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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

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 ☒ 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 ☒ No ☐

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

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

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

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

The number of the registrant's common units representing limited partner interests outstanding as of July 27, 2018 was 101,819,953.

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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. These statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, contingencies, our distribution policy, and other non-historical statements. You can identify these forward-looking statements by the use of words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements including, but not limited to, those described under the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the United States Securities and Exchange Commission (“SEC”) on February 15, 2018, as such factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings with the SEC. We undertake no obligation to publicly update or review any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

Website and Social Media Disclosure

We use our website (www.carlyle.com), our corporate Facebook page (https://www.facebook.com/onecarlyle/) 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 http://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. When we refer to the “Carlyle Holdings partnerships” or “Carlyle Holdings”, we are referring to Carlyle Holdings I L.P., Carlyle Holdings II L.P., and Carlyle Holdings III L.P.

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

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

- Corporate Private Equity (all): buyout & growth funds advised by Carlyle
- Real Assets: Real estate, power, infrastructure and energy funds advised by Carlyle, as well as those energy funds advised by NGP Energy Capital Management in which Carlyle is entitled to receive a share of carried interest
- Global Credit: Structured credit, direct lending, distressed credit, energy credit, opportunistic credit and corporate mezzanine funds, and other closed-end credit funds advised by Carlyle
- Investment Solutions: Funds and vehicles advised by AlpInvest Partners B.V. (“AlpInvest”) and Metropolitan Real Estate Equity Management, LLC (“Metropolitan), which include primary fund, secondary and co-investment strategies

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

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

“Fee-earning assets under management” or “Fee-earning AUM” refers to the assets we manage or advise from which we derive recurring fund management fees. Our Fee-earning AUM is generally based on one of the following, once fees have been activated:

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

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

(c) the amount of aggregate fee-earning collateral balance at par of our CLOs, as defined in the fund indentures (typically exclusive of equities and defaulted positions) as of the quarterly cut-off date for each CLO;

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

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

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

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

(a) the aggregate fair value of our carry funds and related co-investment vehicles, NGP management fee funds and separately managed accounts, 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, plus the capital that Carlyle is entitled to call from investors in those vehicles pursuant to the terms of their capital commitments to those vehicles.

We include in our calculation of AUM and Fee-earning AUM certain NGP management fee funds and carry funds that are advised by NGP and certain energy and renewable resources funds that we jointly advise with Riverstone Holdings L.L.C. (“Riverstone”). Energy II, Energy III, Energy IV, and Renew II (collectively, the “Legacy Energy Funds”), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. Carlyle has a minority representation on the management committees of Energy IV and Renew II. Carlyle and Riverstone each hold half of the seats on the management committees of Energy II and Energy III, but the investment period for these funds has expired and the remaining investments in such funds are being disposed of in the ordinary course of business.

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

Our calculations of AUM and Fee-earning AUM may differ from the calculations of other alternative asset managers. As a result, these measures may not be comparable to similar measures presented by other alternative asset managers. In addition, our calculation of AUM (but not Fee-earning AUM) includes uncalled commitments to, and the fair value of invested capital in, our investment funds from Carlyle and our personnel, regardless of whether such commitments or invested capital are subject to management fees, incentive fees or performance allocations. 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.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2018 (Unaudited)	December 31, 2017 (As Adjusted)
Assets		
Cash and cash equivalents	**$ 876.8**	$ 1,000.1
Cash and cash equivalents held at Consolidated Funds	**395.3**	377.6
Restricted cash	**1.7**	28.7
Corporate treasury investments	**343.5**	376.3
Investments, including accrued performance allocations of $3,900.3 million and $3,664.3 million as of June 30, 2018 and December 31, 2017, respectively	**5,647.6**	5,288.6
Investments of Consolidated Funds	**5,248.3**	4,534.3
Due from affiliates and other receivables, net	**303.2**	263.4
Due from affiliates and other receivables of Consolidated Funds, net	**117.5**	50.8
Fixed assets, net	**95.9**	100.4
Deposits and other	**58.5**	54.1
Intangible assets, net	**29.9**	35.9
Deferred tax assets	**176.2**	170.4
Total assets	**$ 13,294.4**	$ 12,280.6
Liabilities and partners' capital		
Debt obligations	**$ 1,591.9**	$ 1,573.6
Loans payable of Consolidated Funds	**4,835.1**	4,303.8
Accounts payable, accrued expenses and other liabilities	**365.7**	355.1
Accrued compensation and benefits	**2,346.7**	2,222.6
Due to affiliates	**170.0**	229.9
Deferred revenue	**62.0**	82.1
Deferred tax liabilities	**69.7**	75.6
Other liabilities of Consolidated Funds	**666.8**	422.1
Accrued giveback obligations	**63.2**	66.8
Total liabilities	**10,171.1**	9,331.6
Commitments and contingencies		
Series A preferred units (16,000,000 units issued and outstanding as of June 30, 2018 and December 31, 2017, respectively)	**387.5**	387.5
Partners' capital (common units 102,119,818 and 100,100,650 issued and outstanding as of June 30, 2018 and December 31, 2017, respectively)	**738.4**	701.8
Accumulated other comprehensive loss	**(79.6)**	(72.7)
Non-controlling interests in consolidated entities	**382.3**	404.7
Non-controlling interests in Carlyle Holdings	**1,694.7**	1,527.7
Total partners' capital	**3,123.3**	2,949.0
Total liabilities and partners' capital	**$ 13,294.4**	$ 12,280.6

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 June 30, 2018	Three Months Ended June 30, 2017 (As Adjusted)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017 (As Adjusted)
Revenues				
Fund management fees	**$ 301.3**	$ 238.8	**$ 565.8**	$ 485.1
Incentive fees	**7.4**	11.1	**13.7**	16.7
Investment income (loss)				
Performance allocations				
Realized	**97.4**	346.6	**318.0**	424.2
Unrealized	**327.7**	185.9	**415.2**	784.3
Principal investment income (loss)				
Realized	**36.3**	26.7	**63.8**	26.5
Unrealized	**41.9**	32.3	**68.5**	78.8
Total investment income	**503.3**	591.5	**865.5**	1,313.8
Interest and other income	**28.0**	5.6	**50.5**	16.0
Interest and other income of Consolidated Funds	**53.6**	45.0	**100.9**	87.9
Revenue of a real estate VIE	**—**	16.4	**—**	109.0
Total revenues	**893.6**	908.4	**1,596.4**	2,028.5
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	**176.0**	151.0	**363.3**	297.0
Equity-based compensation	**64.9**	88.0	**149.8**	160.8
Performance allocations and incentive fee related compensation				
Realized	**51.7**	166.7	**160.1**	212.5
Unrealized	**170.3**	90.4	**219.9**	361.7
Total compensation and benefits	**462.9**	496.1	**893.1**	1,032.0
General, administrative and other expenses	**126.8**	95.8	**221.8**	189.6
Interest	**18.4**	16.5	**36.3**	31.5
Interest and other expenses of Consolidated Funds	**45.3**	78.5	**81.2**	123.7
Interest and other expenses of a real estate VIE and loss on deconsolidation	**—**	18.4	**—**	138.0
Other non-operating expenses	**0.3**	0.1	**0.6**	0.1
Total expenses	**653.7**	705.4	**1,233.0**	1,514.9
Other income				
Net investment gains of Consolidated Funds	**12.9**	40.7	**14.9**	57.8
Income before provision for income taxes	**252.8**	243.7	**378.3**	571.4
Provision for income taxes	**11.6**	13.2	**19.4**	19.0
Net income	**241.2**	230.5	**358.9**	552.4
Net income attributable to non-controlling interests in consolidated entities	**16.7**	16.5	**27.7**	19.8
Net income attributable to Carlyle Holdings	**224.5**	214.0	**331.2**	532.6
Net income attributable to non-controlling interests in Carlyle Holdings	**155.1**	156.4	**222.1**	392.0
Net income attributable to The Carlyle Group L.P.	**69.4**	57.6	**109.1**	140.6
Net income attributable to Series A Preferred Unitholders	**5.9**	—	**11.8**	—
Net income attributable to The Carlyle Group L.P. Common Unitholders	**$ 63.5**	$ 57.6	**$ 97.3**	$ 140.6
Net income attributable to The Carlyle Group L.P. per common unit (see Note 11)				
Basic	**$ 0.62**	$ 0.65	**$ 0.96**	$ 1.61
Diluted	**$ 0.56**	$ 0.59	**$ 0.87**	$ 1.49
Weighted-average common units				
Basic	**102,465,109**	88,801,343	**101,603,587**	87,079,007
Diluted	**112,582,728**	96,986,255	**111,948,144**	94,486,422
Distributions declared per common unit	**$ 0.27**	$ 0.10	**$ 0.60**	$ 0.26

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 June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Net income	**$ 241.2**	$ 230.5	**$ 358.9**	$ 552.4
Other comprehensive income				
Foreign currency translation adjustments	**(56.3)**	39.3	**(25.7)**	49.4
Defined benefit plans				
Unrealized gain (loss) for the period	**0.7**	(1.0)	**(0.3)**	(1.0)
Less: reclassification adjustment for loss during the period, included in cash-based compensation and benefits expense	**0.3**	0.3	**0.5**	0.6
Other comprehensive income (loss)	**(55.3)**	38.6	**(25.5)**	49.0
Comprehensive income	**185.9**	269.1	**333.4**	601.4
Comprehensive (income) loss attributable to non-controlling interests in consolidated entities	**1.8**	(23.0)	**(20.5)**	(29.9)
Comprehensive income attributable to Carlyle Holdings	**187.7**	246.1	**312.9**	571.5
Comprehensive income attributable to non-controlling interests in Carlyle Holdings	**(129.5)**	(179.6)	**(209.3)**	(420.2)
Comprehensive income attributable to The Carlyle Group L.P.	**$ 58.2**	$ 66.5	**$ 103.6**	$ 151.3

See accompanying notes.

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

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Cash flows from operating activities		
Net income	$ 358.9	$ 552.4
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	21.9	20.1
Equity-based compensation	149.8	160.8
Non-cash net performance allocations and incentive fees	(215.6)	(511.8)
Other non-cash amounts	4.7	(6.1)
Consolidated Funds related:		
Realized/unrealized (gain) loss on investments of Consolidated Funds	41.5	(29.6)
Realized/unrealized gain from loans payable of Consolidated Funds	(56.4)	(28.2)
Purchases of investments by Consolidated Funds	(2,137.0)	(1,514.9)
Proceeds from sale and settlements of investments by Consolidated Funds	1,261.2	1,746.8
Non-cash interest income, net	(1.9)	(2.6)
Change in cash and cash equivalents held at Consolidated Funds	256.8	345.4
Change in other receivables held at Consolidated Funds	(74.8)	(28.1)
Change in other liabilities held at Consolidated Funds	(12.6)	(219.3)
Principal investment income	(131.1)	(103.8)
Purchases of investments	(228.9)	(204.3)
Proceeds from the sale of investments	379.8	306.9
Payments of contingent consideration	(37.5)	(22.5)
Deconsolidation of Claren Road	—	(23.3)
Changes in deferred taxes, net	(2.6)	0.3
Change in due from affiliates and other receivables	(48.3)	(74.2)
Change in receivables and inventory of a real estate VIE	—	(14.5)
Change in deposits and other	(12.1)	(9.3)
Change in other assets of a real estate VIE	—	1.6
Change in accounts payable, accrued expenses and other liabilities	0.8	(3.3)
Change in accrued compensation and benefits	(8.9)	(41.1)
Change in due to affiliates	(26.6)	0.1
Change in other liabilities of a real estate VIE	—	47.9
Change in deferred revenue	(19.3)	27.7
Net cash (used in) provided by operating activities	(538.2)	373.1
Cash flows from investing activities		
Purchases of fixed assets, net	(12.5)	(16.7)
Net cash used in investing activities	(12.5)	(16.7)
Cash flows from financing activities		
Borrowings under credit facility	—	250.0
Repayments under credit facility	—	(250.0)
Payments on debt obligations	(13.8)	—
Proceeds from debt obligations	34.5	112.1
Net payments on loans payable of a real estate VIE	—	(14.3)
Net borrowings (payments) on loans payable of Consolidated Funds	694.5	(310.4)
Payments of contingent consideration	—	(0.4)
Distributions to common unitholders	(61.0)	(22.7)
Distributions to preferred unitholders	(11.8)	—
Distributions to non-controlling interest holders in Carlyle Holdings	(140.4)	(63.1)
Contributions from non-controlling interest holders	8.9	25.8
Distributions to non-controlling interest holders	(51.8)	(53.0)
Common units repurchased	(51.0)	(0.2)
Change in due to/from affiliates financing activities	4.0	49.2
Net cash provided by (used in) financing activities	412.1	(277.0)
Effect of foreign exchange rate changes	(11.7)	35.9
(Decrease) increase in cash, cash equivalents and restricted cash	(150.3)	115.3

Cash, cash equivalents and restricted cash, beginning of period		1,028.8		684.0
Cash, cash equivalents and restricted cash, end of period	$	878.5	$	799.3
Supplemental non-cash disclosures				
Net increase (decrease) in partners’ capital and accumulated other comprehensive income related to reallocation of ownership interest in Carlyle Holdings	$	(1.0)	$	6.9
Tax effect from acquisition of Carlyle Holdings partnership units:				
Deferred tax asset	$	4.6	$	14.8
Tax receivable agreement liability	$	3.7	$	12.9
Total partners’ capital	$	0.9	$	1.9
Reconciliation of cash, cash equivalents and restricted cash, end of period:				
Cash and cash equivalents	$	876.8	$	789.9
Restricted cash		1.7		9.4
Total cash, cash equivalents and restricted cash, end of period	$	878.5	$	799.3
Cash and cash equivalents held at Consolidated Funds	$	395.3	$	416.1

See accompanying notes.

1. Organization and Basis of Presentation

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

Carlyle provides investment management services to, and has transactions with, various private equity funds, real estate funds, private credit funds, collateralized loan obligations ("CLOs"), and other investment products sponsored by the Partnership for the investment of client assets in the normal course of business. Carlyle typically serves as the general partner, investment manager or collateral manager, making day-to-day investment decisions concerning the assets of these products. Carlyle operates its business through four reportable segments: Corporate Private Equity, Real Assets, Global Credit, and Investment Solutions (see Note 13).

