represent ownership interests in consolidated subsidiaries which are redeemable and not owned by the Partnership.

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

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Equity-Method Investments

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

Cash and Cash Equivalents

Cash and cash equivalents include cash held at banks and cash held for distributions, including temporary investments with original maturities of less than three months when purchased. Included in cash and cash equivalents is cash withheld from carried interest distributions for potential giveback obligations of $16.0 million and $17.3 million at March 31, 2016 and December 31, 2015, respectively.

Cash and Cash Equivalents Held at Consolidated Funds

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

Restricted Cash

Restricted cash at March 31, 2016 and December 31, 2015 primarily represents cash held by the Partnership's foreign subsidiaries due to certain government regulatory capital requirements.

Restricted Cash and Securities of Consolidated Funds

Certain CLOs receive cash from various counterparties to satisfy collateral requirements on derivative transactions or hold U.S. Treasury notes and corporate bonds as collateral for specific classes of loans payable in the CLOs. Cash and securities held to satisfy these collateral requirements of $18.4 million is included in restricted cash and securities of Consolidated Funds at December 31, 2015. As of March 31, 2016, none of the consolidated CLOs held such cash or securities.

Derivative Instruments

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

Fixed Assets

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

Intangible Assets and Goodwill

The Partnership's intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, customer relationships, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives, which range from five to ten years, and are reviewed for impairment whenever events or changes in

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circumstances indicate that the carrying amount of the asset may not be recoverable. The Partnership's intangible assets include acquired contractual rights for fee income related to open-ended funds. Open-ended funds are subject to redemptions on a quarterly or more frequent basis and investors can generally decide to exit their fund investments at any time. The resulting inherent volatility in fee income derived from these contractual rights increases the degree of judgment and estimates used by management in evaluating such intangible assets for impairment. Actual results could differ from management's estimates and assumptions and such differences could result in a material impairment.
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 1 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 unrealized gains and losses on cash flow hedges, foreign currency translation adjustments and gains and losses on defined benefit plans sponsored by AlpInvest. The components of accumulated other comprehensive income (loss) as of March 31, 2016 and December 31, 2015 were as follows:

	As of March 31, 2016	December 31, 2015
	(Dollars in millions)	
Unrealized losses on cash flow hedge instruments	$(0.4)	$ (0.5)
Currency translation adjustments	(83.6)	(87.9)
Unrealized losses on defined benefit plans	(1.7)	(1.7)
Total	$(85.7)	$ (90.1)

Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the condensed consolidated statements of operations are translated at rates of exchange in effect throughout the period. Foreign currency (gains) losses resulting from transactions outside of the functional currency of an entity of $(10.8) million and $15.4 million for the three months ended March 31, 2016 and 2015, respectively, are included in general, administrative and other expenses in the condensed consolidated statements of operations.

Recent Accounting Pronouncements

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. Currently, an entity must determine for each award whether the difference between the deduction for tax purposes and the compensation cost recognized for financial reporting purposes results in either an excess tax benefit or a tax deficiency. Excess tax benefits have been recognized in partners' capital, while tax deficiencies have been 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 expense or benefit 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 current equity-based compensation guidance requires 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 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, 2017 and early adoption is permitted. The Partnership is currently assessing the potential impact of this guidance.

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.

In May 2015, the FASB issued ASU 2015-7, Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2015-7 provides amended guidance on the disclosures for investments in certain entities that calculate NAV per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance was effective for the Partnership on January 1, 2016 and the guidance required adoption to be applied on a retrospective basis. The Partnership adopted this guidance on January 1, 2016 and has revised its prior period fair value disclosures accordingly (see Note 3).

On April 7, 2015, the FASB issued ASU 2015-3, Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs. ASU 2015-3 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and premiums. This guidance was effective for the Partnership on January 1, 2016 and the guidance required adoption to be applied on a retrospective basis. The Partnership adopted this guidance on January 1, 2016 and reclassified approximately $9.4 million of debt issuance costs from deposits and other assets to debt obligations on its December 31, 2015 condensed consolidated balance sheet.

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

3. 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

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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 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, 2016:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$ —	$ —	$11.5	$11.5
Bonds	—	—	331.9	331.9
Loans	—	—	2,263.9	2,263.9
Partnership and LLC interests	—	—	74.3	74.3
Other	—	—	0.2	0.2
	—	—	2,681.8	2,681.8
Investments in CLOs and other	—	—	124.2	124.2
Total	$ —	$ —	$2,806.0	$2,806.0
Liabilities				
Loans payable of Consolidated Funds(1)	$ —	$ —	$2,459.0	$2,459.0
Contingent consideration(2)	—	—	24.3	24.3
Loans payable of a consolidated real estate VIE	—	—	73.5	73.5
Foreign currency forward contracts	—	15.2	—	15.2
Total	$ —	$15.2	$2,556.8	$2,572.0

(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 cash and equity consideration associated with the Partnership's acquisitions, excluding employment-based contingent consideration (see Note 8).

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The following table summarizes the Partnership’s assets and liabilities measured at fair value on a recurring basis by the above fair value hierarchy levels as of December 31, 2015:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$254.6	$311.8	$575.3	$1,141.7
Bonds	—	—	1,180.9	1,180.9
Loans	—	—	15,686.7	15,686.7
Partnership and LLC interests(1)	—	—	59.6	3,143.3
Hedge funds(1)	—	—	—	2,841.2
Other	—	—	5.0	5.0
	254.6	311.8	17,507.5	23,998.8
Trading securities	—	—	1.4	1.4
Foreign currency forward contracts	—	1.7	—	1.7
Restricted securities of Consolidated Funds	7.9	—	8.7	16.6
Total	$262.5	$313.5	$17,517.6	$24,018.5
Liabilities				
Loans payable of Consolidated Funds	$—	$—	$17,046.7	$17,046.7
Derivative instruments of the CLOs	—	—	29.1	29.1
Contingent consideration(2)	—	—	20.8	20.8
Loans payable of a consolidated real estate VIE	—	—	75.4	75.4
Interest rate swaps	—	0.9	—	0.9
Foreign currency forward contracts	—	2.8	—	2.8
Total	$—	$3.7	$17,172.0	$17,175.7

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the condensed consolidated balance sheets.

(2) Related to contingent cash and equity 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, 2016. Transfers from Level II to Level I during the three months ended March 31, 2015 were due to the expiration of transferability restrictions on certain equity securities of Consolidated Funds that were previously classified as Level II.

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

In the absence of observable market prices, the Partnership values its investments using valuation methodologies applied on a consistent basis. For some investments little market activity may exist. Management's determination of fair value is then based

on the best information available in the circumstances and may incorporate management's own assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors, including the appropriate risk adjustments for non-performance and liquidity risks. Investments for which market prices are not observable include private investments in the equity of operating companies and real estate properties, and certain debt positions. The valuation technique for each of these investments is described below:
Private Equity and Real Estate Investments – The fair values of private equity investments are determined by reference to projected net earnings, earnings before interest, taxes, depreciation and amortization ("EBITDA"), the discounted cash flow method, public market or private transactions, valuations for comparable companies or sales of comparable assets, and other measures which, in many cases, are unaudited at the time received. The methods used to estimate the fair value of real estate investments include the discounted cash flow method and/or capitalization rate ("cap rate") analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., applying a key performance metric of the investment such as EBITDA or net operating income to a relevant valuation multiple or cap rate observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables, and in some instances by reference to option pricing models or other similar models. Adjustments to observable valuation measures are frequently made upon the initial investment to calibrate the initial investment valuation to industry observable inputs. Such adjustments are made to align the investment to observable industry inputs for differences in size, profitability, projected growth rates, geography and capital structure if applicable. The adjustments are reviewed with each subsequent valuation to assess how the investment has evolved relative to the observable inputs. Additionally, the investment may be subject to certain specific risks and/or development milestones which are also taken into account in the valuation assessment. Option pricing models and similar tools do not currently drive a significant portion of private equity or real estate valuations and are used primarily to value warrants, derivatives, certain restrictions and other atypical investment instruments.
Credit-Oriented Investments – The fair values of credit-oriented investments are generally determined on the basis of prices between market participants provided by reputable dealers or pricing services. In determining the value of a particular investment, pricing services may use certain information with respect to transactions in such investments, quotations from dealers, pricing matrices, market transactions in comparable investments and various relationships between investments. Specifically, for investments in distressed debt and corporate loans and bonds, the fair values are generally determined by valuations of comparable investments. In some instances, the Partnership may utilize other valuation techniques, including the discounted cash flow method.