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 (until its deconsolidation in the third quarter of 2017) have been consolidated in the accompanying financial statements pursuant to accounting principles generally accepted in the United States ("U.S. GAAP"), as described in Note 2. The consolidation of the Consolidated Funds generally has a gross-up effect on assets, liabilities and cash flows, and generally has no effect on the net income attributable to the Partnership. The economic ownership interests of the other investors in the Consolidated Funds are reflected as non-controlling interests in consolidated entities in the accompanying condensed consolidated financial statements (see Note 2).

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information. These statements, including notes, have not been audited, exclude some of the disclosures required for annual financial statements, and should be read in conjunction with the audited consolidated financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017 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. Certain amounts within the financial statements of each individual prior period presented have been adjusted to reflect the Partnership's change in accounting principle for performance-based capital allocations (see Note 2). Accordingly, the applicable prior period column headings are labeled "As Adjusted."

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").

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, incentive fees and performance allocations) 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 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 June 30, 2018, assets and liabilities of the consolidated VIEs reflected in the unaudited condensed consolidated balance sheets were $5.8 billion and $5.6 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 June 30, 2018, the Partnership held $245.4 million of investments in these consolidated CLOs which represents its maximum risk of loss. The Partnership’s investments in these CLOs are generally subordinated to other interests in the entities and entitle the Partnership to receive a pro rata portion of the residual cash flows, if any, from the entities. Investors in the CLOs have no recourse against the Partnership for any losses sustained in the CLO structure.

Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities. Under the voting interest entity model, the Partnership consolidates those entities it controls through a majority voting interest.

All significant inter-entity transactions and balances of entities consolidated have been eliminated.

Investments in Unconsolidated Variable Interest Entities

The Partnership holds variable interests in certain VIEs that are not consolidated because the Partnership is not the primary beneficiary, including its investments in certain CLOs and strategic investment in NGP Management Company, L.L.C. (“NGP Management” and, together with its affiliates, “NGP”). Refer to Note 4 for information on the strategic investment in NGP. The Partnership’s involvement with such entities is in the form of direct equity interests and fee arrangements. The maximum exposure to loss represents the loss of assets recognized by the Partnership relating to its variable interests in these unconsolidated entities. The Partnership’s maximum exposure to loss relates to the Partnership's investments in the unconsolidated VIEs and was $1,175.2 million as of June 30, 2018 and $1,066.3 million as of December 31, 2017.

Additionally, as of June 30, 2018, the Partnership had $76.8 million and $12.1 million recognized in the condensed consolidated balance sheet related to accrued performance allocations and management fee receivables, respectively, related to the unconsolidated VIEs.

Basis of Accounting

The accompanying financial statements are prepared in accordance with U.S. GAAP. Management has determined that the Partnership’s Funds are investment companies under U.S. GAAP for the purposes of financial reporting. U.S. GAAP for an investment company requires investments to be recorded at estimated fair value and the unrealized gains and/or losses in an investment’s fair value are recognized on a current basis in the statements of operations. Additionally, the Funds do not consolidate their majority-owned and controlled investments (the "Portfolio Companies"). In the preparation of these unaudited 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 unaudited condensed consolidated statements of operations.

Use of Estimates

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

Revenue Recognition

On January 1, 2018, the Partnership adopted ASU 2014-9, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-9") under the modified retrospective method. ASU 2014-9, and related amendments, provide comprehensive guidance for recognizing revenue from contracts with customers. Revenue is recognized 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) allocated the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation.

Upon adoption of ASU 2014-9, performance allocations that represent a performance-based capital allocation from fund limited partners to the Partnership (commonly known as "carried interest", which comprises substantially all of the Partnership's previously reported performance fee revenues) are accounted for as earnings from financial assets within the scope of ASC 323, *Investments - Equity Method and Joint Ventures*, and therefore are not in the scope of ASU 2014-9. In accordance with ASC 323, the Partnership records equity method income (losses) as a component of investment income based on the change in our proportionate claim on net assets of the investment fund, including performance allocations, assuming the investment fund was liquidated as of each reporting date pursuant to each fund's governing agreements. The Partnership applied this change in accounting principle on a full retrospective basis, which resulted in a reclassification of amounts previously reported as accrued performance fees to investments in the accompanying consolidated balance sheets and amounts previously reported as performance fees to performance allocations within investment income (loss) in the accompanying consolidated statements of operations. See Note 4 for additional information on the components of investments and investment income following this change in accounting principle. Amounts previously reported as performance fees that do not meet the definition of performance-based capital allocations are in the scope of ASU 2014-9 and are included in incentive fees in the consolidated statements of operations.

The following table shows the impact of this reclassification to our previously reported amounts in the unaudited condensed consolidated statement of operations for the three months and six months ended June 30, 2017:

	Three Months Ended June 30, 2017		
	As Previously Reported	Reclassifications	As Adjusted
	(Dollars in millions)		
Performance fees[1]			
Realized	$ 357.7	$ (346.6)	$ 11.1
Unrealized	185.9	(185.9)	—
Total performance fees[1]	$ 543.6	$ (532.5)	$ 11.1
Investment income (loss)[2]			
Realized	$ 26.7	$ 346.6	$ 373.3
Unrealized	32.3	185.9	218.2
Total investment income[2]	$ 59.0	$ 532.5	$ 591.5

	Six Months Ended June 30, 2017		
	As Previously Reported	Reclassifications	As Adjusted
	(Dollars in millions)		
Performance fees[1]			
Realized	$ 440.9	$ (424.2)	$ 16.7
Unrealized	784.3	(784.3)	—
Total performance fees[1]	$ 1,225.2	$ (1,208.5)	$ 16.7
Investment income (loss)[2]			
Realized	$ 26.5	$ 424.2	$ 450.7
Unrealized	78.8	784.3	863.1
Total investment income[2]	$ 105.3	$ 1,208.5	$ 1,313.8

(1) As adjusted, amounts now labeled as incentive fees in the unaudited condensed consolidated statements of operations.
(2) As adjusted, amounts now labeled as performance allocations and principal investment income within investment income (loss) in the unaudited condensed consolidated statements of operations.

The adoption of ASU 2014-9 did not materially change our historical pattern of recognizing revenue for management fees, incentive fees, and performance allocations (for arrangements within the scope of ASC 323). The Partnership has applied the guidance in ASU 2014-9 only to contracts that are not completed as of January 1, 2018. The Partnership recorded an adjustment of $0.8 million for the cumulative effect of adoption in partners' capital on January 1, 2018, which reduced total partners' capital. Additionally, while the determination of who is the customer in a contractual arrangement will be made on a contract-by-contract basis, the customer will generally be the investment fund for our significant management and advisory contracts. The customer determination impacts the Partnership's analysis of the accounting for contract costs. Also, the recovery of certain costs incurred on behalf of Carlyle funds, primarily travel and entertainment costs, that were previously presented net in our unaudited condensed consolidated statements of operations are presented gross beginning on January 1, 2018 as the Partnership controls the inputs to its investment management performance obligation. For the three months and six months ended June 30, 2018, these costs were approximately $8.2 million and $14.3 million, respectively, and are presented in interest and other income and general, administrative and other expenses in our unaudited condensed consolidated statements of operations.

Fund Management Fees

The Partnership provides management services to funds in which it holds a general partner interest or has a management agreement. The Partnership considers the performance obligations in its contracts with its funds to be the promise to provide (or to arrange for third parties to provide) investment management services related to the management, policies and operations of the funds.

As it relates to the Partnership's performance obligation to provide investment management services, the Partnership typically satisfies this performance obligation over time as the services are rendered (under the output method described in ASC 606), since the funds simultaneously receive and consume the benefits provided as the Partnership performs the service. The transaction price is the amount of consideration to which the Partnership expects to be entitled in exchange for transferring the promised services to the funds. Management fees earned from each investment management contract over the contract life represent variable consideration because the consideration the Partnership is entitled to varies based on fluctuations in the basis for the management fee, for example fund net asset value ("NAV") or AUM. Given that the management fee basis is susceptible to market factors outside of the Partnership's influence, management fees are constrained. Accordingly, estimates of future period management fees are generally not included in the transaction price because these estimates are constrained. The transaction price for the investment management services provided is generally the amount determined at the end of the period because that is when the uncertainty for that period is resolved.

For closed-end carry funds in the Corporate Private Equity, Real Assets and Global Credit segments, management fees generally range from 1.0% to 2.0% of commitments during the fund's investment period based on limited partners' capital commitments to the funds. Following the expiration or termination of the investment period, management fees generally are based on the lower of cost or fair value of invested capital and the rate charged may also be reduced to between 0.6% and 2.0%. For certain separately managed accounts and longer-dated carry funds, with expected terms greater than ten years, management fees generally range from 0.2% to 1.0% based on contributions for unrealized investments or the current value of the investment. The Partnership will receive management fees during a specified period of time, which is generally ten years from the initial closing date, or, in some instances, from the final closing date, but such termination date may be earlier in certain limited circumstances or later if extended for successive one-year periods, typically up to a maximum of two years. Depending upon the contracted terms of investment advisory or investment management and related agreements, these fees are generally called semi-annually in advance and are recognized as earned over the subsequent six month period. For certain longer-dated carry funds, management fees are called quarterly over the life of the funds.

Within the Global Credit segment, for CLOs and other structured products, management fees generally range from 0.3% to 0.6% based on the total par amounts of assets or the aggregate principal amount of the notes in the CLO and are due quarterly or semi-annually based on the terms and recognized over the respective period. Management fees for the CLOs and other structured products are governed by indentures and collateral management agreements. The Partnership will receive management fees for the CLOs until redemption of the securities issued by the CLOs, which is generally five to ten years after issuance. Management fees for the business development companies are due quarterly in arrears at annual rates that range from 0.25% to 1.5% of gross assets, excluding cash and cash equivalents.

Management fees for the Partnership's private equity and real estate carry fund vehicles in the Investment Solutions segment generally range from 0.25% to 1.0% of the vehicle's capital commitments during the commitment fee period of the relevant fund or the weighted-average investment period of the underlying funds. Following the expiration of the commitment fee period or weighted-average investment period of such funds, the management fees generally range from 0.25% to 1.0% on (i) the lower of cost or fair value of the capital invested, (ii) the net asset value for unrealized investments, or (iii) the contributions for unrealized investments; however, certain separately managed accounts earn management fees at all times on contributions for unrealized investments or on the initial commitment amount. Management fees for the Investment Solutions carry fund vehicles are generally due quarterly and recognized over the related quarter.

As of June 30, 2018 and December 31, 2017, management fee receivables were $102.8 million and $47.7 million, respectively, and are included in due from affiliates and other receivables, net, in our unaudited condensed consolidated balance sheets.

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 performance obligation has been satisfied and collection is reasonably assured. Fund management fees includes transaction and portfolio advisory fees of $7.0

million and $6.1 million for the three months ended June 30, 2018 and 2017, respectively, and $13.6 million and $17.8 million for the six months ended June 30, 2018 and 2017, respectively, net of any offsets as defined in the respective partnership agreements. Fund management fees generally 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. For the professional fees that the Partnership arranges for the investment funds, the Partnership concluded that the nature of its promise is to arrange for the services to be provided and it does not control the services provided by third parties before they are transferred to the customer. Therefore, the Partnership concluded it is acting in the capacity of an agent. Accordingly, the reimbursement for these professional fees paid on behalf of the investment funds is presented on a net basis in general, administrative and other expenses in our unaudited condensed consolidated statements of operations.

The Partnership also incurs certain costs, primarily employee travel and entertainment costs, employee compensation and systems costs, for which it receives reimbursement from the investment funds in connection with its performance obligation to provide investment and management services. For reimbursable travel, compensation and systems costs, the Partnership concluded it controls the services provided by its employees and the resources used to develop applicable systems before they are transferred to the customer and therefore is a principal. Accordingly, the reimbursement for these costs incurred by the Partnership to manage the fund limited partnerships are presented on a gross basis in interest and other income in our unaudited condensed consolidated statements of operations and the expense in general, administrative and other expenses or cash-based compensation and benefits expenses in our unaudited condensed consolidated statements of operations.

Incentive Fees

In connection with management contracts from certain of its Global Credit funds, the Partnership is also entitled to receive performance-based incentive fees when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, incentive fees are recognized when the performance benchmark has been achieved. Incentive fees are variable consideration because they are contingent upon the investment vehicle achieving stipulated investment return hurdles. Investment returns are highly susceptible to market factors outside of the Partnership's influence. Accordingly, incentive fees are constrained until all uncertainty is resolved. Estimates of future period incentive fees are generally not included in the transaction price because these estimates are constrained. The transaction price for incentive fees is generally the amount determined at the end of each accounting period to which they relate because that is when the uncertainty for that period is resolved, as these fees are not subject to clawback.

Investment Income (Loss), including Performance Allocations

Investment income (loss) represents the unrealized and realized gains and losses resulting from the Partnership's equity method investments, including any associated general partner performance allocations, and other principal investments, including CLOs.

General partner performance allocations consist of the allocation of profits from certain of the funds to which the Partnership is entitled (commonly known as carried interest).

For closed-end carry funds in the Corporate Private Equity, Real Assets and Global Credit segments, the Partnership is generally entitled to a 20% allocation (or 10% to 20% on certain longer-dated carry funds, certain credit funds, and external co-investment vehicles, or approximately 2% to 10% for most of the Investment Solutions segment carry fund vehicles) of the net realized income or gain as a carried interest after returning the invested capital, the allocation of preferred returns of generally 7% to 9% (or 4% to 7% for certain longer-dated carry funds) and return of certain fund costs (generally subject to catch-up provisions as set forth in the fund limited partnership agreement). Carried interest is recognized upon appreciation of the funds' investment values above certain return hurdles set forth in each respective partnership agreement. The Partnership recognizes revenues attributable to performance allocations 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 investment income for performance allocations 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 allocations are reversed. In all cases, each fund is considered separately in this regard, and for a given fund, performance allocations 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.

Principal investment income (loss) includes the related amortization of the basis difference between the Partnership's carrying value of its investment and the Partnership's share of underlying net assets of the investee, as well as the compensation expense associated with compensatory arrangements provided by the Partnership to employees of its equity method investee, as it relates to its investments in NGP (see Note 4). Principal investment income (loss) is realized when the Partnership redeems all or a portion of its investment or when the Partnership receives or is due cash income, such as dividends or distributions. Unrealized principal investment income (loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized gain (loss) at the time an investment is realized.