CLO Investments and CLO Loans Payable – Prior to January 1, 2016, the Partnership elected the fair value option to measure the assets and liabilities of the Partnership's consolidated CLOs. The Partnership accounted for the difference between the fair value of the assets and the fair value of the liabilities of the Partnership's consolidated CLOs in net investment gains (losses) of consolidated funds in the condensed consolidated statements of operations. This amount was attributed to the Partnership and third party beneficial interest holders based on each beneficial interest holder's residual interest in the consolidated CLOs. The amount attributed to third party beneficial interest holders was reflected in the condensed consolidated statements of operations in net income (loss) attributable to non-controlling interests in consolidated entities and in the condensed consolidated statements of financial position in partners' capital appropriated for consolidated funds. The amount was recorded as appropriated partners' capital since the other holders of the CLOs' beneficial interests, not the Partnership, received the benefits, or absorbed the losses, associated with their proportionate share of the CLOs' assets and liabilities.

On January 1, 2016, the Partnership adopted ASU 2014-13 (concurrently with the adoption of ASU 2015-2) and elected to measure 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. As a result of the adoption of ASU 2014-13, the Partnership recorded a cumulative effect adjustment to partners' capital on January 1, 2016 to adjust the previous measurement of its consolidated CLOs' financial liabilities to the new measurement guidance.

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.

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For periods prior to January 1, 2016, the fair values of the CLO loans payable were determined based on both discounted cash flow analyses and third-party quotes. Those analyses considered 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 were compared to broker quotations from market makers and third party dealers. Effective January 1, 2016, with the adoption of ASU 2014-13, 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 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, 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	12.4	—	—	—	321.0
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)	2.3	0.2	4.0	—	(69.2)
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 related to financial assets still held at the reporting date	$(5.7)	$(8.0)	$(60.1)	$ 2.3	$0.3	$ 4.0	$ —	$(67.2)

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	Financial Assets Three Months Ended March 31, 2015 Investments of Consolidated Funds							
	Equity securities	Bonds	Loans	Partnership and LLC interests(2)	Other	Trading securities and other	Restricted securities of Consolidated Funds	Total
Balance, beginning of period	$1,968.5	$1,235.8	$15,084.9	$ —	$1.5	$ 3.3	$ 8.6	$18,302.6
Purchases	12.7	93.4	1,628.2	—	—	—	3.9	1,738.2
Sales	(599.6)	(68.5)	(343.2)	—	—	—	—	(1,011.3)
Settlements	—	—	(440.9)	—	—	—	—	(440.9)
Realized and unrealized gains (losses), net								
Included in earnings	188.3	11.9	32.8	—	2.0	(1.1)	0.1	234.0
Included in other comprehensive income	(176.6)	(123.3)	(522.4)	—	(0.2)	—	—	(822.5)
Balance, end of period	$1,393.3	$1,149.3	$15,439.4	$ —	$3.3	$ 2.2	$ 12.6	$18,000.1
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$(90.2)	$11.1	$39.8	$ —	$(11.8)	$ (1.1)	$ 0.1	$(52.1)

(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.

	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)

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	Financial Liabilities Three Months Ended March 31, 2015				
	Loans Payable of Consolidated Funds	Derivative Instruments of Consolidated Funds	Contingent Consideration	Loans Payable of a consolidated real estate VIE	Total
Balance, beginning of period	$16,052.2	$ 17.2	$ 51.1	$ 146.2	$16,266.7
Initial consolidation of funds	664.4	—	—	—	664.4
Borrowings	939.3	—	—	7.8	947.1
Paydowns	(538.5)	—	(0.5)	(18.9)	(557.9)
Sales	—	(0.8)	—	—	(0.8)
Realized and unrealized (gains) losses, net					
Included in earnings	55.8	9.0	0.7	13.0	78.5
Included in other comprehensive income	(618.6)	2.0	—	(8.5)	(625.1)
Balance, end of period	$16,554.6	$ 27.4	$ 51.3	$ 139.6	$16,772.9
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$46.4	$ (13.9)	$ 0.7	$ 13.0	$46.2

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, partners' capital appropriated for Consolidated Funds, non-controlling interests in consolidated entities and non-controlling interests in Carlyle Holdings in the condensed consolidated balance sheets.

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

(Dollars in millions)	Fair Value at March 31, 2016	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	11.5	Discounted Cash Flow	Discount Rates	9% - 12% (10%)
			Exit Cap Rate	7% - 10% (8%)
Bonds	331.9	Consensus Pricing	Indicative Quotes (% of Par)	76 - 112 (96)
Loans	2,263.9	Consensus Pricing	Indicative Quotes (% of Par)	9 - 101 (94)
Partnership and LLC interests	74.3	Discounted Cash Flow	Discount Rates	8% - 10% (9%)
			Exit Cap Rates	5% - 6% (5%)
Other	0.2	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	6 - 6 (6)
	2,681.8			
Investments in CLOs and other:				
Senior secured notes	97.4	Discounted Cash Flow with Consensus Pricing	Discount Rates	1% - 13% (3%)
			Default Rates	1% - 5% (2%)
			Recovery Rates	58% - 78% (69%)
			Indicative Quotes (% of Par)	74 - 100 (96)
Subordinated notes and preferred shares	25.7	Discounted Cash Flow with Consensus Pricing	Discount Rates	10% - 20% (16%)
			Default Rates	1% - 5% (3%)
			Recovery Rates	58% - 78% (65%)
			Indicative Quotes (% of Par)	8 - 8 (8)
Other	1.1	Comparable Multiple	LTM EBITDA Multiple	5.5x - 5.5x (5.5x)
Total	$ 2,806.0			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes [1]	$ 2,360.0	Other	N/A	N/A
Subordinated notes and preferred shares	99.0	Discounted Cash Flow with Consensus Pricing	Discount Rates	13% - 20% (16%)
			Default Rates	1% - 5% (3%)
			Recovery Rates	58% - 78% (66%)
				35 - 75 (59)

			Indicative Quotes (% of Par)	
Loans payable of a consolidated real estate VIE	73.5	Discounted Cash Flow	Discount to Expected Payment	10% - 50% (34%)
			Discount Rate	21% - 31% (24%)
Contingent consideration[(2)]	24.3	Discounted Cash Flow	Assumed % of Total Potential Contingent Payments	0% - 100% (9%)
			Discount Rate	4% - 23% (10%)
Total	$2,556.8			

(1) Beginning in 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) Related to contingent cash consideration associated with the Partnership's acquisitions (see Note 8).

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The following table summarizes quantitative information about the Partnership's Level III inputs as of December 31, 2015:

(Dollars in millions)	Fair Value at December 31, 2015	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	$ 556.0	Comparable Multiple	LTM EBITDA Multiple	1.0x - 20.4x (11.4x)
	8.0	Discounted Cash Flow	Discount Rates	10% - 10% (10%)
	5.2	Other	N/A	N/A
	6.1	Consensus Pricing	Indicative Quotes ($ per share)	$0 - $647 ($0)
Bonds	1,180.9	Consensus Pricing	Indicative Quotes (% of Par)	30 - 112 (97)
Loans	15,673.3	Consensus Pricing	Indicative Quotes (% of Par)	28 - 102 (96)
	13.4	Market Yield Analysis	Market Yield	5% - 16% (10%)
Partnership and LLC interests	59.6	Discounted Cash Flow	Discount Rates	8% - 10% (9%)
			Exit Cap Rate	5% - 6% (5%)
Other	5.0	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	1 - 22 (7)
	17,507.5			
Trading securities and other	1.4	Comparable Multiple	LTM EBITDA Multiple	5.8x - 5.8x (5.8x)
Restricted securities of Consolidated Funds	8.7	Consensus Pricing	Indicative Quotes (% of Par)	88 - 88 (88)
Total	$ 17,517.6			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	$ 15,915.5	Discounted Cash Flow with Consensus Pricing	Discount Rates	1% - 12% (3%)
			Default Rates	1% - 5% (3%)
			Recovery Rates	55% - 80% (63%)
			Indicative Quotes (% of Par)	38 - 102 (98)
	1,112.4		Discount Rates	

Subordinated notes and preferred shares		Discounted Cash Flow with Consensus Pricing		9% - 16% (12%)
			Default Rates	1% - 5% (3%)
			Recovery Rates	55% - 80% (64%)
			Indicative Quotes (% of Par)	1 - 101 (55)
Combination notes	18.8	Consensus Pricing	Indicative Quotes (% of Par)	88 - 96 (94)
Loans payable of a consolidated real estate VIE	75.4	Discounted Cash Flow	Discount to Expected Payment	10% - 52% (35%)
			Discount Rate	20% - 30% (23%)
Derivative instruments of Consolidated Funds	29.1	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	3 - 34 (22)
Contingent consideration(1)	20.8	Discounted Cash Flow	Assumed % of Total Potential Contingent Payments	0% - 100% (8%)
			Discount Rate	4% - 22% (9%)
Total	$ 17,172.0			

(1) Related to contingent cash 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

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indicative quotes in isolation would result in a significantly lower fair value measurement. Significant increases in discount rates and exit cap rates in isolation would result in a significantly lower fair value measurement.

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

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

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

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

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

4. Accrued Performance Fees

The components of accrued performance fees are as follows:

	As of March 31, 2016	December 31, 2015
	(Dollars in millions)	
Corporate Private Equity	$2,034.4	$2,096.9
Global Market Strategies	63.1	78.3
Real Assets	415.6	313.6
Investment Solutions	548.0	499.8
Total	$3,061.1	$2,988.6

Approximately 42% of accrued performance fees at March 31, 2016 are related to Carlyle Partners V, L.P. and Carlyle Europe Partners III, L.P., two of the Partnership’s Corporate Private Equity funds.

Approximately 54% of accrued performance fees at December 31, 2015 are related to Carlyle Partners V, L.P., Carlyle Europe Partners III, L.P., and Carlyle Asia Partners III, L.P., three of the Partnership's Corporate Private Equity funds.

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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, 2016	December 31, 2015
	(Dollars in millions)	
Corporate Private Equity	$(48.7)	$(36.6)
Real Assets	(217.8)	(215.4)
Total	$(266.5)	$(252.0)

Performance Fees

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

	Three Months Ended March 31,	
	2016	2015
	(Dollars in millions)	
Corporate Private Equity	$27.5	$513.3
Global Market Strategies	1.6	18.7
Real Assets	102.2	(8.5)
Investment Solutions	13.9	49.5
Total	$145.2	$573.0

Approximately 92%, or $133.1 million, of performance fees for the three months ended March 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, and Carlyle Realty Partners V, L.P., Carlyle Realty Partners VI, L.P., and Carlyle Realty Partners VII, L.P., three of the Partnership's Real Assets funds. Total revenues recognized from Carlyle Partners V, L.P., Carlyle Asia Partners III, L.P., Carlyle Realty Partners V, L.P., Carlyle Realty Partners VI, L.P., and Carlyle Realty Partners VII, L.P. were $73.5 million, $(15.3) million, $51.9 million, $19.6 million, and $36.3 million, respectively, for the three months ended March 31, 2016.

Approximately 58%, or $333.7 million, of performance fees for the three months ended March 31, 2015 were related to Carlyle Partners IV, L.P., Carlyle Partners V, L.P., Carlyle Europe Partners III, L.P., three of the Partnership's Corporate Private Equity funds, and Carlyle/Riverstone Global Energy and Power Fund III, L.P., one of the Partnership's Real Assets funds. Total revenues recognized from Carlyle Partners IV, L.P., Carlyle Partners V, L.P., Carlyle Europe Partners III, L.P. were $83.8 million, $175.6 million, and $173.7 million, respectively, for the three months ended March 31, 2015. For the three months ended March 31, 2015 total revenue from Carlyle/Riverstone Global Energy and Power Fund III, L.P. was $(64.8) million.

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5. Investments

Investments consist of the following:

	As of March 31, 2016	December 31, 2015
	(Dollars in millions)	
Equity method investments, excluding accrued performance fees	$887.1	$ 876.6
Investments in CLOs and other [(1)]	124.2	9.3
Total investments	$1,011.3	$ 885.9

(1) As a result of the adoption of ASU 2015-2 and the deconsolidation of certain CLOs on January 1, 2016, investments that the Partnership held in those CLOs are no longer eliminated in consolidation and are now included in investments in CLOs and other above.

Strategic Investment in NGP

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

The Partnership’s equity interests in NGP Management entitle the Partnership to an allocation of income equal to 55.0% of the management fee-related revenues of the NGP entities that serve as the advisors to certain private equity funds, and future interests in the general partners of certain future carry funds advised by NGP that entitle the Partnership to an allocation of income equal to 47.5% of the carried interest received by such fund general partners. For periods prior to 2015, the Partnership’s allocation of income related to management fee-related revenues of NGP was 47.5%. This increase in the allocation of income did not result in a change in accounting for the investment as an equity method investment. The Partnership has an option, exercisable by the Partnership in approximately 9 years, to purchase from ECM Capital, L.P. and its affiliates, for a formulaic purchase price in cash based upon a measure of the earnings of NGP, the remaining equity interests in NGP Management.

In July 2014, the Partnership exercised another option granted in 2012 to acquire from BNRI its interests in the general partner of the NGP Natural Resources X, L.P. fund (“NGP X”), which entitles the Partnership to an allocation of income equal to 40% of the carried interest received by the fund’s general partner. The Partnership additionally acquired certain general partner investments in the NGP X fund. As of March 31, 2016 and December 31, 2015, there was no carrying value of the Partnership’s investment in the NGP X general partner attributable to the carried interest allocation. The carrying value of the Partnership’s general partner investments in the NGP X fund not attributable to the carried interest allocation was $16.1 million as of March 31, 2016 and $18.7 million as of December 31, 2015.