Interest Income

Interest income is recognized when earned. For debt securities representing non-investment grade beneficial interests in securitizations, the effective yield is determined based on the estimated cash flows of the security. Changes in the effective yield of these securities due to changes in estimated cash flows are recognized on a prospective basis as adjustments to interest income in future periods. Interest income earned by the Partnership is included in interest and other income in the accompanying unaudited condensed consolidated statements of operations. Interest income of the Consolidated Funds was $52.0 million and $41.8 million for the three months ended June 30, 2018 and 2017, respectively, $98.0 million and $82.3 million for the six months ended June 30, 2018 and 2017, respectively, and is included in interest and other income of Consolidated Funds in the accompanying unaudited condensed consolidated statements of operations.

Compensation and Benefits

Cash-based Compensation and Benefits – Cash-based compensation and benefits 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 and non-employees is measured at fair value on the grant date. In June 2018, the Partnership adopted ASU 2018-7, which aligned the accounting for non-employee equity-based awards with the accounting for employee equity-based awards, retroactive to January 1, 2018. The compensation expense for awards that vest over a future service period is recognized over the relevant service period on a straight-line basis. The compensation expense for awards that do not require future service is recognized immediately. Cash settled equity-based awards are classified as liabilities and are re-measured at the end of each reporting period. The compensation expense for awards that contain performance conditions is recognized when it is probable that the performance conditions will be achieved; in certain instances, such compensation expense may be recognized prior to the grant date of the award.

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

The Partnership recognizes equity-based award forfeitures in the period they occur as a reversal of previously recognized compensation expense. The reduction in compensation expense is determined based on the specific awards forfeited during that period. Furthermore, the Partnership recognizes all excess tax benefits and deficiencies as income tax benefit or expense in the unaudited condensed consolidated statement of operations.

Performance Allocations and Incentive Fee Related Compensation – A portion of the performance allocations and incentive 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 allocations and incentive fee revenue and, until paid, are recognized as a component of the accrued compensation and benefits liability. Accordingly, upon a reversal of performance allocations or incentive fee revenue, the related compensation expense, if any, is also reversed. As of June 30, 2018 and December 31, 2017, the Partnership had recorded a liability of $2.0 billion and $1.9 billion, respectively, related to the portion of accrued performance allocations and incentive fees due to employees and advisors, respectively, which was included in accrued compensation and benefits in the accompanying unaudited condensed consolidated balance sheets.

Income Taxes

Certain of the wholly-owned subsidiaries of the Partnership and the Carlyle Holdings partnerships are subject to federal, state, local and foreign corporate income taxes at the entity level and the related tax provision attributable to the Partnership's share of this income is reflected in the unaudited condensed consolidated financial statements. Based on applicable federal, foreign, state and local tax laws, the Partnership records a provision for income taxes for certain entities. Tax positions taken by the Partnership are subject to periodic audit by U.S. federal, state, local and foreign taxing authorities.

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

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

Tax Receivable Agreement

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

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

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

Non-controlling Interests

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

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

Earnings Per Common Unit

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

Investments

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

Principal 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 (including performance allocations) 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 investments with original maturities of less than three months when purchased.

Cash and Cash Equivalents Held at Consolidated Funds

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

Restricted Cash

Restricted cash primarily represents cash held by the Partnership's foreign subsidiaries due to certain government regulatory capital requirements as well as certain amounts held on behalf of Carlyle funds.

Corporate Treasury Investments

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

Derivative Instruments

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

Fixed Assets

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

Intangible Assets and Goodwill

The Partnership's intangible assets consist of acquired contractual rights to earn future fee income, including management and advisory fees, customer relationships, and acquired trademarks. Finite-lived intangible assets are amortized over their estimated useful lives, which range from five to ten years, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Intangible asset amortization expense was $2.6 million and $2.5 million during the three months ended June 30, 2018 and 2017, respectively, and $5.3 million and $5.0

million during the six months ended June 30, 2018 and 2017, respectively, and is included in general, administrative, and other expenses in the unaudited condensed consolidated statements of operations.

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

Deferred Revenue

Deferred revenue represents management fees and other revenue received prior to the balance sheet date, which has not yet been earned. The decrease in the deferred revenue balance for the six months ended June 30, 2018 was primarily driven by revenues recognized that were included in the deferred revenue balance at the beginning of the period.

Accumulated Other Comprehensive Loss

The Partnership's accumulated other comprehensive loss is comprised of foreign currency translation adjustments and gains and losses on defined benefit plans sponsored by AlpInvest. The components of accumulated other comprehensive loss as of June 30, 2018 and December 31, 2017 were as follows:

	As of	
	June 30, 2018	**December 31, 2017**
	(Dollars in millions)	
Currency translation adjustments	**$ (75.7)**	$ (68.8)
Unrealized losses on defined benefit plans	**(3.9)**	(3.9)
Total	**$ (79.6)**	$ (72.7)

Foreign Currency Translation

Non-U.S. dollar denominated assets and liabilities are translated at period-end rates of exchange, and the unaudited condensed consolidated statements of operations are translated at rates of exchange in effect throughout the period. Foreign currency gains (losses) resulting from transactions outside of the functional currency of an entity of $5.1 million and $5.2 million for the three months ended June 30, 2018 and 2017, respectively, and $(1.6) million and $1.5 million for the six months ended June 30, 2018 and 2017, respectively, are included in general, administrative and other expenses in the unaudited condensed consolidated statements of operations.

Recent Accounting Pronouncements

<u>Recently Issued Accounting Standards Adopted as of January 1, 2018</u>

In June 2018, the FASB issued ASU 2018-7, *Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-7 aligns the measurement and classification for share-based payments to non-employees with the accounting guidance for share-based payments to employees. Among other requirements, the measurement of non-employee awards will now be fixed at the grant date, rather than remeasured at every reporting date. The guidance is effective for the Partnership on January 1, 2019, however early adoption is permitted. The Partnership adopted this standard retroactive to January 1, 2018 and the impact of this guidance was not material to the unaudited condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*. ASU 2016-18 clarifies the presentation of restricted cash in the statement of cash flows by requiring the amounts described as restricted cash be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. If cash and cash equivalents and restricted cash are presented separately on the statement of financial position, a reconciliation of these separate line items to the total cash amount included in the statement of cash flows will be required either in the footnotes or on the face of the statement of cash flows. The guidance was effective for the Partnership on January 1, 2018, and ASU 2016-18 required the guidance to be applied using a retrospective transition method. The Partnership reflected this change in presentation of restricted cash in the unaudited condensed consolidated statement of cash flows included in these financial statements.

Recently Issued Accounting Standards Effective on January 1, 2019

In February 2018, the FASB issued ASU 2018-2, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. ASU 2018-2 allows a reclassification from accumulated other comprehensive income to partners’ capital for stranded effects resulting from the Tax Cuts and Jobs Act. The guidance is effective for the Partnership on January 1, 2019, however early adoption is permitted. The Partnership does not expect the impact of this guidance to be material.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815) - Targeted Improvements to Accounting for Hedging Activities*. ASU 2017-12, among other things, permits hedge accounting for risk components in hedging relationships to now involve nonfinancial risk components and requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedge item is reported. The guidance is effective for the Partnership on January 1, 2019 and requires cash flow hedges and net investment hedges existing at the date of adoption to apply a cumulative effect adjustment to eliminate the measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of partners’ capital as of the beginning of the fiscal year that an entity adopts the guidance. The amended presentation and disclosure guidance is required only prospectively. Early adoption is permitted. While the Partnership is still assessing the guidance in ASU 2017-12, it does not expect the impact of this guidance to be material.

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. The Partnership is continuing to assess the impact of this guidance, and the Partnership's total assets and total liabilities on its consolidated balance sheet will increase upon adoption of this guidance. We expect to elect to use the practical expedients available under the transition provisions under which we would not need to reassess whether an arrangement is or contains a lease, lease classification, and the accounting for initial direct costs.

Recently Issued Accounting Standards Effective on January 1, 2020

In January 2017, the FASB issued ASU 2017-4, *Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment*. ASU 2017-04 simplifies an entity’s annual goodwill test for impairment by eliminating the requirement to calculate the implied fair value of goodwill, and instead an entity should compare the fair value of a reporting unit with its carrying amount. The impairment charge will then be the amount by which the carrying amount exceeds the reporting unit’s fair value. An entity would still have the option to perform a qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance is effective for the Partnership on January 1, 2020 and requires the guidance to be applied using a prospective transition method. Early adoption is permitted. The Partnership does not expect the impact of this guidance to be material.

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

3. Fair Value Measurement

The fair value measurement accounting guidance establishes a hierarchical 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 types of financial instruments in this category include unrestricted securities, such as equities and derivatives, listed in active markets. The Partnership does not adjust the quoted price for these instruments, even in situations where the Partnership holds a large position and a sale could reasonably impact the quoted price.

Level II – inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. The types of financial instruments in this category include 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. The types of financial instruments 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 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 June 30, 2018:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$ —	$ —	$ 11.1	$ 11.1
Bonds	—	—	640.1	640.1
Loans	—	—	4,597.1	4,597.1
	—	—	5,248.3	5,248.3
Investments in CLOs and other	—	—	446.7	446.7
Corporate treasury investments				
Bonds	—	155.9	—	155.9
Commercial paper and other	—	187.6	—	187.6
	—	343.5	—	343.5
Foreign currency forward contracts	—	0.2	—	0.2
Total	$ —	$ 343.7	$ 5,695.0	$ 6,038.7
Liabilities				
Loans payable of Consolidated Funds[(1)]	$ —	$ —	$ 4,835.1	$ 4,835.1
Contingent consideration	—	—	1.0	1.0
Foreign currency forward contracts	—	2.2	—	2.2
Total	$ —	$ 2.2	$ 4,836.1	$ 4,838.3

(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.

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, 2017:

(Dollars in millions)	Level I	Level II	Level III	Total
Assets				
Investments of Consolidated Funds:				
Equity securities	$ —	$ —	$ 7.9	$ 7.9
Bonds	—	—	413.4	413.4
Loans	—	—	4,112.7	4,112.7
Other	—	—	0.3	0.3
	—	—	4,534.3	4,534.3
Investments in CLOs and other	—	—	405.4	405.4
Corporate treasury investments				
Bonds	—	194.1	—	194.1
Commercial paper and other	—	182.2	—	182.2
	—	376.3	—	376.3
Foreign currency forward contracts	—	0.4	—	0.4
Total	$ —	$ 376.7	$ 4,939.7	$ 5,316.4
Liabilities				
Loans payable of Consolidated Funds[1]	$ —	$ —	$ 4,303.8	$ 4,303.8
Contingent consideration	—	—	1.0	1.0
Foreign currency forward contracts	—	1.2	—	1.2
Total	$ —	$ 1.2	$ 4,304.8	$ 4,306.0

(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.

There were no transfers from Level II to Level I during the six months ended June 30, 2018 and 2017.

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 include 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 includes the Partnership's co-executive chairmen of the board, chairman emeritus, co-chief executive officers, chief risk officer, chief financial officer, chief accounting officer, co-chief investment officer and the business segment heads, and observed by the chief compliance officer, the director of internal audit, the Partnership's audit committee and others. Additionally, each quarter a sample of valuations is reviewed by external valuation firms.

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

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

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

CLO Investments and CLO Loans Payable – The Partnership measures the financial liabilities of its consolidated CLOs based on the fair value of the financial assets of its consolidated CLOs, as the Partnership believes the fair value of the financial assets are more observable. The fair values of the CLO loan and bond assets are primarily based on quotations from reputable dealers or relevant pricing services. In situations where valuation quotations are unavailable, the assets are valued based on similar securities, market index changes, and other factors. The Partnership corroborates quotations from pricing services either with other available pricing data or with its own models. Generally, the loan and bond assets of the CLOs are not publicly traded and are classified as Level III. The fair values of the CLO structured asset positions are determined based on both discounted cash flow analyses and third party quotes. Those analyses consider the position size, liquidity, current financial condition of the CLOs, the third party financing environment, reinvestment rates, recovery lags, discount rates and default forecasts and are compared to broker quotations from market makers and third party dealers.

The Partnership measures the CLO loans payable 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 Real Estate VIE – Prior to its deconsolidation in 2017, the Partnership elected the fair value option to measure the loans payable of a real estate VIE at fair value. The fair values of the loans were primarily based on discounted cash flows analyses, which considered the liquidity and current financial condition of the real estate VIE. These loans were 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 June 30, 2018					
	Investments of Consolidated Funds					
	Equity securities	Bonds	Loans	Other	Investments in CLOs and other	Total
Balance, beginning of period	$ 10.8	$ 486.2	$ 4,498.6	$ 0.3	$ 454.3	$ 5,450.2
Purchases	—	262.5	963.3	—	—	1,225.8
Sales and distributions	—	(72.0)	(457.8)	(0.4)	(3.5)	(533.7)
Settlements	—	—	(201.0)	—	—	(201.0)
Realized and unrealized gains (losses), net						
Included in earnings	0.7	(11.0)	(15.8)	0.1	3.7	(22.3)
Included in other comprehensive income	(0.4)	(25.6)	(190.2)	—	(7.8)	(224.0)
Balance, end of period	$ 11.1	$ 640.1	$ 4,597.1	$ —	$ 446.7	$ 5,695.0
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$ 0.7	$ (14.1)	$ (10.6)	$ —	$ 3.6	$ (20.4)

	Financial Assets					
	Six Months Ended June 30, 2018					
	Investments of Consolidated Funds					
	Equity securities	Bonds	Loans	Other	Investments in CLOs and other	Total
Balance, beginning of period	$ 7.9	$ 413.4	$ 4,112.7	$ 0.3	$ 405.4	$ 4,939.7
Purchases	—	387.0	1,750.0	—	45.0	2,182.0
Sales and distributions	—	(127.4)	(697.6)	(0.4)	(6.5)	(831.9)
Settlements	—	—	(435.8)	—	—	(435.8)
Realized and unrealized gains (losses), net						
Included in earnings	3.4	(17.8)	(24.2)	0.1	5.8	(32.7)
Included in other comprehensive income	(0.2)	(15.1)	(108.0)	—	(3.0)	(126.3)
Balance, end of period	$ 11.1	$ 640.1	$ 4,597.1	$ —	$ 446.7	$ 5,695.0
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$ 3.4	$ (18.4)	$ (12.1)	$ —	$ 5.8	$ (21.3)

	Financial Assets					
	Three Months Ended June 30, 2017					
	Investments of Consolidated Funds					
	Equity securities	Bonds	Loans	Other	Investments in CLOs and other	Total
Balance, beginning of period	$ 10.8	$ 417.6	$ 3,473.2	$ 1.5	$ 155.9	$ 4,059.0
Purchases	—	50.7	772.7	—	60.8	884.2
Sales and distributions	(1.6)	(99.9)	(595.4)	0.1	(1.0)	(697.8)
Settlements	—	—	(294.3)	—	—	(294.3)
Realized and unrealized gains (losses), net						
Included in earnings	—	0.4	(5.1)	0.3	3.2	(1.2)
Included in other comprehensive income	0.5	27.1	149.0	0.1	4.0	180.7
Balance, end of period	$ 9.7	$ 395.9	$ 3,500.1	$ 2.0	$ 222.9	$ 4,130.6
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$ 5.0	$ 0.7	$ 5.8	$ 0.4	$ 3.2	$ 15.1

	Financial Assets					
	Six Months Ended June 30, 2017					
	Investments of Consolidated Funds					
	Equity securities	Bonds	Loans	Other	Investments in CLOs and other	Total
Balance, beginning of period	$ 10.3	$ 396.4	$ 3,485.6	$ 1.4	$ 152.6	$ 4,046.3
Purchases	—	116.8	1,398.1	—	60.8	1,575.7
Sales and distributions	(1.6)	(156.3)	(1,003.5)	0.1	(3.1)	(1,164.4)
Settlements	—	—	(585.4)	—	—	(585.4)
Realized and unrealized gains (losses), net						
Included in earnings	0.3	5.7	25.9	0.4	6.1	38.4
Included in other comprehensive income	0.7	33.3	179.4	0.1	6.5	220.0
Balance, end of period	$ 9.7	$ 395.9	$ 3,500.1	$ 2.0	$ 222.9	$ 4,130.6
Changes in unrealized gains (losses) included in earnings related to financial assets still held at the reporting date	$ 5.3	$ 5.6	$ 24.7	$ 0.4	$ 6.1	$ 42.1

	Financial Liabilities		
	Three Months Ended June 30, 2018		
	Loans Payable of Consolidated Funds	Contingent Consideration	Total
Balance, beginning of period	$ 4,554.5	$ 1.1	$ 4,555.6
Borrowings	1,264.1	—	1,264.1
Paydowns	(750.2)	—	(750.2)
Realized and unrealized (gains) losses, net			
Included in earnings	(38.9)	(0.1)	(39.0)
Included in other comprehensive income	(194.4)	—	(194.4)
Balance, end of period	$ 4,835.1	$ 1.0	$ 4,836.1
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$ (41.0)	$ (0.1)	$ (41.1)

	Financial Liabilities		
	Six Months Ended June 30, 2018		
	Loans Payable of Consolidated Funds	Contingent Consideration	Total
Balance, beginning of period	$ 4,303.8	$ 1.0	$ 4,304.8
Borrowings	2,015.5	—	2,015.5
Paydowns	(1,321.0)	—	(1,321.0)
Realized and unrealized (gains) losses, net			
Included in earnings	(56.4)	—	(56.4)
Included in other comprehensive income	(106.8)	—	(106.8)
Balance, end of period	$ 4,835.1	$ 1.0	$ 4,836.1
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$ (63.2)	$ —	$ (63.2)

	Financial Liabilities			
	Three Months Ended June 30, 2017			
	Loans Payable of Consolidated Funds	Contingent Consideration	Loans Payable of a real estate VIE	Total
Balance, beginning of period	$ 3,587.5	$ 1.5	$ 77.8	$ 3,666.8
Borrowings	1,137.5	—	—	1,137.5
Paydowns	(1,117.4)	(0.4)	(6.9)	(1,124.7)
Realized and unrealized (gains) losses, net				
Included in earnings	(46.4)	0.1	(2.0)	(48.3)
Included in other comprehensive income	160.0	0.1	3.7	163.8
Balance, end of period	$ 3,721.2	$ 1.3	$ 72.6	$ 3,795.1
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$ (42.5)	$ 0.1	$ (2.0)	$ (44.4)

	Financial Liabilities			
	Six Months Ended June 30, 2017			
	Loans Payable of Consolidated Funds	Contingent Consideration	Loans Payable of a real estate VIE	Total
Balance, beginning of period	$ 3,866.3	$ 1.5	$ 79.4	$ 3,947.2
Borrowings	1,569.0	—	—	1,569.0
Paydowns	(1,879.4)	(0.4)	(14.3)	(1,894.1)
Realized and unrealized (gains) losses, net				
Included in earnings	(28.3)	0.1	3.3	(24.9)
Included in other comprehensive income	193.6	0.1	4.2	197.9
Balance, end of period	$ 3,721.2	$ 1.3	$ 72.6	$ 3,795.1
Changes in unrealized (gains) losses included in earnings related to financial liabilities still held at the reporting date	$ (25.8)	$ 0.1	$ 3.3	$ (22.4)

Realized and unrealized gains and losses included in earnings for Level III investments for investments in CLOs and other investments are included in investment income (loss), and such gains and losses for investments of Consolidated Funds and loans payable of Consolidated Funds 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 real estate VIE (for periods prior to September 30, 2017) are included in interest and other expenses of a real estate VIE and loss on deconsolidation in the unaudited condensed consolidated statement of operations.

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

The following table summarizes quantitative information about the Partnership's Level III inputs as of June 30, 2018:

(Dollars in millions)	Fair Value at June 30, 2018	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets				
Investments of Consolidated Funds:				
Equity securities	**$ 6.6**	Discounted Cash Flow	Discount Rates	10% - 10% (10%)
	4.5	Consensus Pricing	Indicative Quotes ($ per share)	0 - 67 (60)
Bonds	**640.1**	Consensus Pricing	Indicative Quotes (% of Par)	43 - 105 (96)
Loans	**4,597.1**	Consensus Pricing	Indicative Quotes (% of Par)	70 - 104 (99)
	5,248.3			
Investments in CLOs and other:				
Senior secured notes	**394.5**	Discounted Cash Flow with Consensus Pricing	Discount Rates	1% - 13% (4%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	50% - 73% (59%)
			Indicative Quotes (% of Par)	100 - 100 (100)
Subordinated notes and preferred shares	**52.2**	Discounted Cash Flow with Consensus Pricing	Discount Rates	9% - 12% (11%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	50% - 73% (58%)
			Indicative Quotes (% of Par)	73 - 96 (81)
Total	**$ 5,695.0**			
Liabilities				
Loans payable of Consolidated Funds:				
Senior secured notes	**$ 4,608.9**	Other	N/A	N/A
Subordinated notes and preferred shares	**13.8**	Other	N/A	N/A
	212.4	Discounted Cash Flow with Consensus Pricing	Discount Rates	9% - 12% (10%)
			Default Rates	1% - 3% (2%)
			Recovery Rates	50% - 73% (60%)
			Indicative Quotes (% of Par)	74 - 97 (87)
Contingent consideration	**1.0**	Other	N/A	N/A
Total	**$ 4,836.1**			

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

(Dollars in millions)		Fair Value at December 31, 2017	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Assets					
Investments of Consolidated Funds:					
Equity securities	$	5.7	Discounted Cash Flow	Discount Rates	10% - 10% (10%)
		2.2	Consensus Pricing	Indicative Quotes ($ per share)	0 - 33 (30)
Bonds		413.4	Consensus Pricing	Indicative Quotes (% of Par)	44 - 107 (98)
Loans		4,112.7	Consensus Pricing	Indicative Quotes (% of Par)	64 - 103 (100)
Other		0.3	Counterparty Pricing	Indicative Quotes (% of Notional Amount)	9 - 9 (9)
		4,534.3			
Investments in CLOs and other					
Senior secured notes		357.2	Discounted Cash Flow with Consensus Pricing	Discount Rate	1% - 9% (3%)
				Default Rates	1% - 3% (2%)
				Recovery Rates	50% - 70% (60%)
				Indicative Quotes (% of Par)	98 - 104 (101)
Subordinated notes and preferred shares		48.2	Discounted Cash Flow with Consensus Pricing	Discount Rate	8% - 11% (9%)
				Default Rates	1% - 3% (2%)
				Recovery Rates	50% - 70% (60%)
				Indicative Quotes (% of Par)	63 - 97 (81)
Total	$	4,939.7			
Liabilities					
Loans payable of Consolidated Funds:					
Senior secured notes	$	4,100.5	Other	N/A	N/A
Subordinated notes and preferred shares		26.9	Other	N/A	N/A
		176.4	Discounted Cash Flow with Consensus Pricing	Discount Rates	8% - 11% (10%)
				Default Rates	1% - 3% (2%)
				Recovery Rates	50% - 70% (60%)
				Indicative Quotes (% of Par)	79 - 93 (86)
Contingent consideration		1.0	Other	N/A	N/A
Total	$	4,304.8			

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

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

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

4. Investments

Investments consist of the following:

	As of	
	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Accrued performance allocations	**$ 3,900.3**	$ 3,664.3
Principal equity method investments, excluding performance allocations	**1,300.3**	1,218.4
Principal investments in CLOs and other	**447.0**	405.9
Total investments	**$ 5,647.6**	$ 5,288.6

Accrued Performance Allocations

The components of accrued performance allocations are as follows:

	As of	
	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Corporate Private Equity	**$ 2,342.4**	$ 2,272.4
Real Assets	**749.5**	656.7
Global Credit	**62.8**	50.6
Investment Solutions	**745.6**	684.6
Total	**$ 3,900.3**	$ 3,664.3

Approximately 22% and 19% of accrued performance allocations at June 30, 2018 and December 31, 2017, respectively, are related to Carlyle Partners VI, L.P., one of the Partnership's Corporate Private Equity funds.

Accrued performance allocations are shown gross of the Partnership's accrued performance allocations and incentive fee-related compensation (see Note 6), and accrued giveback obligations, which are separately presented in the unaudited condensed consolidated balance sheets. The components of the accrued giveback obligations are as follows:

	As of	
	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Corporate Private Equity	**$ (5.0)**	$ (8.7)
Real Assets	**(58.2)**	(58.1)
Total	**$ (63.2)**	$ (66.8)

Principal Equity Method Investments, Excluding Performance Allocations

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

	As of	
	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Corporate Private Equity	$ 377.9	$ 369.5
Real Assets	814.6	775.1
Global Credit	51.9	23.0
Investment Solutions	55.9	50.8
Total	$ 1,300.3	$ 1,218.4

Strategic Investment in NGP

The Partnership has equity interests in NGP Management Company, L.L.C. ("NGP Management"), the general partners of certain carry funds advised by NGP, and principal investments in certain NGP funds (collectively with NGP Management and its affiliates, "NGP"). These interests entitle the Partnership to an allocation of income equal to 55.0% of the management fee-related revenues of NGP Management which serves as the investment advisor to certain NGP funds as well as 47.5% of the performance allocations received by certain current and future NGP fund general partners.

The Partnership accounts for its investments in NGP under the equity method of accounting. The Partnership's investments in NGP as of June 30, 2018 and December 31, 2017 are as follows:

	As of	
	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Investment in NGP Management	$ 394.0	$ 397.7
Investments in NGP general partners - accrued performance allocations	195.1	143.2
Principal investments in NGP funds	79.9	67.9
Total investments in NGP	$ 669.0	$ 608.8

The Partnership records investment income (loss) for its equity income allocation from NGP management fee-related revenues and performance allocations, and also records its share of any allocated expenses from NGP Management, expenses associated with the compensatory elements of the strategic investment, and the amortization of the basis differences related to the definitive-lived identifiable intangible assets of NGP Management. The net investment income (loss) recognized in the Partnership's condensed consolidated statements of operations for the three months and six months ended June 30, 2018 and 2017 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
	(Dollars in millions)			
Management fee-related revenues from NGP Management	**$ 24.7**	$ 20.0	**$ 43.6**	$ 37.6
Performance allocations from interests in general partners of NGP funds	**39.9**	19.7	**51.9**	55.3
Principal investment income from NGP funds	**4.9**	2.2	**6.2**	6.2
Expenses related to the investment in NGP Management	**(3.1)**	(9.6)	**(6.0)**	(35.6)
Amortization of basis differences from the investment in NGP Management	**(1.8)**	(2.2)	**(3.6)**	(4.3)
Net investment income	**$ 64.6**	$ 30.1	**$ 92.1**	$ 59.2

The difference between the Partnership's remaining carrying value of its investment and its share of the underlying net assets of the investee was $17.7 million and $21.3 million as of June 30, 2018 and December 31, 2017, respectively; these differences are amortized over a period of 10 years ending in 2022.

Principal Investments in CLOs and Other Investments

Principal investments in CLOs and other investments as of June 30, 2018 and December 31, 2017 primarily consisted of $447.0 million and $405.9 million, respectively, of investments in CLO senior and subordinated notes and derivative instruments.

Investment Income (Loss)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
	(Dollars in millions)			
Performance allocations	**$ 425.1**	$ 532.5	**$ 733.2**	$ 1,208.5
Principal investment income from equity method investments (excluding performance allocations)	**78.4**	$ 58.9	**131.5**	104.3
Principal investment income (loss) from investments in CLOs and other investments	**(0.2)**	0.1	**0.8**	1.0
Total	**$ 503.3**	$ 591.5	**$ 865.5**	$ 1,313.8

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
	(Dollars in millions)			
Corporate Private Equity	**$ 210.7**	$ 419.8	**$ 468.6**	$ 987.8
Real Assets	**138.4**	81.7	**135.1**	139.5
Global Credit	**12.3**	2.5	**14.9**	16.9
Investment Solutions	**63.7**	28.5	**114.6**	64.3
Total	**$ 425.1**	$ 532.5	**$ 733.2**	$ 1,208.5

Approximately 40%, or $168.6 million, of performance allocations for the three months ended June 30, 2018 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - $152.0 million, and
- Carlyle International Energy Partners, L.P. (Real Assets segment) - $61.4 million.

Approximately 49%, or $355.8 million, of performance allocations for the six months ended June 30, 2018 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - $238.2 million,
- Carlyle Europe Partners IV, L.P. (Corporate Private Equity segment) - $146.2 million, and
- Carlyle Realty Partners VII, L.P. (Real Assets segment) - $101.5 million.