In consideration for these interests and option, the Partnership paid an aggregate of $504.6 million in cash to ECM Capital, L.P. and BNRI, and issued 996,572 Carlyle Holdings partnership units to ECM Capital, L.P. that vest ratably over a period of five years. The transaction also includes contingent consideration payable to ECM Capital, L.P. of up to $45.0 million in cash, 597,944 Carlyle Holdings partnership units that were issued at closing but vest upon the achievement of performance conditions, and contingently issuable Carlyle Holdings partnership units with a value up to $15.0 million that will be issued if the performance conditions are met. The contingent consideration is payable in 2018, depending on NGP’s achievement of certain business performance goals. Additionally, the transaction included contingent consideration payable to BNRI of $183.0 million, which was paid in January 2016 with $63.0 million in cash and $120.0 million by a six year promissory note issued by the Partnership. The promissory note will accrue interest at the three month LIBOR plus 2.5% and mature on January 1, 2022 (see Note 7).

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

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

The Partnership records 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, 2016 and 2015 were as follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in millions)	
Management fees	$20.7	$14.3
Performance fees	—	(14.5)
Investment loss	(1.5)	(0.2)
Expenses and amortization of basis differences	(17.4)	(18.1)
Net investment income (loss)	$1.8	$(18.5)

The difference between the Partnership's carrying value of its investment and its share of the underlying net assets of the investee was $71.2 million and $85.0 million as of March 31, 2016 and December 31, 2015, respectively; these differences are amortized over a period of 10 years from the initial investment date.

Equity-Method Investments

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

	As of March 31, 2016	December 31, 2015
	(Dollars in millions)	
Corporate Private Equity	$254.1	$ 254.5
Global Market Strategies	24.4	26.7
Real Assets	586.7	592.7
Investment Solutions	21.9	2.7
Total	$887.1	$ 876.6

The Partnership evaluates each of its equity method investments to determine if disclosure of summarized income statement information is required under Article 10 of Regulation S-X. As of March 31, 2016 and for the three months then ended, no individual equity method investment held by the Partnership met the threshold for disclosure of summarized income statement information.

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Investment Income (Loss)

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

	Three Months Ended March 31,	
	2016	2015
	(Dollars in millions)	
Income (loss) from equity investments	$(6.4)	$9.4
Loss from investments in CLOs	(3.5)	(2.6)
Other investment income	0.3	—
Total	$(9.6)	$6.8

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,	
	2016	2015
	(Dollars in millions)	
Corporate Private Equity	$(2.3)	$23.8
Global Market Strategies	(4.9)	0.7
Real Assets	1.8	(15.7)
Investment Solutions	(1.0)	0.6
Total	$(6.4)	$9.4

Investments in CLOs and Other Investments

Investments in CLOs and other investments as of March 31, 2016 and December 31, 2015 primarily consisted of $124.2 million and $9.3 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 position and results of operations of certain CLOs in which the Partnership is the primary beneficiary. As of March 31, 2016, the total assets of these CLOs included in the Partnership's condensed consolidated financial statements were approximately $2.7 billion.

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,

	2016	2015
	(Dollars in millions)	
Interest income from investments	$27.7	$208.4
Other income	1.2	17.9
Total	$28.9	$226.3

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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,	
	2016	2015
	(Dollars in millions)	
Gains (losses) from investments of Consolidated Funds	$(67.8)	$560.5
Gains (losses) from liabilities of CLOs	59.4	(55.5)
Gains on other assets of CLOs	—	0.5
Total	$(8.4)	$505.5

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

	Three Months Ended March 31,	
	2016	2015
	(Dollars in millions)	
Realized gains (losses)	$(6.2)	$224.6
Net change in unrealized gains (losses)	(61.6)	335.9
Total	$(67.8)	$560.5

6. Intangible Assets and Goodwill

The following table summarizes the carrying amount of intangible assets as of March 31, 2016 and December 31, 2015:

	As of March 31, 2016	December 31, 2015
	(Dollars in millions)	
Acquired contractual rights	$833.5	$ 830.4
Acquired trademarks	6.6	6.6
Accumulated amortization	(751.7)	(739.6)
Finite-lived intangible assets, net	88.4	97.4
Goodwill	38.7	38.3
Intangible assets, net	$127.1	$ 135.7

The following table summarizes the changes in the carrying amount of goodwill by segment as of March 31, 2016. There was no goodwill associated with the Partnership's Corporate Private Equity and Real Assets segments.

	Global Market Strategies	Investment Solutions	Total
	(Dollars in millions)		
Balance as of December 31, 2015	$28.0	$ 10.3	$38.3
Foreign currency translation	—	0.4	0.4
Balance as of March 31, 2016	$28.0	$ 10.7	$38.7

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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, 2016 and 2015, the Partnership evaluated for indicators of impairment certain definite-lived intangible assets associated with acquired contractual rights for fee income. The intangible assets are included in the Global Market Strategies segment. The Partnership recorded an impairment loss of $11.8 million during the three months ended March 31, 2015 to reduce the carrying value of the intangible assets to their estimated fair value. No impairment loss was recorded during the three months ended March 31, 2016.

The fair value determination was based on a probability-weighted discounted cash flow model. The fair value measurement was based on significant inputs not observable in the market (primarily discount rates ranging from 10% to 20%) and thus represented Level III measurements as defined in the accounting guidance for fair value measurements. The impairment loss was included in general, administrative and other expenses in the accompanying condensed consolidated financial statements.

Intangible asset amortization expense, excluding impairment losses, was $10.4 million and $22.4 million during the three months ended March 31, 2016 and 2015, respectively, and is included in general, administrative, and other expenses in the condensed consolidated statements of operations.

The following table summarizes the expected amortization expense for April 1, 2016 through December 31, 2020 and thereafter (Dollars in millions):

2016	$26.5
2017	31.9
2018	15.8
2019	5.7
2020	5.7
Thereafter	2.8
	$88.4

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, 2016		As of December 31, 2015	
	Borrowing Outstanding	Carrying Value	Borrowing Outstanding	Carrying Value
Senior Credit Facility Term Loan Due 5/05/2020	$25.0	$24.7	$25.0	$24.6
CLO Term Loan (1)	14.3	14.3	13.7	13.7
3.875% Senior Notes Due 2/01/2023	500.0	496.8	500.0	496.7
5.625% Senior Notes Due 3/30/2043	600.0	600.8	600.0	600.7
Promissory Note Due 1/01/2022	120.0	120.0	—	—
Total debt obligations	$1,259.3	$1,256.6	$1,138.7	$1,135.7

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

Senior Credit Facility

As of March 31, 2016, 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, 2016, 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, 2016, the interest rate was 1.57%). There was no amount outstanding under the revolving credit

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facility at March 31, 2016. Interest expense under the senior credit facility was not significant for the three months ended March 31, 2016 and 2015. The fair value of the outstanding balances of the term loan and revolving credit facility at March 31, 2016 and December 31, 2015 approximated par value based on current market rates for similar debt instruments and are classified as Level III within the fair value hierarchy.
On May 5, 2015, the Partnership entered into Amendment No. 2 to the senior credit facility, which: (i) extended the maturity date of the term loan and revolving credit facility from August 9, 2018 to May 5, 2020, (ii) revised the management fee earning assets covenant to remove the step up requirement to add a percentage of future acquired AUM to set the minimum management fee earning assets amount, (iii) changed the definition of Indebtedness to provide for a deduction of unrestricted cash, and (iv) reduced the corporate ratings-based pricing grid. The costs related to the amendment to the senior credit facility were not material.

CLO Term Loan

On October 3, 2013, the Partnership borrowed €12.6 million ($14.3 million at March 31, 2016) under a term loan and security agreement with a financial institution. Proceeds from the borrowing were used to fund the Partnership's investment in a CLO. Interest on the term loan accrues at EURIBOR plus 1.75% (1.75% at March 31, 2016). The Partnership may prepay the facility in whole or in part at any time without penalty. The facility is scheduled to mature on the earlier of 5 years after closing or the date that the CLO is dissolved. The facility is secured by the Partnership's investment in the CLO. Interest expense on the term loan was not significant for the three months ended March 31, 2016 and 2015. The fair value of the outstanding balance of the term loan at March 31, 2016 and December 31, 2015 approximated par value based on current market rates for similar debt instruments and is classified as Level III within the fair value hierarchy.