Approximately 64%, or $339.0 million, of performance allocations for the three months ended June 30, 2017 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Partners V, L.P. (Corporate Private Equity segment) - $76.8 million,
- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - $240.8 million, and
- Carlyle Asia Partners IV, L.P. (Corporate Private Equity segment) - $98.0 million.

Approximately 73%, or $876.5 million, of performance allocations for the six months ended June 30, 2017 are related to the following funds along with total revenue recognized (total revenue includes performance allocations, fund management fees, and principal investment income):

- Carlyle Partners V, L.P. (Corporate Private Equity segment) - $261.3 million,
- Carlyle Partners VI, L.P. (Corporate Private Equity segment) - $494.5 million, and
- Carlyle Asia Partners IV, L.P. (Corporate Private Equity segment) - $263.1 million.

Carlyle's income (loss) from its principal investments consists of:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Corporate Private Equity	**$ 7.8**	$ 22.0	**$ 24.0**	$ 29.6
Real Assets	**72.5**	36.6	**105.2**	71.6
Global Credit	**(4.0)**	(0.7)	**(3.7)**	0.6
Investment Solutions	**2.1**	1.0	**6.0**	2.5
Total	**$ 78.4**	$ 58.9	**$ 131.5**	$ 104.3

Investments of Consolidated Funds

The Partnership consolidates the financial positions and results of operations of certain CLOs in which it is the primary beneficiary. During the six months ended June 30, 2018, the Partnership formed three new CLOs for which the Partnership is the primary beneficiary of one of those CLOs. As of June 30, 2018, the total assets of this CLO included in the Partnership's consolidated financial statements were approximately $613.5 million.

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 June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Interest income from investments	**$ 52.0**	$ 41.8	**$ 98.0**	$ 82.3
Other income	**1.6**	3.2	**2.9**	5.6
Total	**$ 53.6**	$ 45.0	**$ 100.9**	$ 87.9

Net Investment Gains (Losses) of Consolidated Funds

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Gains (losses) from investments of Consolidated Funds	**$ (26.1)**	$ (5.6)	**$ (41.5)**	$ 29.6
Gains from liabilities of CLOs	**39.0**	46.3	**56.4**	28.2
Total	**$ 12.9**	$ 40.7	**$ 14.9**	$ 57.8

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Realized losses	**$ (1.6)**	$ (3.7)	**$ (4.3)**	$ (5.8)
Net change in unrealized gains (losses)	**(24.5)**	(1.9)	**(37.2)**	35.4
Total	**$ (26.1)**	$ (5.6)	**$ (41.5)**	$ 29.6

5. 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):

	June 30, 2018		December 31, 2017	
	Borrowing Outstanding	Carrying Value	Borrowing Outstanding	Carrying Value
Senior Credit Facility Term Loan Due 5/05/2020	**$ 25.0**	**$ 24.8**	$ 25.0	$ 24.8
CLO Term Loans (See below)	**326.2**	**326.2**	294.5	294.5
3.875% Senior Notes Due 2/01/2023	**500.0**	**497.9**	500.0	497.6
5.625% Senior Notes Due 3/30/2043	**600.0**	**600.7**	600.0	600.7
Promissory Note Due 1/01/2022	**108.8**	**108.8**	108.8	108.8
Promissory Notes Due 7/15/2019	**33.5**	**33.5**	47.2	47.2
Total debt obligations	**$ 1,593.5**	**$ 1,591.9**	$ 1,575.5	$ 1,573.6

Senior Credit Facility

As of June 30, 2018, the senior credit facility included $25.0 million in a term loan and $750.0 million in a revolving credit facility. As of June 30, 2018, 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 June 30, 2018, the interest rate was 3.24%). There was no amount outstanding under the revolving credit facility at June 30, 2018. Interest expense under the senior credit facility was not significant for the three months and six months ended June 30, 2018 and 2017. The fair value of the outstanding balances of the term loan and revolving credit facility at June 30, 2018 and December 31, 2017 approximated par value based on current market rates for similar debt instruments and are classified as Level III within the fair value hierarchy.

CLO Term Loans

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

Formation Date	Borrowing Outstanding June 30, 2018	Borrowing Outstanding December 31, 2017	Maturity Date (1)	Interest Rate as of June 30, 2018	
June 7, 2016	$ 20.6	$ 20.6	July 15, 2027	4.15%	(2)
February 28, 2017	72.1	74.3	September 21, 2029	2.33%	(3)
April 19, 2017	22.8	22.8	April 22, 2031	4.29%	(4) (15)
June 28, 2017	23.1	23.1	July 22, 2031	4.28%	(5) (15)
July 20, 2017	24.4	24.4	April 21, 2027	3.89%	(6) (15)
August 2, 2017	22.8	22.8	July 23, 2029	4.17%	(7) (15)
August 2, 2017	20.2	20.9	August 3, 2022	1.75%	(8)
August 14, 2017	22.6	22.6	August 15, 2030	4.20%	(9) (15)
November 30, 2017	22.7	22.7	January 16, 2030	4.08%	(10) (15)
December 6, 2017	19.1	19.1	October 16, 2030	3.99%	(11) (15)
December 7, 2017	21.2	21.2	January 19, 2029	3.72%	(12) (15)
January 30, 2018	19.2	—	January 22, 2030	3.98%	(13) (15)
March 1, 2018	15.4	—	January 15, 2031	3.90%	(14) (15)
	$ 326.2	$ 294.5			

(1) Maturity date is earlier of date indicated or the date that the CLO is dissolved.
(2) Incurs interest at the weighted average rate of the underlying senior notes. Interest income on the underlying collateral approximated the amount of interest expense and was not significant for the three months and six months ended June 30, 2018 and 2017.
(3) Original borrowing of €61.8 million; incurs interest at EURIBOR plus applicable margins as defined in the agreement.
(4) Incurs interest at LIBOR plus 1.932%.
(5) Incurs interest at LIBOR plus 1.923%.
(6) Incurs interest at LIBOR plus 1.536%.
(7) Incurs interest at LIBOR plus 1.808%.
(8) Original borrowing of €17.4 million; incurs interest at EURIBOR plus 1.75% and has full recourse to the Partnership.
(9) Incurs interest at LIBOR plus 1.848%.
(10) Incurs interest at LIBOR plus 1.7312%.
(11) Incurs interest at LIBOR plus 1.647%.
(12) Incurs interest at LIBOR plus 1.365%.
(13) Incurs interest at LIBOR plus 1.624%.
(14) Incurs interest at LIBOR plus 1.552%.
(15) Term loan issued under master credit agreement.

The CLO term loans are secured by the Partnership's investments in the respective CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and generally do not have recourse to any other Carlyle entity. Interest expense on these term loans was not significant for the three months and six months ended June 30, 2018 and 2017. The fair value of the outstanding balance of the CLO term loans at June 30, 2018 approximated par value based on current market rates for similar debt instruments. These CLO term loans are classified as Level III within the fair value hierarchy.

European CLO Financing - February 28, 2017

On February 28, 2017, a subsidiary of the Partnership entered into a financing agreement with several financial institutions under which these financial institutions provided a €61.8 million term loan ($72.1 million at June 30, 2018) to the Partnership. This term loan is secured by the Partnership’s investments in the retained notes in certain European CLOs that were formed in 2014 and 2015. This term loan will mature on the earlier of September 21, 2029 or the date that the certain European CLO retained notes have been redeemed. The Partnership may prepay the term loan in whole or in part at any time after the third anniversary of the date of issuance without penalty. Prepayment of the term loan within the first three years will incur a penalty based on the prepayment amount. Interest on this term loan accrues at EURIBOR plus applicable margins (2.33% at June 30, 2018).

Master Credit Agreement - Term Loans

In January 2017, the Partnership entered into a master credit agreement with a financial institution under which the financial institution expects to provide term loans to the Partnership for the purchase of eligible interests in CLOs. This agreement will terminate in January 2020. Any term loan to be issued under this master credit agreement will be secured by the Partnership’s investment in the respective CLO as well as any senior management fee and subordinated management fee payable by each CLO. Any term loan will bear interest at LIBOR plus a weighted average spread over LIBOR on the CLO notes and an applicable margin. Interest will be due quarterly.

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 $4.9 million for both the three months ended June 30, 2018 and 2017, and $9.9 million for both the six months ended June 30, 2018 and 2017. At June 30, 2018 and December 31, 2017, the fair value of the notes, including accrued interest, was approximately $507.5 million and $520.4 million, respectively, based on indicative quotes. The notes are classified as Level II within the fair value hierarchy.

5.625% Senior Notes

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

In March 2014, an indirect finance subsidiary of the Partnership issued $200.0 million of 5.625% Senior Notes due March 30, 2043 at 104.315% of par. These notes were issued as additional 5.625% Senior Notes and are treated as a single class with the already outstanding $400.0 million aggregate principal amount of these senior notes.

Interest expense on the notes was $8.5 million for both the three months ended June 30, 2018 and 2017, and $16.9 million for the six months ended June 30, 2018 and 2017. At June 30, 2018 and December 31, 2017, the fair value of the notes, including accrued interest, was approximately $628.8 million and $696.3 million, respectively, based on indicative quotes. The notes are classified as Level II within the fair value hierarchy.

Promissory Notes

Promissory Note Due January 1, 2022

On January 1, 2016, the Partnership issued a $120.0 million promissory note to Barclays Natural Resource Investments, a division of Barclays Bank PLC (“BNRI”) as part of the Partnership's strategic investment in NGP. Interest on the promissory note accrues at the three month LIBOR plus 2.50% (4.83% at June 30, 2018). The Partnership may prepay the promissory note in whole or in part at any time without penalty. As a result of prepayments, approximately $108.8 million of the promissory note is outstanding at June 30, 2018 and December 31, 2017. The promissory note is scheduled to mature on January 1, 2022. Interest expense on the promissory note was not significant for the three months and six months ended June 30, 2018 and 2017. The fair value of the outstanding balance of the promissory note at June 30, 2018 and December 31, 2017 approximated par value based on current market rates for similar debt instruments and is classified as Level III within the fair value hierarchy.

Promissory Notes Due July 15, 2019

In June 2017, as part of the settlement with investors in two commodities investment vehicles managed by an affiliate of the Partnership (disclosed in Note 7), the Partnership issued a series of promissory notes, aggregating to $53.9 million, to the investors of these commodities investment vehicles. Interest on these promissory notes accrues at the three month LIBOR plus 2% (4.35% at June 30, 2018). The Partnership may prepay these promissory notes in whole or in part at any time without penalty. Accordingly, as a result of repayments, $33.5 million of these promissory notes are outstanding at June 30, 2018. These promissory notes are scheduled to mature on July 15, 2019. Interest expense on these promissory notes was not significant for the three months and six months ended June 30, 2018 and 2017. The fair value of the outstanding balance of these promissory notes at June 30, 2018 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 June 30, 2018.

Loans Payable of Consolidated Funds

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

As of June 30, 2018 and December 31, 2017, the following borrowings were outstanding, which includes preferred shares classified as liabilities (Dollars in millions):

	As of June 30, 2018				
	Borrowing Outstanding	**Fair Value**	**Weighted Average Interest Rate**		**Weighted Average Remaining Maturity in Years**
Senior secured notes	**$ 4,690.3**	**$ 4,608.9**	**2.07%**		**11.47**
Subordinated notes, preferred shares and other	**192.6**	**226.2**	**N/A**	**(a)**	**9.47**
Total	**$ 4,882.9**	**$ 4,835.1**			

	As of December 31, 2017				
	Borrowing Outstanding	**Fair Value**	**Weighted Average Interest Rate**		**Weighted Average Remaining Maturity in Years**
Senior secured notes	$ 4,128.3	$ 4,100.5	2.16%		11.44
Subordinated notes, preferred shares and other	195.2	203.3	N/A	(a)	9.85
Total	$ 4,323.5	$ 4,303.8			

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

Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consisted of cash and cash equivalents, corporate loans, corporate bonds and other securities. As of June 30, 2018 and December 31, 2017, the fair value of the CLO assets was $5.6 billion and $4.9 billion, respectively.

6. Accrued Compensation and Benefits

Accrued compensation and benefits consist of the following:

	As of	
	June 30, 2018	**December 31, 2017**
	(Dollars in millions)	
Accrued performance allocations and incentive fee-related compensation	**$ 2,014.1**	$ 1,894.8
Accrued bonuses	**209.2**	202.6
Other	**123.4**	125.2
Total	**$ 2,346.7**	$ 2,222.6

7. Commitments and Contingencies

Capital Commitments

The Partnership and its unconsolidated affiliates have unfunded commitments to entities within the following segments as of June 30, 2018 (Dollars in millions):

	Unfunded Commitments
Corporate Private Equity	$ 2,606.3
Real Assets	830.9
Global Credit	458.7
Investment Solutions	151.0
Total	$ 4,046.9

Of the $4.0 billion of unfunded commitments, approximately $3.5 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 (5.32% weighted-average rate at June 30, 2018). As of June 30, 2018 and December 31, 2017, approximately $11.9 million and $13.3 million, respectively, were outstanding under the credit facility and payable by the employees. The amount funded by the Partnership under this guarantee as of June 30, 2018 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.

Certain consolidated subsidiaries of the Partnership are the guarantor of revolving credit facilities for certain funds in the Investment Solutions segment. The guarantee is limited to the lesser of the total amount drawn under the credit facilities or the net asset value of the guarantor subsidiaries, which is approximately $16.3 million as of June 30, 2018. The outstanding balances are secured by uncalled capital commitments from the underlying funds and the Partnership believes the likelihood of any material funding under this guarantee to be remote.

Contingent Obligations (Giveback)

A liability for potential repayment of previously received performance allocations of $63.2 million at June 30, 2018, is shown as accrued giveback obligations in the unaudited 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 June 30, 2018. However, the ultimate giveback obligation, if any, generally is not paid until the end of a fund's life or earlier if the giveback becomes fixed and early payment is agreed upon by the fund's partners (see Note 2). The Partnership has recorded $1.1 million and $5.1 million of unbilled receivables from former and current employees and senior Carlyle professionals as of June 30, 2018 and December 31, 2017, respectively, related to giveback obligations, which are included in due from affiliates and other receivables, net in the accompanying unaudited condensed consolidated balance sheets. The receivables are collateralized by investments made by individual senior Carlyle professionals and employees in Carlyle-sponsored funds. In addition, $169.4 million and $247.6 million have been withheld from distributions of carried interest to senior Carlyle professionals and employees for potential giveback obligations as of June 30, 2018 and December 31, 2017, respectively. Such amounts are held on behalf of the respective current and former Carlyle employees to satisfy any givebacks they may owe and are held by entities not included in the accompanying condensed consolidated balance sheets. Current and former senior Carlyle professionals and employees are personally responsible for their giveback obligations. As of June 30, 2018, approximately $35.8 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 $27.4 million.