3.875% Senior Notes

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

Interest expense on the notes was $5.0 million for the three months ended March 31, 2016 and 2015. At March 31, 2016 and December 31, 2015, the fair value of the notes, including accrued interest, was approximately $519.9 million and $515.2 million, respectively, based on indicative quotes. The notes are classified as Level II within the fair value hierarchy.

5.625% Senior Notes

In March 2013, an indirect finance subsidiary of the Partnership issued $400.0 million in aggregate principal amount of 5.625% senior notes due March 30, 2043 at 99.583% of par. Interest is payable semi-annually on March 30 and September 30, beginning September 30, 2013. This subsidiary may redeem the senior notes in whole at any time or in part from time to time at a price equal to the greater of 100% of the principal amount of the notes being redeemed and the sum of the present values of the remaining scheduled payments of principal and interest on any notes being redeemed discounted to the redemption date on a semi-annual basis at the Treasury rate plus 40 basis points plus accrued and unpaid interest on the principal amounts being redeemed to the redemption date.
In March 2014, an indirect finance subsidiary of the Partnership issued $200.0 million of 5.625% Senior Notes due March 30, 2043 at 104.315% of par. These notes were issued as additional 5.625% Senior Notes and will be treated as a single class with the already outstanding $400.0 million aggregate principal amount of these senior notes.

Interest expense on the notes was $8.4 million for both the three months ended March 31, 2016 and 2015. At March 31, 2016 and December 31, 2015, the fair value of the notes, including accrued interest, was approximately $653.6 million and $646.6 million, respectively, based on indicative quotes. The notes are classified as Level II within the fair value hierarchy.

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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% (3.1% at March 31, 2016). 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, 2016. The fair value of the outstanding balance of the promissory note at March 31, 2016 approximated par value based on current market rates for similar debt instruments and is classified as Level III within the fair value hierarchy.

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, 2016.

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, 2016 (see Note 16); such violations do not cause a default or event of default under the Partnership’s senior credit facility, CLO term loan, senior notes, or the loans payable of Consolidated Funds.

Loans Payable of Consolidated Funds

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

As of March 31, 2016 and December 31, 2015, the following borrowings were outstanding, which includes preferred shares classified as liabilities (Dollars in millions):

	As of March 31, 2016				
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior secured notes	$2,440.3	$ 2,360.0	2.24	%	9.51
Subordinated notes, preferred shares and other	51.4	99.0	N/A	(a)	8.79
Total	$2,491.7	$ 2,459.0			

	As of December 31, 2015				
	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate		Weighted Average Remaining Maturity in Years
Senior secured notes	$16,301.0	$15,915.5	1.98	%	9.54
Subordinated notes, preferred shares and other	993.0	1,112.4	N/A	(a)	8.64

Combination notes	20.0	18.8	N/A	(b)	7.43
Total	$17,314.0	$17,046.7			

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(a) The subordinated notes and preferred shares do not have contractual interest rates, but instead receive distributions from the excess cash flows of the CLOs.
(b) The combination notes do not have contractual interest rates and have recourse only to the securities specifically held to collateralize such combination notes.

Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consisted of cash and cash equivalents, corporate loans, corporate bonds and other securities. As of March 31, 2016 and December 31, 2015, the fair value of the CLO assets was $2.8 billion and $18.6 billion, respectively.

8. Contingent Consideration

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

	Rollforward For The Three Months Ended March 31, 2016			
	Amounts payable to the sellers who are Carlyle professionals			
	Performance-based contingent cash consideration	Employment-based contingent consideration	Contingent cash and other consideration payable to non-Carlyle personnel	Total
	(Dollars in millions)			
Balance, beginning of period	$ 8.7	$ 80.4	$ 221.5	$ 310.6
Change in carrying value	0.3	(17.6)	6.0	(11.3)
Payments	—	(12.6)	(63.3) (a)	(75.9)
Conversion to note payable	—	—	(120.0) (a)	(120.0)
Balance, end of period	$ 9.0	$ 50.2	$ 44.2	$ 103.4

	Rollforward For The Three Months Ended March 31, 2015			
	Amounts payable to the sellers who are Carlyle professionals			
	Performance-based contingent cash consideration	Employment-based contingent consideration	Contingent cash and other consideration payable to non-Carlyle personnel	Total
	(Dollars in millions)			
Balance, beginning of period	$ 26.8	$ 156.8	$ 201.0	$ 384.6
Change in carrying value	0.7	(9.5)	25.6 (a)	16.8
Payments	—	(3.3)	(0.5)	(3.8)
Issuance of equity	—	(2.2)	—	(2.2)
Balance, end of period	$ 27.5	$ 141.8	$ 226.1	$ 395.4

(a) Refer to Note 5 for information on the contingent consideration payable to BNRI from the strategic investment in NGP.

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

The amount of employment-based contingent cash consideration payable to the sellers who are Carlyle professionals has been recorded as accrued compensation and benefits in the accompanying condensed consolidated balance sheets. Changes in the value of these amounts are recorded as compensation expense in the condensed consolidated statements of operations.

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The fair value of contingent consideration payable to non-Carlyle personnel is included in accounts payable, accrued expenses and other liabilities, or due to affiliates for amounts payable to NGP, in the accompanying condensed consolidated balance sheets. Changes in the fair value of this contingent consideration are recorded in other non-operating expense (income), or investment income in the case of amounts payable to NGP, in the condensed consolidated statements of operations.
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, 2016 and December 31, 2015.

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, 2016 is $393.6 million versus the liabilities recognized on the balance sheet of $103.4 million. Based on the historical and projected performance of the Partnership's acquisitions, the Partnership believes that approximately $230.7 million of the maximum amounts of the contingent cash obligations are unlikely to be paid.
Some of the employment-based contingent cash consideration agreements do not contain provisions limiting the amount that could be paid by the Partnership. For purposes of the estimate above, the Partnership has used its current estimate of the amount to be paid upon the determination dates for such payments. In the consolidated financial statements, the Partnership records the performance-based contingent cash consideration from business acquisitions at fair value at each reporting period. For the employment-based contingent cash consideration, the Partnership accrues the compensation liability over the implied service period.

9. Accrued Compensation and Benefits
Accrued compensation and benefits consist of the following:

	As of March 31, 2016	December 31, 2015
	(Dollars in millions)	
Accrued performance fee-related compensation	$1,546.0	$1,511.9
Accrued bonuses	100.6	211.9
Employment-based contingent cash consideration	50.2	80.4
Other	133.9	149.0
Total	$1,830.7	$1,953.2

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, 2016 (Dollars in millions):

	Unfunded Commitments
Corporate Private Equity	$ 1,735.9
Global Market Strategies	341.7

Real Assets	687.8
Investment Solutions	98.9
Total	$ 2,864.3

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Of the $2.9 billion of unfunded commitments, approximately $2.5 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 (3.61% weighted-average rate at March 31, 2016). As of March 31, 2016 and December 31, 2015, approximately $9.3 million and $9.4 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, 2016 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 $266.5 million at March 31, 2016, 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, 2016. However, the ultimate giveback obligation, if any, does not become realized until the end of a fund’s life (see Note 2). The Partnership has recorded $29.8 million and $23.8 million of unbilled receivables from former and current employees and senior Carlyle professionals as of March 31, 2016 and December 31, 2015, 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, $371.6 million and $367.2 million have been withheld from distributions of carried interest to senior Carlyle professionals and employees for potential giveback obligations as of March 31, 2016 and December 31, 2015, respectively. Such amounts 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, 2016, approximately $184.0 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 $82.5 million.