If, at June 30, 2018, 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 $0.7 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 in June 2018, the Partnership entered into an amended non-cancelable lease agreement expiring on March 31, 2030. In connection with the amended lease for the Washington, D.C. office, the Partnership exercised an option to terminate its office lease in Arlington, Virginia at the end of 2019. Office leases in other locations expire in various years from 2018 through 2032. These leases are accounted for as operating leases. Rent expense was approximately $13.6 million and $14.1 million for the three months ended June 30, 2018 and 2017, respectively, and $27.8 million and $28.2 million for the six months ended June 30, 2018 and 2017, respectively, and is included in general, administrative and other expenses in the condensed consolidated statements of operations.

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

2018	$	24.3
2019		53.6
2020		50.2
2021		45.9
2022		44.4
Thereafter		352.3
	$	570.7

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 $65.9 million and $62.9 million as of June 30, 2018 and December 31, 2017, respectively, and is included in accounts payable, accrued expenses and other liabilities in the accompanying unaudited condensed consolidated balance sheets.

Legal Matters

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

Along with many other companies and individuals in the financial sector, the Partnership and Carlyle Mezzanine Partners, L.P. (“CMP”) are named as defendants in *Foy v. Austin Capital*, a case filed in June 2009 in state court in New Mexico, 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 September 2017, the Court dismissed the lawsuit and the plaintiffs then filed an appeal seeking to reverse that decision. That appeal is pending. The Attorney General may also separately pursue its own recovery from defendants in the action.

Carlyle Capital Corporation Limited (“CCC”) was a fund sponsored by the Partnership that invested in AAA-rated residential mortgage backed securities on a highly leveraged basis. In March of 2008, amidst turmoil throughout the mortgage markets and money markets, CCC filed for insolvency protection in Guernsey. The Guernsey liquidators who took control of CCC in March 2008 filed a suit on July 7, 2010 against the Partnership, certain of its affiliates and the former directors of CCC in the Royal Court of Guernsey seeking more than $1.0 billion in damages in a case styled *Carlyle Capital Corporation Limited v. Conway et al*. On September 4, 2017, the Royal Court of Guernsey ruled that the Partnership and Directors of CCC acted reasonably and appropriately in the management and governance of CCC and that none of the Partnership, its affiliates or former directors of CCC had any liability. In December 2017, the plaintiff filed a notice of appeal of the trial court decision. A hearing before the Guernsey appellate court is expected to take place in October 2018. The Partnership may be entitled to receive additional amounts from the plaintiff as reimbursement of legal fees and expenses incurred to defend against the claims. In December 2017, the Partnership received approximately $29.8 million from the plaintiff as a deposit towards its obligations to reimburse the Partnership for such expenses, but such amount is subject to repayment pending a final determination of the correct reimbursement amount and the ultimate outcome of the appeal process.

Cobalt International Energy, Inc. ("Cobalt") was a company owned by two of the Legacy Energy funds and funds advised by certain other private equity sponsors. Cobalt and certain of its affiliates filed for bankruptcy protection on December 14, 2017. A federal securities class action against Cobalt (*In re Cobalt International Energy, Inc. Securities Litigation*) was filed in November 2014 in the U.S. District Court for the Southern District of Texas, seeking monetary damages and alleging that Cobalt and its directors made misrepresentations in certain of Cobalt’s securities offering filings relating to: (i) the value of oil reserves in Angola for which Cobalt had acquired drilling concessions, and (ii) its compliance with the Foreign Corrupt Practices Act regarding its operations in Angola and a U.S. government investigation regarding the same. The securities class action also named as co-defendants certain securities underwriters and the five private equity sponsors of Cobalt, including Riverstone and the Partnership. The class action alleged that the Partnership has liability as a "control person" for the alleged misrepresentations in Cobalt's securities offerings as well as insider trading liability. The federal court dismissed the insider trading claim against the Partnership. The Partnership believes that the matter will be resolved without any material financial contribution from the Partnership. In addition to the class action in federal court, derivative claims were also filed in Texas state court in Houston (*Ira Gaines v. Joseph Bryant, et al.*) on similar grounds, alleging that the private equity sponsors, including the Partnership, breached their fiduciary duties by engaging in insider trading. On May 9, 2018, the Plan Administrator for Cobalt filed a Notice of Nonsuit with Prejudice, dismissing all the claims in the case (including the claim against the Partnership) with prejudice. The court ordered the nonsuit of all claims in an order entered that day.

A Luxembourg subsidiary of CEREP I, a real estate fund, has been involved since 2010 in a tax dispute with the French tax authorities relating to whether gain from the sale of an investment was taxable in France. In April 2015, the French tax court issued an opinion in this matter adverse to CEREP I, holding the Luxembourg subsidiary of CEREP I liable for approximately €105 million (including interest accrued since the beginning of the tax dispute). CEREP I paid approximately €30 million of the tax obligations, and the Partnership paid the remaining approximately €75 million in its capacity as a guarantor. The Partnership appealed the decision of the French tax court. In December 2017, the French appellate court reversed the earlier tax court opinion and awarded the Partnership a refund of the full €105 million of tax and penalties (inclusive of amounts paid by CEREP I) and awarded interest on the refund of €12.5 million, before tax. On February 22, 2018 the French tax authorities appealed the appellate court decision. The Partnership has not recognized income in respect of the refund as of June 30, 2018, pending a final determination on the current appeal. The full amount of the refund is held at CEREP I and its subsidiaries. As CEREP I is a consolidated fund, the refund of €117.5 million is recorded in our assets and liabilities of consolidated funds as of June 30, 2018.

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

During 2017, the Partnership entered into settlement and purchase agreements with investors in a hedge fund and two structured finance vehicles managed by Vermillion related to investments of approximately $400 million in petroleum commodities that the Partnership believes were misappropriated by third parties outside the U.S. In connection with these settlements, the Partnership acquired certain rights to recoveries from certain marine cargo insurance policies and is continuing to undertake efforts to obtain reimbursement for the misappropriation of petroleum. There is no assurance that the Partnership will be successful in any of its recovery efforts and the Partnership will not recognize any amounts in respect of such recoveries until such amounts are probable of payment.

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 unaudited 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 June 30, 2018, the Partnership had recorded liabilities aggregating to approximately $35 million for litigation-related contingencies, regulatory examinations and inquiries, and other matters. The Partnership evaluates its outstanding legal and regulatory proceedings and other matters each quarter to assess its loss contingency accruals, and makes adjustments in such accruals, upward or downward, as appropriate, based on management's best judgment after consultation with counsel. There is no assurance that the Partnership's accruals for loss contingencies will not need to be adjusted in the future or that, in light of the uncertainties involved in such matters, the ultimate resolution of these matters will not significantly exceed the accruals that the Partnership has recorded.

Other Contingency

The Partnership, indirectly through certain Carlyle real estate investment funds, had an investment in Urbplan Desenvolvimento Urbano S.A. (“Urbplan”), a Brazilian residential subdivision and land development company. During 2017, the Partnership disposed of its interests in Urbplan in a transaction with a third party. The third party acquired operational control and all of the economic interests in Urbplan in the transaction. For more information, see Note 15 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017. The Partnership is party to certain claims and litigation relating to UrbPlan, including disputes with creditors and customers. The judicial restructuring of UrbPlan may also trigger additional claims against the Partnership. The Partnership does not believe it is probable that the outcome of any Urbplan-related litigation, disputes or other potential claims will materially affect the Partnership or these consolidated financial statements.

Indemnifications

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

Risks and Uncertainties

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

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

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

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

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

The Partnership considers cash, cash equivalents, securities, receivables, accounts payable, accrued expenses, other liabilities, loans, senior notes, assets and liabilities of Consolidated Funds and contingent and other consideration for acquisitions to be its financial instruments. Except for the senior notes, the carrying amounts reported in the condensed consolidated balance sheets for these financial instruments equal or closely approximate their fair values. The fair value of the senior notes is disclosed in Note 5.

8. Related Party Transactions

Due from Affiliates and Other Receivables, Net

The Partnership had the following due from affiliates and other receivables at June 30, 2018 and December 31, 2017:

	As of	
	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Accrued incentive fees	$ **6.0**	$ 6.3
Unbilled receivable for giveback obligations from current and former employees	**1.1**	5.1
Notes receivable and accrued interest from affiliates	**4.6**	22.8
Management fee, reimbursable expenses and other receivables from unconsolidated funds and affiliates, net	**291.5**	229.2
Total	$ **303.2**	$ 263.4

Notes receivable represent loans that the Partnership has provided to certain unconsolidated funds to meet short-term obligations to purchase investments. Reimbursable expenses and 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 7.18% as of June 30, 2018. 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 June 30, 2018 and December 31, 2017:

	As of	
	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Due to non-consolidated affiliates	$ **38.7**	$ 75.7
Performance-based contingent cash consideration related to acquisitions	**—**	37.5
Amounts owed under the tax receivable agreement	**95.7**	94.0
Other	**35.6**	22.7
Total	$ **170.0**	$ 229.9

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, the exchange in May 2012 by CalPERS of its Carlyle Holdings partnership units for Partnership common units, as well as certain unit exchanges by senior Carlyle professionals which began in the second quarter of 2017 (see Note 12).

Other Related Party Transactions

In the normal course of business, the Partnership has made use of aircraft owned by entities controlled by senior Carlyle professionals. The senior Carlyle professionals paid for their purchases of aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by the Partnership for the business use of these aircraft by senior Carlyle professionals and other employees, which is made at market rates, totaled $1.6 million and $1.0 million for the three months ended June 30, 2018 and 2017, respectively, and $3.4 million and $2.2 million for the six months ended June 30, 2018 and 2017, respectively. These fees are included in general, administrative, and other expenses in the unaudited 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 fees or performance allocations, 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.

9. Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was enacted. The Act includes numerous changes in existing tax law, including a permanent reduction in the federal corporate income tax rate from 35% to 21%. The rate reduction became effective on January 1, 2018. As a result, the provision for income taxes included in the unaudited condensed consolidated statements of operations for the three months and six months ended June 30, 2018 reflects the revised tax rate. Further, the SEC Staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) in December 2017, which allows for reporting provisional amounts during a measurement period until the evaluation is complete. The Partnership assessed the impact of the Act during 2017 and believes the material provisions have been properly considered in that period. However, the Partnership will continue to evaluate the provisions of the Act and the impact of any future authoritative guidance.

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 $11.6 million and $13.2 million for the three months ended June 30, 2018 and 2017, respectively, and $19.4 million and $19.0 million for the six months ended June 30, 2018 and 2017, respectively.

In the normal course of business, the Partnership is subject to examination by federal and certain state, local and foreign tax regulators. With a few exceptions, as of June 30, 2018, the Partnership’s U.S. federal income tax returns for the years 2014 through 2016 are open under the normal three-year statute of limitations and therefore subject to examination. State and local tax returns are generally subject to audit from 2013 to 2016. Foreign tax returns are generally subject to audit from 2010 to 2016. Certain of the Partnership’s affiliates are currently under audit by federal, state and foreign tax authorities.

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

10. Non-controlling Interests in Consolidated Entities

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

	As of	
	June 30, 2018	December 31, 2017
	(Dollars in millions)	
Non-Carlyle interests in Consolidated Funds	**$ 7.9**	$ 13.3
Non-Carlyle interests in majority-owned subsidiaries	**378.3**	386.5
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	**(3.9)**	4.9
Non-controlling interests in consolidated entities	**$ 382.3**	$ 404.7

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Non-Carlyle interests in Consolidated Funds	**$ (4.2)**	$ —	**$ (5.1)**	$ (0.1)
Non-Carlyle interests in majority-owned subsidiaries	**18.4**	10.7	**26.8**	11.5
Non-controlling interest in carried interest, giveback obligations and cash held for carried interest distributions	**2.5**	5.8	**6.0**	8.4
Non-controlling interests in income of consolidated entities	**$ 16.7**	$ 16.5	**$ 27.7**	$ 19.8

11. Earnings Per Common Unit

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

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	Basic	Diluted	Basic	Diluted
Net income attributable to common units	$ 63,500,000	$ 63,500,000	$ 97,300,000	$ 97,300,000
Weighted-average common units outstanding	102,465,109	112,582,728	101,603,587	111,948,144
Net income per common unit	$ 0.62	$ 0.56	$ 0.96	$ 0.87

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
	Basic	Diluted	Basic	Diluted
Net income attributable to common units	$ 57,600,000	$ 57,600,000	$ 140,600,000	$ 140,600,000
Weighted-average common units outstanding	88,801,343	96,986,255	87,079,007	94,486,422
Net income per common unit	$ 0.65	$ 0.59	$ 1.61	$ 1.49

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

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. weighted-average common units outstanding	102,465,109	102,465,109	101,603,587	101,603,587
Unvested deferred restricted common units	—	9,717,091	—	9,944,029
Issuable Carlyle Group L.P. common units	—	400,528	—	400,528
Weighted-average common units outstanding	102,465,109	112,582,728	101,603,587	111,948,144

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
	Basic	Diluted	Basic	Diluted
The Carlyle Group L.P. weighted-average common units outstanding	88,801,343	88,801,343	87,079,007	87,079,007
Unvested deferred restricted common units	—	7,586,968	—	6,809,471
Issuable Carlyle Holdings Partnership units	—	597,944	—	597,944
Weighted-average common units outstanding	88,801,343	96,986,255	87,079,007	94,486,422

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 for the three months and six months ended June 30, 2018 are issuable Carlyle Group L.P. common units associated with the Partnership's strategic investments in NGP.

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, 230,870,928 of vested Carlyle Holdings partnership units and 2,511,832 of unvested Carlyle Holdings partnership units for the three months ended June 30, 2018 and 228,742,429 of vested Carlyle Holdings partnership units and 4,272,936 of unvested Carlyle Holdings partnership units for the six months ended June 30, 2018 were antidilutive, and therefore have been excluded.