If, at March 31, 2016, 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 $2.0 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 2016 through 2032. These leases are accounted for as operating leases. Rent expense was approximately $13.6 million and $14.5 million for the three months ended March 31, 2016 and 2015, respectively, and is included in general, administrative and other expenses in the condensed consolidated statements of operations.

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

2016	$41.4
2017	52.3
2018	48.0
2019	41.6
2020	39.7
Thereafter	293.0
	$516.0

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 $59.8 million and $59.7 million as of March 31, 2016 and December 31, 2015, 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 matters described below are without merit and intends to vigorously contest all such allegations for the matters that have not been resolved.

Along with many other companies and individuals in the financial sector, the Partnership and Carlyle Mezzanine Partners, L.P. (“CMP”) are named as defendants in Foy v. Austin Capital, a case filed in June 2009, pending in the State of New Mexico’s First Judicial District Court, County of Santa Fe, which purports to be a qui tam suit on behalf of the State of New Mexico under the state Fraud Against Taxpayers Act (“FATA”). The suit alleges that investment decisions by New Mexico public investment funds were improperly influenced by campaign contributions and payments to politically connected placement agents. The plaintiffs seek, among other things, actual damages for lost income, rescission of the investment transactions described in the complaint and disgorgement of all fees received. In May 2011, the Attorney General of New Mexico moved to dismiss certain defendants including the Partnership and CMP on the grounds that separate civil litigation by the Attorney General is a more effective means to seek recovery for the State from these defendants. The Attorney General has 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 on that motion to dismiss was held in April 2016.

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

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served expert reports. Expert witness reports for defendants were served during the first week of February 2016. Trial is scheduled for June 2016.

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 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. Recently, the SEC has informally requested information about the Partnership's historical practices relating to the acceleration of monitoring fees received from the Partnership's portfolio companies. In addition, the SEC has requested information regarding 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. Finally, the SEC has initiated an investigation regarding a complaint allegedly made by a former employee who has filed a claim against the Partnership in Federal District Court in Connecticut for wrongful termination of his employment. We are cooperating fully with the SEC's inquiries.

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, 2016, the Partnership has estimated liabilities aggregating to $62 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, upwards 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.

Other Contingencies

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

On April 15, 2015, the French tax court issued an opinion in this matter that was adverse to CEREP I, holding the Luxembourg property company liable for approximately €105 million (including penalties and interest accrued since the beginning of the tax dispute). The Partnership disagreed with the outcome and filed a petition of appeal on July 3, 2015. In 2015, in satisfaction of the obligation to the French government, CEREP I paid approximately €30 million of the tax obligations and the Partnership paid approximately €75 million in its capacity as a guarantor. CEREP I has approximately €1 million in net assets as of March 31, 2016. Additionally, the French Ministry of Justice is continuing its investigation of the actions of the Luxembourg property company and its former directors, managers and representatives in claiming the tax treaty exemptions.

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

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Restructuring

During the three months ended March 31, 2016, the Partnership decided to restructure its Investment Solutions segment to focus on private market secondaries, primary investments, co-investment and managed account activities and, given the challenging market environment, discontinue its fund of hedge funds and liquid alternative initiatives at Diversified Global Asset Management Corporation ("DGAM"). As a result, during the three months ended March 31, 2016, the Partnership incurred $7.7 million of employee separation and other contract termination expenses, of which $3.3 million was paid. The Partnership estimates that it will incur an additional $3.3 million of wind down expenses. The majority of these expenses relate to employee separation.

Indemnifications

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

Risks and Uncertainties

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

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

The funds make investments outside of the United States. Investments outside the 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 Partnership considers cash, cash equivalents, securities, receivables, equity-method investments, accounts payable, accrued expenses, other liabilities, loans payable, senior notes, assets and liabilities of Consolidated Funds and contingent and other consideration for acquisitions to be its financial instruments. Except for the senior notes, the carrying amounts reported in the condensed consolidated balance sheets for these financial instruments equal or closely approximate their fair values. The fair value of the senior notes is disclosed in Note 7.

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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, 2016 and December 31, 2015:

	As of March 31, 2016	December 31, 2015
	(Dollars in millions)	
Unbilled receivable for giveback obligations from current and former employees	$29.8	$ 23.8
Notes receivable and accrued interest from affiliates	22.2	7.3
Other receivables from unconsolidated funds and affiliates, net	146.0	164.2
Total	$198.0	$ 195.3

Notes receivable represent loans that the Partnership has provided to certain unconsolidated funds to meet short-term obligations to purchase investments. Other receivables from certain of the unconsolidated funds and portfolio companies relate to management fees receivable from limited partners, advisory fees receivable and expenses paid on behalf of these entities. These costs represent costs related to the pursuit of actual or proposed investments, professional fees and expenses associated with the acquisition, holding and disposition of the investments. The affiliates are obligated at the discretion of the Partnership to reimburse the expenses. Based on management's determination, the Partnership accrues and charges interest on amounts due from affiliate accounts at interest rates ranging up to 7.05% as of March 31, 2016. 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, 2016 and December 31, 2015:

	As of March 31, 2016	December 31, 2015
	(Dollars in millions)	
Due to affiliates of Consolidated Funds	$0.2	$ 0.3
Due to non-consolidated affiliates	32.3	51.7
Performance-based contingent cash and equity consideration related to acquisitions	37.9	35.3
Amounts owed under the tax receivable agreement	138.0	141.7
Other	12.7	16.9
Total	$221.1	$ 245.9

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

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aircraft by senior Carlyle professionals and other employees, which is made at market rates, totaled $1.1 million for both the three months ended March 31, 2016 and 2015. 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 $7.4 million and $10.5 million for the three months ended March 31, 2016 and 2015, 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, 2016, the Partnership's U.S. federal income tax returns for the years 2012 through 2015 are open under the normal three-year statute of limitations and therefore subject to examination. State and local tax returns are generally subject to audit from 2011 to 2015. Foreign tax returns are generally subject to audit from 2008 to 2015. 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.

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, 2016	December 31, 2015
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	$3.9	$4,213.0
Non-Carlyle interests in majority-owned subsidiaries	377.4	394.3

Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	(119.3)	(113.5)
Non-controlling interests in consolidated entities	$262.0	$4,493.8

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

	Three Months Ended March 31,	
	2016	2015
	(Dollars in Millions)	
Non-Carlyle interests in Consolidated Funds	$1.2	$449.9
Non-Carlyle interests in majority-owned subsidiaries	1.7	(0.8)
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	(5.3)	(37.9)
Net income (loss) attributable to other non-controlling interests in consolidated entities	(2.4)	411.2
Net loss attributable to partners' capital appropriated for CLOs	—	(48.6)
Net income attributable to redeemable non-controlling interests in consolidated entities	0.1	76.5
Non-controlling interests in income (loss) of consolidated entities	$(2.3)	$439.1

14. Earnings Per Common Unit

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

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
	Basic	Diluted	Basic	Diluted
Net income attributable to The Carlyle Group L.P.	$8,400,000	$8,400,000	$39,500,000	$39,500,000
Dilution of earnings due to participating securities with distribution rights	—	—	(427,000)	(479,600)
Incremental net loss from assumed exchange of Carlyle Holdings partnership units	—	(6,400,000)	—	—
Net income attributable to common units	$8,400,000	$2,000,000	$39,073,000	$39,020,400
Weighted-average common units outstanding	80,885,060	299,949,767	67,684,674	72,347,771
Net income per common unit	$0.10	$0.01	$0.58	$0.54

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

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. weighted-average common units outstanding	80,885,060	80,885,060	67,684,674	67,684,674
Unvested deferred restricted common units	—	1,809,650	—	4,663,097
Weighted-average vested Carlyle Holdings Partnership units	—	216,955,323	—	—
Unvested Carlyle Holdings Partnership units	—	299,734	—	—
Weighted-average common units outstanding	80,885,060	299,949,767	67,684,674	72,347,771

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 contingently issuable Carlyle Holdings partnership units and common units associated with the Partnership's acquisitions. For purposes of determining the dilutive weighted-average common units, it is assumed that March 31, 2016 and

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2015 represent the end of the contingency period, the "if-converted" method is applied to any Carlyle Holdings partnership units issuable therefrom, and the treasury stock method is applied.

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

In computing the dilutive effect that the exchange of Carlyle Holdings partnership units would have on earnings per common unit, the Partnership considered that net income available to holders of common units would increase due to the elimination of non-controlling interests in Carlyle Holdings (including any tax impact). Based on these calculations, the 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, a net loss of non-controlling interests in Carlyle Holdings was estimated with this assumed exchange of $6.4 million for the three months ended March 31, 2016 has been included in net income attributable to The Carlyle Group L.P. for purposes of the dilutive earnings per common unit calculation. However, for the three months ended March 31, 2015, 227,127,601 of vested and unvested Carlyle Holdings partnership units were antidilutive, and therefore have been excluded.

On August 1, 2013, as part of acquiring the remaining 40% equity interests in AlpInvest, the Partnership issued 914,087 common units that are subject to vesting conditions. As of March 31, 2016, 38,911 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-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, 2016, 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 32,402,830.

Unvested Partnership Common Units

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

These newly issued common units were unvested at grant and vest over a period of up to five years. The unvested common units are accounted for as equity-based compensation in accordance with ASC Topic 718, Compensation – Stock Compensation ("ASC 718"). The grant-date fair value of the unvested common units is charged to equity-based compensation on a straight-line basis over the required service period. Additionally, the calculation of the expense assumes a forfeiture rate of up to 5%. For the three months ended March 31, 2016 and 2015, the Partnership recorded $1.1 million and $2.9 million in equity-based compensation expense associated with these awards, respectively. As of March 31, 2016, the total unrecognized equity-based compensation expense related to unvested common units, considering estimated forfeitures, is $0.7 million, which is expected to be recognized over a weighted-average term of 1.2 years.

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Unvested Carlyle Holdings Partnership Units

Unvested Carlyle Holdings partnership units are held by senior Carlyle professionals and other individuals engaged in Carlyle’s business and generally vest ratably over a six-year period. The unvested Carlyle Holdings partnership units are accounted for as equity-based compensation in accordance with ASC 718. The grant-date fair value of the unvested Carlyle Holdings partnership units are charged to equity-based compensation expense on a straight-line basis over the required service period. Additionally, the calculation of the expense assumes a forfeiture rate of up to 2.5%. The Partnership recorded equity-based compensation expense associated with these awards of $42.5 million and $42.0 million for the three months ended March 31, 2016 and 2015, respectively. No tax benefits have been recorded related to the unvested Carlyle Holdings partnership units, as the vesting of these units does not result in a tax deduction to the corporate taxpayers.

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

As of March 31, 2016, the total unrecognized equity-based compensation expense related to unvested Carlyle Holdings partnership units, considering estimated forfeitures, is $397.5 million, which is expected to be recognized over a weighted-average term of 2.1 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 forfeiture rate that generally ranges from 2% to 7.5% and a per unit discount that generally ranges up to 40%, as these unvested awards do not participate in any Partnership distributions. During the first quarter of 2016, the Partnership revised its estimated forfeiture rates to a range of 2% to 7.5% from a previous range of 2% to 10%. The cumulative effect of the change in this estimate was not material. The Partnership recorded compensation expense of $31.7 million and $44.3 million for the three months ended March 31, 2016 and 2015, respectively, with $4.3 million and $4.1 million of corresponding deferred tax benefits, respectively. As of March 31, 2016, the total unrecognized equity-based compensation expense related to unvested deferred restricted common units, considering estimated forfeitures, is $315.4 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, adjusted for estimated forfeitures of awards not expected to vest, based on the fair value of the award on each reporting date and adjusted for the actual fair value of the award at each vesting date. The expense for equity-based awards issued to non-employees was not significant for the three months ended March 31, 2016 and 2015.

Phantom Deferred Restricted Common Units
The phantom deferred restricted common units are unvested when granted and vest ratably over a service period of three years. Upon vesting, the units will be settled in cash. As the phantom deferred restricted common units will be settled in cash, they are accounted for as liability awards. The fair value of the units is re-measured at each reporting period until settlement and charged to equity-based compensation expense over the vesting period. Additionally, the calculation of the expense assumes a forfeiture rate of 7.5%. During the first quarter of 2016, the Partnership revised its estimated forfeiture rate to 7.5% from 10%. The cumulative effect of the change in this estimate was not material. Equity-based compensation expense and related tax benefits associated with these awards were not material for the three months ended March 31, 2016 and 2015. Further, as of

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March 31, 2016, the total unrecognized equity-based compensation expense related to unvested phantom deferred restricted common units, considering estimated forfeitures, was not material and is expected to be recognized within the next year.
A summary of the status of the Partnership’s non-vested equity-based awards as of March 31, 2016 and a summary of changes for the three months ended March 31, 2016, 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, 2015	26,819,112	$ 22.18	18,420,434	$ 24.62	766,991	$ 27.41	6,741	$ 34.58
Granted	—	$ —	5,041,242	$ 11.03	—	$ —	—	$ —
Vested	—	$ —	1,018,300	$ 28.83	728,080	$ 27.71	3,108	$ 34.81
Forfeited	—	$ —	669,502	$ 25.08	—	$ —	285	$ 33.71
Balance, March 31, 2016	26,819,112	$ 22.18	21,773,874	$ 21.28	38,911	$ 21.67	3,348	$ 34.44

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 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. However, if Urbplan fails to complete its construction projects, customers, partners, government agencies or municipalities or other creditors in certain circumstances might seek to assert claims against the Partnership and its assets unrelated to Urbplan under certain consumer protection or other laws.
Urbplan is currently a party to various litigation, government investigations and proceedings, disputes and other potential claims. The Partnership does not believe it is probable that the outcome of any existing Urbplan litigation, disputes or other potential claims will materially affect the Partnership or these consolidated financial statements.

From 2013 through March 31, 2016, $336.4 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 $89.7 million of the $336.4 million and the remaining $246.7 million has been funded by senior Carlyle professionals indirectly through the Partnership. For the three months ended March 31, 2016, $14.9 million was funded to Urbplan, of which the Partnership funded $11.8 million and the senior Carlyle professionals funded $3.1 million indirectly through the Partnership.

While no contractual or other obligations exist to provide additional financial support to Urbplan, the Partnership may provide additional capital funding to Urbplan in the future. Urbplan will also continue to seek capital funding from unaffiliated parties and will seek to restructure existing debt obligations to reduce its cash requirements. Whether and to what extent the Partnership will continue to provide financial support will be based on the circumstances at the time including levels of third-

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party funding and the ability of the company to reach satisfactory agreements with its creditors. At this time, it is not expected that funding by the Partnership for the remainder of 2016 would exceed $25 million.
The assets and liabilities recognized in the Partnership's condensed consolidated balance sheets as of March 31, 2016 and December 31, 2015 related to Urbplan were as follows:

	As of March 31, 2016	December 31, 2015
	(Dollars in millions)	
Receivables and inventory of a consolidated real estate VIE:		
Customer and other receivables	$80.3	$ 71.8
Inventory costs in excess of billings and advances	84.6	71.8
	$164.9	$ 143.6
Other assets of a consolidated real estate VIE:		
Restricted investments	$12.9	$ 14.6
Fixed assets, net	0.2	0.8
Deferred tax assets	8.0	8.4
Other assets	19.6	23.8
	$40.7	$ 47.6
Loans payable of a consolidated real estate VIE, at fair value (principal amount of $122.5 million and $125.6 million as of March 31, 2016 and December 31, 2015, respectively)	$73.5	$ 75.4
Other liabilities of a consolidated real estate VIE:		
Accounts payable	$12.0	$ 14.5
Other liabilities	72.1	69.9
	$84.1	$ 84.4

The revenues and expenses recognized in the Partnership's condensed consolidated statements of operations for the three months ended March 31, 2016 and 2015, respectively, related to Urbplan were as follows:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Dollars in millions)	
Revenue of a consolidated real estate VIE		
Land development services	$19.1	$ 54.8
Investment income	5.3	0.4
	$24.4	$ 55.2
Interest and other expenses of a consolidated real estate VIE:		
Costs of products sold and services rendered	$10.7	$ 41.0

Interest expense	7.5	10.2
Change in fair value of loans payable	0.7	5.8
Compensation and benefits	1.7	2.6
G&A and other expenses	2.8	10.4
	$23.4	$ 70.0

The following is a summary of the significant classifications of assets and liabilities of Urbplan:

Customer and other receivables – This balance consists primarily of amounts owed for land development services using the completed contract method. Customer receivables accrue interest at rates ranging from 9% to 12% per year and are secured by the underlying real estate. Substantially all receivables are pledged as collateral for Urbplan's borrowings. The carrying

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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 $96.5 million and $104.5 million of customer advances received as of March 31, 2016 and December 31, 2015, respectively. Urbplan records valuation adjustments on inventory when events and circumstances indicate that the inventory may be impaired and when the cash flows estimated to be generated by the real estate project are less than its carrying amount. Real estate projects that demonstrate potential impairment indicators are tested for impairment by Urbplan by comparing the expected undiscounted cash flows for the real estate project to its carrying value. For those real estate projects whose carrying values exceed the expected undiscounted cash flows, Urbplan estimates the fair value of the real estate projects. 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 60% of the outstanding principal amounts of the loans as of March 31, 2016. The fair value of the loans was based on discounted cash flow analyses which considered the liquidity and current financial condition of Urbplan and applicable discount rates. The Partnership has elected to re-measure the loans at fair value at each reporting period through the term of the loans. The principal amounts of the loans accrue interest at a variable rate based on an index plus an applicable margin. Interest rates are based on: (i) CDI plus a margin ranging from 4.0% to 7.4% (18.1% to 21.5% as of March 31, 2016); (ii) IGP-M plus a margin of 12.0% (23.6% as of March 31, 2016); or (iii) IPCA plus a margin ranging from 11.0% to 13.5% (20.4% to 22.9% as of March 31, 2016). Outstanding principal amounts on the loans based on current contractual terms are payable as follows (Dollars in millions):

2016	$22.4
2017	13.1
2018	10.5
2019	12.1
2020	14.0
Thereafter	50.4
	$122.5

Substantially all of Urbplan's customer and other receivables and investments have been pledged as collateral for the loans. As of March 31, 2016, substantially all of Urbplan's loans payable are not in compliance with their related debt covenants or are otherwise in technical default. These violations do not cause a default or event of default under the Partnership's senior credit facility or senior notes. Urbplan management is in discussions with the lenders to cure or re-negotiate the loans in default. Currently there are no outstanding notices of acceleration of payment on the loans in default.

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

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

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

Interest and other expenses of a consolidated real estate VIE – This balance consists primarily of interest expense on Urbplan’s borrowings, general and administrative expenses, compensation and benefits, and costs associated with land development services. Also included in this caption is the change in the Partnership’s estimate of the fair value of Urbplan’s

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loans payable during the period. Interest expense is recorded on Urbplan's borrowings at variable rates as defined. Costs related to Urbplan's land development services activities are capitalized until the services are complete. Costs associated with advertising, marketing and other selling activities are expensed when incurred.

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

As of March 31, 2016, Urbplan had outstanding commitments for land development services with an estimated $22.5 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.

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

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

Investment Solutions – The Investment Solutions segment advises a global private equity fund of funds program and related co-investment and secondary activities through AlpInvest. This segment also includes Metropolitan, a global manager of real estate fund of funds, and DGAM, the Partnership's fund of hedge funds and liquid alternatives platform. The Partnership commenced a wind down of the operations of DGAM during the three months ended March 31, 2016.

The Partnership's reportable business segments are differentiated by their various investment focuses and strategies. Overhead costs are allocated based on direct base compensation expense for each segment. The Partnership includes adjustments to reflect the Partnership's economic interests in Claren Road, ESG, Carlyle Commodity Management and for periods prior to August 1, 2013, AlpInvest. Effective July 1, 2015, the Partnership's economic interest in Carlyle Commodity Management increased from 55% to approximately 83% as a result of the June 2015 restructuring of the original acquisition agreement. 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. The Partnership's earnings from its investment in NGP Management are presented in the respective operating captions within the Real Assets segment. The net income or loss from the consolidation of Urbplan allocable to the Partnership (after consideration of amounts allocable to non-controlling interests) is presented within investment income in the Real Assets segment.

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

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 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.

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

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

(=) Distributable Earnings	$104.5	$ 0.8	$19.5	$ 3.8	$128.6
Segment assets as of March 31, 2016	$3,121.9	$ 607.9	$1,506.0	$ 827.1	$6,062.9

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The following table presents the financial data for the Partnership's four reportable segments for the three months ended March 31, 2015:

	Three Months Ended March 31, 2015				
	Corporate Private Equity	Global Market Strategies	Real Assets	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$134.3	$ 55.5	$66.3	$ 40.5	$296.6
Portfolio advisory fees, net	5.2	0.5	0.1	—	5.8
Transaction fees, net	1.5	—	0.3	—	1.8
Total fund level fee revenues	141.0	56.0	66.7	40.5	304.2
Performance fees					
Realized	306.0	4.6	7.7	3.4	321.7
Unrealized	200.7	18.7	14.1	47.0	280.5
Total performance fees	506.7	23.3	21.8	50.4	602.2
Investment income (loss)					
Realized	2.7	1.6	(86.4)	0.1	(82.0)
Unrealized	7.4	(4.2)	50.2	0.6	54.0
Total investment income (loss)	10.1	(2.6)	(36.2)	0.7	(28.0)
Interest income	0.3	0.5	—	—	0.8
Other income	2.9	1.3	1.1	0.4	5.7
Total revenues	661.0	78.5	53.4	92.0	884.9
Segment Expenses					
Compensation and benefits					
Direct base compensation	53.7	28.2	18.5	21.5	121.9
Indirect base compensation	26.3	8.8	12.3	3.6	51.0
Equity-based compensation	17.3	5.2	7.1	2.7	32.3
Performance fee related					
Realized	137.0	2.3	1.8	2.2	143.3
Unrealized	95.7	8.2	28.9	44.3	177.1
Total compensation and benefits	330.0	52.7	68.6	74.3	525.6
General, administrative, and other indirect expenses	31.7	12.3	14.6	7.9	66.5
Depreciation and amortization expense					