Further, based on these calculations, 228,386,148 of vested Carlyle Holdings partnership units and 897,070 of unvested Carlyle Holdings partnership units for the three months ended June 30, 2017 and 226,541,019 of vested Carlyle Holdings partnership units and 1,944,401 of unvested Carlyle Holdings partnership units for the six months ended June 30, 2017 were antidilutive, and therefore have been excluded.

12. Equity and Equity-Based Compensation

Preferred Unit Issuance

On September 13, 2017, the Partnership issued 16,000,000 of 5.875% Series A Preferred Units (the “Preferred Units”) for gross proceeds of $400.0 million, or $387.5 million, net of issuance costs and expenses. The Partnership plans to use the net proceeds from the sale of the Preferred Units for general corporate purposes, including to fund investments.

Distributions on the Preferred Units will be payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning on December 15, 2017, when, as and if declared by the Board of Directors of the general partner of the Partnership, at a rate per annum of 5.875%. Distributions on the Preferred Units are discretionary and non-cumulative.

Subject to certain exceptions, unless distributions have been declared and paid or declared and set apart for payment on the Preferred Units for a quarterly distribution period, during the remainder of that distribution period, the Partnership may not repurchase any common units or any other units that are junior in rank to the Preferred Units and the Partnership may not declare or pay or set apart payment for distributions on any common or junior units for the remainder of that distribution period, other than (i) distributions of tax distribution amounts received from Carlyle Holdings in accordance with the terms of the partnership agreements of the Carlyle Holdings partnerships as in effect on the date the Preferred Units were first issued, (ii) the net unit settlement of equity-based awards granted under The Carlyle Group L.P. 2012 Equity Incentive Plan (the “Equity Incentive Plan”) (or any successor or any similar plan) in order to satisfy associated tax obligations, or (iii) distributions paid in junior units or options, warrants or rights to subscribe for or purchase other units or with proceeds from the substantially concurrent sale of junior units.

The Preferred Units may be redeemed at the Partnership’s option, in whole or in part, at any time on or after September 15, 2022 at a price of $25.00 per Preferred Unit, plus declared and unpaid distributions to, but excluding, the redemption date, without payment of any undeclared distributions. Holders of the Preferred Units have no right to require the redemption of the Preferred Units and there is no maturity date.

If a change of control event or tax redemption event occurs prior to September 15, 2022, the Partnership may, at its option, redeem the Preferred Units, in whole but not in part, upon at least 30 days’ notice, within 60 days of the occurrence of such change in control event or such tax redemption event, as applicable, at a price of $25.25 per Preferred Unit, plus declared and unpaid distributions to, but excluding, the redemption date, without payment of any undeclared distributions. If (i) a change of control event occurs (whether before, on or after September 15, 2022) and (ii) the Partnership does not give notice prior to the 31st day following the change in control event to redeem all the outstanding Preferred Units, the distribution rate per annum on the Preferred Units will increase by 5.00%, beginning on the 31st day following such change in control event.

If a rating agency event occurs prior to September 15, 2022, the Partnership may, at its option, redeem the Preferred Units, in whole but not in part, upon at least 30 days’ notice, within 60 days of the occurrence of such rating agency event, as applicable, at a price of $25.50 per Preferred Unit, plus declared and unpaid distributions to, but excluding, the redemption date, without payment of any undeclared distributions.

The Preferred Units are not convertible into common units or any other class or series of interests or any other security. Holders of the Preferred Units will generally have no voting rights and have none of the voting rights given to holders of the Partnership’s common units, except as otherwise provided in the Partnership's limited partnership agreement.

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. 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 and six months ended June 30, 2018, the Partnership paid an aggregate of $51.0 million to repurchase and retire approximately 2.3 million units (excludes $2.9 million paid to repurchase and retire 134,424 units that were pending settlement at June 30, 2018) with all of the repurchases done via open market transactions. Through June 30, 2018, the Partnership has paid an aggregate of $110.2 million to repurchase and retire 6.0 million units.

Quarterly Unit Exchange Program

Beginning in the second quarter of 2017, current and former senior Carlyle professionals are able to exchange their Carlyle Holdings partnership units for common units on a quarterly basis, subject to the terms of the Exchange Agreement. During the three months and six months ended June 30, 2018, current and former senior Carlyle professionals exchanged 740,181 and 1,657,730, respectively, Carlyle Holdings partnership units for common units, resulting in a reallocation of capital of $5.0 million and $11.0 million, respectively, from non-controlling interests in Carlyle Holdings to partners' capital and accumulated other comprehensive loss.

Equity-Based Compensation

In May 2012, Carlyle Group Management L.L.C., the general partner of the Partnership, adopted 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, 2018, pursuant to the formula, the total number of the Partnership’s common units and Carlyle Holdings partnership units available for grant under the Equity Incentive Plan was 32,645,874.

A summary of the status of the Partnership’s non-vested equity-based awards as of June 30, 2018 and a summary of changes for the six months ended June 30, 2018, are presented below:

	Carlyle Holdings		The Carlyle Group L.P.			
			Equity 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**
Balance, December 31, 2017	8,095,015	$ 22.03	15,519,591	$ 16.25	7,782	$ 22.22
Granted	—	$ —	11,844,685	$ 20.78	—	$ —
Vested	8,066,499	$ 22.00	2,610,702	$ 21.23	7,782	$ 22.22
Forfeited	—	$ —	388,137	$ 15.82	—	$ —
Balance, June 30, 2018	28,516	$ 29.13	24,365,437	$ 17.92	—	$ —

The Partnership recorded compensation expense for deferred restricted common units of $49.8 million and $44.3 million for the three months ended June 30, 2018 and 2017, respectively, with $4.2 million and $5.2 million of corresponding deferred tax benefits, respectively. The Partnership recorded compensation expense for deferred restricted common units of $94.2 million and $81.8 million for the six months ended June 30, 2018 and 2017, respectively, with $8.2 million and $9.4 million of corresponding deferred tax benefits, respectively. As of June 30, 2018, the total unrecognized equity-based compensation expense related to unvested deferred restricted common units is $299.3 million, which is expected to be recognized over a weighted-average term of 2.8 years.

13. Segment Reporting

Carlyle conducts its operations through four reportable segments:

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

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

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

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

The Partnership’s reportable business segments are differentiated by their various investment focuses and strategies. Overhead costs are generally allocated based on cash-based compensation and benefits expense for each segment. The Partnership includes adjustments to reflect the Partnership’s 63% economic interests in Claren Road (through January 2017). The Partnership’s earnings from its investment in NGP are presented in the respective operating captions within the Real Assets segment. The net income or loss from the consolidation of Urbplan allocable to the Partnership (after consideration of amounts allocable to non-controlling interests) is presented within investment income in the Real Assets segment until the three months ended September 30, 2017 when Urbplan was deconsolidated from the Partnership's financial results.

Economic Income (“EI”) and its components are key performance measures used by management to make operating decisions and assess the performance of the Partnership’s reportable segments. EI 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 revenues (comprised of performance allocations and incentive fees), and does not include net income (loss) attributable to non-Carlyle interests in consolidated entities or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include: charges associated with equity-based compensation that was issued in the initial public offering in May 2012 or is issued in acquisitions or strategic investments, changes in the tax receivable agreement liability, amortization and any impairment charges associated with acquired intangible assets, transaction costs associated with acquisitions, charges associated with earnouts and contingent consideration including gains and losses associated with the estimated fair value of contingent consideration issued in conjunction with acquisitions or strategic investments, gains and losses from the retirement of debt, charges associated with contract terminations and employee severance.

Fee Related Earnings (“FRE”) is a component of EI and is used to assess the ability of the business to cover cash-based compensation and benefits 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 EI and also adjusts EI to exclude net performance revenues, principal investment income from investments in Carlyle funds, equity-based compensation, net interest (interest income less interest expense), 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 revenues, realized principal investment income, and net interest, and is used to assess performance and amounts potentially available for distribution. DE is used by management primarily in making resource deployment and compensation decisions across the Partnership’s four reportable segments. Management also uses Distributable Earnings in our budgeting, forecasting, and the overall management of our segments. Management makes operating decisions and assesses the performance of each of the Partnership’s business segments based on financial and operating metrics and data that is presented without the consolidation of any of the Consolidated Funds. Consequently, the key performance measures discussed above and all segment data exclude the assets, liabilities and operating results related to the Consolidated Funds.

The following table presents the financial data for the Partnership's four reportable segments for the three months and six months ended June 30, 2018:

	Three Months Ended June 30, 2018				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$ 148.0	$ 78.7	$ 59.8	$ 41.6	$ 328.1
Portfolio advisory fees, net	2.8	0.4	—	—	3.2
Transaction fees, net	3.6	0.1	0.1	—	3.8
Total fund level fee revenues	154.4	79.2	59.9	41.6	335.1
Performance revenues					
Realized	52.0	33.6	4.7	9.2	99.5
Unrealized	163.8	143.0	8.8	54.4	370.0
Total performance revenues	215.8	176.6	13.5	63.6	469.5
Principal investment income (loss)					
Realized	12.3	3.1	2.4	(0.1)	17.7
Unrealized	(4.9)	11.9	(1.7)	2.3	7.6
Total principal investment income (loss)	7.4	15.0	0.7	2.2	25.3
Interest income	2.5	1.2	3.9	0.3	7.9
Other income	0.6	0.7	1.0	0.1	2.4
Total revenues	380.7	272.7	79.0	107.8	840.2
Segment Expenses					
Compensation and benefits					
Cash-based compensation and benefits	90.5	29.3	30.5	22.0	172.3
Equity-based compensation	23.0	15.9	7.1	4.0	50.0
Performance revenues related compensation					
Realized	24.0	15.0	2.1	8.8	49.9
Unrealized	75.0	46.8	3.9	44.3	170.0
Total compensation and benefits	212.5	107.0	43.6	79.1	442.2
General, administrative, and other indirect expenses	56.5	15.9	17.3	9.2	98.9
Depreciation and amortization expense	4.2	1.6	1.6	1.1	8.5
Interest expense	7.1	4.1	5.8	1.5	18.5
Total expenses	280.3	128.6	68.3	90.9	568.1
Economic Income	**$ 100.4**	**$ 144.1**	**$ 10.7**	**$ 16.9**	**$ 272.1**
(-) Net Performance Revenues	116.8	114.8	7.5	10.5	249.6
(-) Principal Investment Income	7.4	15.0	0.7	2.2	25.3
(+) Equity-based Compensation	23.0	15.9	7.1	4.0	50.0
(+) Net Interest	4.6	2.9	1.9	1.2	10.6
(=) Fee Related Earnings	**$ 3.8**	**$ 33.1**	**$ 11.5**	**$ 9.4**	**$ 57.8**
(+) Realized Net Performance Revenues	28.0	18.6	2.6	0.4	49.6
(+) Realized Principal Investment Income (Loss)	12.3	3.1	2.4	(0.1)	17.7
(+) Net Interest	(4.6)	(2.9)	(1.9)	(1.2)	(10.6)
(=) Distributable Earnings	**$ 39.5**	**$ 51.9**	**$ 14.6**	**$ 8.5**	**$ 114.5**

	June 30, 2018 and the Six Months Then Ended				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$ 262.1	$ 153.1	$ 118.5	$ 81.9	$ 615.6
Portfolio advisory fees, net	6.0	0.7	0.1	—	6.8
Transaction fees, net	3.9	2.8	0.1	—	6.8
Total fund level fee revenues	272.0	156.6	118.7	81.9	629.2
Performance revenues					
Realized	240.0	41.4	5.8	23.3	310.5
Unrealized	228.4	145.4	11.4	91.2	476.4
Total performance revenues	468.4	186.8	17.2	114.5	786.9
Principal investment income (loss)					
Realized	20.2	11.3	4.9	—	36.4
Unrealized	2.1	12.8	0.3	3.3	18.5
Total principal investment income (loss)	22.3	24.1	5.2	3.3	54.9
Interest income	4.5	2.1	7.2	0.8	14.6
Other income	3.7	1.9	2.6	0.3	8.5
Total revenues	770.9	371.5	150.9	200.8	1,494.1
Segment Expenses					
Compensation and benefits					
Cash-based compensation and benefits	187.7	64.0	64.5	45.2	361.4
Equity-based compensation	41.7	26.0	13.0	7.0	87.7
Performance revenues related compensation					
Realized	114.7	19.0	2.7	21.4	157.8
Unrealized	101.1	41.9	5.1	71.4	219.5
Total compensation and benefits	445.2	150.9	85.3	145.0	826.4
General, administrative, and other indirect expenses	89.4	34.0	33.1	17.2	173.7
Depreciation and amortization expense	8.2	3.2	3.0	2.2	16.6
Interest expense	14.1	8.0	11.1	3.1	36.3
Total expenses	556.9	196.1	132.5	167.5	1,053.0
Economic Income	**$ 214.0**	**$ 175.4**	**$ 18.4**	**$ 33.3**	**$ 441.1**
(-) Net Performance Revenues	252.6	125.9	9.4	21.7	409.6
(-) Principal Investment Income	22.3	24.1	5.2	3.3	54.9
(+) Equity-based Compensation	41.7	26.0	13.0	7.0	87.7
(+) Net Interest	9.6	5.9	3.9	2.3	21.7
(=) Fee Related Earnings	**$ (9.6)**	**$ 57.3**	**$ 20.7**	**$ 17.6**	**$ 86.0**
(+) Realized Net Performance Revenues	125.3	22.4	3.1	1.9	152.7
(+) Realized Principal Investment Income	20.2	11.3	4.9	—	36.4
(+) Net Interest	(9.6)	(5.9)	(3.9)	(2.3)	(21.7)
(=) Distributable Earnings	**$ 126.3**	**$ 85.1**	**$ 24.8**	**$ 17.2**	**$ 253.4**
Segment assets as of June 30, 2018	$ 3,644.8	$ 1,985.6	$ 1,084.2	$ 1,074.9	$ 7,789.5

The following table presents the financial data for the Partnership's four reportable segments for the three months and six months ended June 30, 2017:

	Three Months Ended June 30, 2017				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$ 117.7	$ 58.2	$ 45.1	$ 36.2	$ 257.2
Portfolio advisory fees, net	4.5	0.1	0.3	—	4.9
Transaction fees, net	1.2	—	—	—	1.2
Total fund level fee revenues	123.4	58.3	45.4	36.2	263.3
Performance revenues					
Realized	272.1	39.7	17.2	23.7	352.7
Unrealized	142.9	60.6	(1.6)	4.7	206.6
Total performance revenues	415.0	100.3	15.6	28.4	559.3
Principal investment income (loss)					
Realized	8.9	0.3	1.5	(0.1)	10.6
Unrealized	13.3	6.8	0.1	0.4	20.6
Total principal investment income (loss)	22.2	7.1	1.6	0.3	31.2
Interest income	0.8	0.4	1.0	0.2	2.4
Other income	1.3	0.3	1.1	0.1	2.8
Total revenues	562.7	166.4	64.7	65.2	859.0
Segment Expenses					
Compensation and benefits					
Cash-based compensation and benefits	72.7	37.3	22.8	20.2	153.0
Equity-based compensation	17.8	9.3	7.5	2.1	36.7
Performance revenues related compensation					
Realized	121.6	17.4	8.2	23.4	170.6
Unrealized	69.4	19.2	(0.7)	1.4	89.3
Total compensation and benefits	281.5	83.2	37.8	47.1	449.6
General, administrative, and other indirect expenses	28.4	26.5	21.8	8.7	85.4
Depreciation and amortization expense	3.7	1.6	1.3	0.9	7.5
Interest expense	7.3	4.4	3.2	1.5	16.4
Total expenses	320.9	115.7	64.1	58.2	558.9
Economic Net Income	**$ 241.8**	**$ 50.7**	**$ 0.6**	**$ 7.0**	**$ 300.1**
(-) Net Performance Revenues	224.0	63.7	8.1	3.6	299.4
(-) Principal Investment Income	22.2	7.1	1.6	0.3	31.2
(+) Equity-based Compensation	17.8	9.3	7.5	2.1	36.7
(+) Net Interest	6.5	4.0	2.2	1.3	14.0
(=) Fee Related Earnings	**$ 19.9**	**$ (6.8)**	**$ 0.6**	**$ 6.5**	**$ 20.2**
(+) Realized Net Performance Revenues	150.5	22.3	9.0	0.3	182.1
(+) Realized Principal Investment Income (Loss)	8.9	0.3	1.5	(0.1)	10.6
(+) Net Interest	(6.5)	(4.0)	(2.2)	(1.3)	(14.0)
(=) Distributable Earnings	**$ 172.8**	**$ 11.8**	**$ 8.9**	**$ 5.4**	**$ 198.9**

	Six Months Ended June 30, 2017				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
	(Dollars in millions)				
Segment Revenues					
Fund level fee revenues					
Fund management fees	$ 233.4	$ 114.2	$ 93.2	$ 72.0	$ 512.8
Portfolio advisory fees, net	8.3	0.2	0.4	—	8.9
Transaction fees, net	8.9	—	—	—	8.9
Total fund level fee revenues	250.6	114.4	93.6	72.0	530.6
Performance revenues					
Realized	323.4	53.2	22.8	36.3	435.7
Unrealized	658.2	139.3	12.9	27.9	838.3
Total performance revenues	981.6	192.5	35.7	64.2	1,274.0
Principal investment income (loss)					
Realized	9.1	(7.8)	3.9	—	5.2
Unrealized	18.8	12.0	4.3	1.5	36.6
Total principal investment income (loss)	27.9	4.2	8.2	1.5	41.8
Interest income	1.9	1.0	2.6	0.3	5.8
Other income	2.6	0.7	4.5	0.2	8.0
Total revenues	1,264.6	312.8	144.6	138.2	1,860.2
Segment Expenses					
Compensation and benefits					
Cash-based compensation and benefits	146.8	67.9	46.5	39.1	300.3
Equity-based compensation	32.8	18.1	11.8	4.1	66.8
Performance revenues related compensation					
Realized	147.7	24.2	10.9	35.5	218.3
Unrealized	297.2	38.5	6.1	20.4	362.2
Total compensation and benefits	624.5	148.7	75.3	99.1	947.6
General, administrative, and other indirect expenses	63.4	42.1	45.0	15.5	166.0
Depreciation and amortization expense	7.4	3.4	2.5	1.7	15.0
Interest expense	14.1	8.5	5.8	3.0	31.4
Total expenses	709.4	202.7	128.6	119.3	1,160.0
Economic Income	**$ 555.2**	**$ 110.1**	**$ 16.0**	**$ 18.9**	**$ 700.2**
(-) Net Performance Revenues	536.7	129.8	18.7	8.3	693.5
(-) Principal Investment Income	27.9	4.2	8.2	1.5	41.8
(+) Equity-based Compensation	32.8	18.1	11.8	4.1	66.8
(+) Net Interest	12.2	7.5	3.2	2.7	25.6
(=) Fee Related Earnings	**$ 35.6**	**$ 1.7**	**$ 4.1**	**$ 15.9**	**$ 57.3**
(+) Realized Net Performance Revenues	175.7	29.0	11.9	0.8	217.4
(+) Realized Principal Investment Income (Loss)	9.1	(7.8)	3.9	—	5.2
(+) Net Interest	(12.2)	(7.5)	(3.2)	(2.7)	(25.6)
(=) Distributable Earnings	**$ 208.2**	**$ 15.4**	**$ 16.7**	**$ 14.0**	**$ 254.3**

The following table reconciles the Total Segments to the Partnership's Income Before Provision for Taxes for the three months ended June 30, 2018 and 2017.

	Three Months Ended June 30, 2018				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$ 840.2	$ 53.6	$ (0.2)	(a)	$ 893.6
Expenses	$ 568.1	$ 62.0	$ 23.6	(b)	$ 653.7
Other income	$ —	$ 12.9	$ —	(c)	$ 12.9
Economic income	$ 272.1	$ 4.5	$ (23.8)	(d)	$ 252.8

	Three Months Ended June 30, 2017				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$ 859.0	$ 45.0	$ 4.4	(a)	$ 908.4
Expenses	$ 558.9	$ 91.9	$ 54.6	(b)	$ 705.4
Other income	$ —	$ 40.7	$ —	(c)	$ 40.7
Economic income (loss)	$ 300.1	$ (6.2)	$ (50.2)	(d)	$ 243.7

The following table reconciles the Total Segments to the Partnership's Income Before Provision for Taxes for the six months ended June 30, 2018 and 2017, and Total Assets as of June 30, 2018.

	June 30, 2018 and the Six Months Then Ended				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$ 1,494.1	$ 100.9	$ 1.4	(a)	$ 1,596.4
Expenses	$ 1,053.0	$ 106.3	$ 73.7	(b)	$ 1,233.0
Other income	$ —	$ 14.9	$ —	(c)	$ 14.9
Economic income	$ 441.1	$ 9.5	$ (72.3)	(d)	$ 378.3
Total assets	$ 7,789.5	$ 5,761.1	$ (256.2)	(e)	$ 13,294.4

	Six Months Ended June 30, 2017				
	Total Reportable Segments	Consolidated Funds	Reconciling Items		Carlyle Consolidated
	(Dollars in millions)				
Revenues	$ 1,860.2	$ 87.9	$ 80.4	(a)	$ 2,028.5
Expenses	$ 1,160.0	$ 144.9	$ 210.0	(b)	$ 1,514.9
Other income	$ —	$ 57.8	$ —	(c)	$ 57.8
Economic income	$ 700.2	$ 0.8	$ (129.6)	(d)	$ 571.4

(a) The Revenues adjustment principally represents fund management fees and performance revenues earned from the Consolidated Funds which were eliminated in consolidation to arrive at the Partnership's total revenues, adjustments for amounts attributable to non-controlling interests in consolidated entities, adjustments related to expenses associated with the investments in NGP Management and its affiliates that are included in operating captions or are excluded from the segment results, adjustments to reflect the reimbursement of certain costs incurred on behalf of Carlyle funds on a net basis, adjustments to reflect the Partnership's share of Urbplan's net losses as a component of investment income until Urbplan was deconsolidated during 2017, the inclusion of tax expenses associated with certain performance revenues, and adjustments to reflect the Partnership's ownership interests in Claren Road (through January 2017) that were included in Revenues in the Partnership's segment reporting.

The following table reconciles the total segments fund level fee revenue to the most directly comparable U.S. GAAP measure, the Partnership's consolidated fund management fees, for the three months and six months ended June 30, 2018 and 2017.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Total Reportable Segments - Fund level fee revenues	$ 335.1	$ 263.3	$ 629.2	$ 530.6
Adjustments [1]	(33.8)	(24.5)	(63.4)	(45.5)
Carlyle Consolidated - Fund management fees	$ 301.3	$ 238.8	$ 565.8	$ 485.1

(1) Adjustments represent the reclassification of NGP management fees from principal investment income, the reclassification of certain incentive fees from business development companies, and management fees earned from our consolidated CLOs which were eliminated in consolidation to arrive at the Partnership's fund management fees.

(b) The Expenses adjustment represents the elimination of intercompany expenses of the Consolidated Funds payable to the Partnership, the inclusion of certain tax expenses associated with performance revenues related compensation, adjustments related to expenses associated with the investment in NGP Management that are included in operating captions, adjustments to reflect the reimbursement of certain costs incurred on behalf of Carlyle funds on a net basis, adjustments to reflect the Partnership's share of Urbplan's net losses as a component of investment income until Urbplan was deconsolidated during 2017, changes in the tax receivable agreement liability, charges and credits associated with Carlyle corporate actions and non-recurring items and adjustments to reflect the Partnership's economic interests in Claren Road (through January 2017), as detailed below (Dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	**$ 18.4**	$ 58.5	**$ 68.5**	$ 125.5
Acquisition related charges and amortization of intangibles and impairment	**9.2**	9.2	**13.8**	18.0
Other non-operating expense	**0.3**	0.1	**0.6**	0.1
Tax (expense) benefit associated with performance revenues	**3.8**	(2.4)	**1.7**	(5.3)
Non-Carlyle economic interests in acquired businesses and other adjustments to present certain costs on a net basis	**4.3**	(4.9)	**8.3**	82.6
Severance and other adjustments	**4.3**	7.5	**5.9**	10.3
Elimination of expenses of Consolidated Funds	**(16.7)**	(13.4)	**(25.1)**	(21.2)
	$ 23.6	$ 54.6	**$ 73.7**	$ 210.0

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Income before provision for income taxes	**$ 252.8**	$ 243.7	**$ 378.3**	$ 571.4
Adjustments:				
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	**18.4**	58.5	**68.5**	125.5
Acquisition related charges, including amortization of intangibles and impairment	**9.2**	9.2	**13.8**	18.0
Other non-operating expense	**0.3**	0.1	**0.6**	0.1
Tax (expense) benefit associated with performance revenues	**3.8**	(2.4)	**1.7**	(5.3)
Net (income) loss attributable to non-controlling interests in consolidated entities	**(16.7)**	(16.5)	**(27.7)**	(19.8)
Severance and other adjustments	**4.3**	7.5	**5.9**	10.3
Economic Income	**$ 272.1**	$ 300.1	**$ 441.1**	$ 700.2
Net performance revenues[1]	**249.6**	299.4	**409.6**	693.5
Principal investment income [1]	**25.3**	31.2	**54.9**	41.8
Equity-based compensation	**50.0**	36.7	**87.7**	66.8
Net interest	**10.6**	14.0	**21.7**	25.6
Fee Related Earnings	**$ 57.8**	$ 20.2	**$ 86.0**	$ 57.3
Realized performance revenues, net of related compensation	**49.6**	182.1	**152.7**	217.4
Realized principal investment income (loss)[1]	**17.7**	10.6	**36.4**	5.2
Net interest	**(10.6)**	(14.0)	**(21.7)**	(25.6)
Distributable Earnings	**$ 114.5**	$ 198.9	**$ 253.4**	$ 254.3

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

	Three Months Ended June 30, 2018		
	Carlyle Consolidated	**Adjustments [2]**	**Total Reportable Segments**
		(Dollars in millions)	
Performance revenues[a]			
Realized	**$ 97.4**	**$ 2.1**	**$ 99.5**
Unrealized	**327.7**	**42.3**	**370.0**
Total performance revenues[a]	**425.1**	**44.4**	**469.5**
Performance revenues related compensation expense[b]			
Realized	**51.7**	**(1.8)**	**49.9**
Unrealized	**170.3**	**(0.3)**	**170.0**
Total performance revenues related compensation expense[b]	**222.0**	**(2.1)**	**219.9**
Net performance revenues			
Realized	**45.7**	**3.9**	**49.6**
Unrealized	**157.4**	**42.6**	**200.0**
Total net performance revenues	**$ 203.1**	**$ 46.5**	**$ 249.6**
Principal investment income (loss)			
Realized	**$ 36.3**	**$ (18.6)**	**$ 17.7**
Unrealized	**41.9**	**(34.3)**	**7.6**
Total principal investment income (loss)	**$ 78.2**	**$ (52.9)**	**$ 25.3**

	Three Months Ended June 30, 2017		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues[a]			
Realized	$ 346.6	$ 6.1	$ 352.7
Unrealized	185.9	20.7	206.6
Total performance revenues[a]	532.5	26.8	559.3
Performance revenues related compensation expense[b]			
Realized	166.7	3.9	170.6
Unrealized	90.4	(1.1)	89.3
Total performance revenues related compensation expense[b]	257.1	2.8	259.9
Net performance revenues			
Realized	179.9	2.2	182.1
Unrealized	95.5	21.8	117.3
Total net performance revenues	$ 275.4	$ 24.0	$ 299.4
Principal investment income (loss)			
Realized	$ 26.7	$ (16.1)	$ 10.6
Unrealized	32.3	(11.7)	20.6
Total principal investment income (loss)	$ 59.0	$ (27.8)	$ 31.2

	Six Months Ended June 30, 2018		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues[a]			
Realized	**$ 318.0**	**$ (7.5)**	**$ 310.5**
Unrealized	**415.2**	**61.2**	**476.4**
Total performance revenues[a]	**733.2**	**53.7**	**786.9**
Performance revenues related compensation expense[b]			
Realized	**160.1**	**(2.3)**	**157.8**
Unrealized	**219.9**	**(0.4)**	**219.5**
Total performance revenues related compensation expense[b]	**380.0**	**(2.7)**	**377.3**
Net performance revenues			
Realized	**157.9**	**(5.2)**	**152.7**
Unrealized	**195.3**	**61.6**	**256.9**
Total net performance revenues	**$ 353.2**	**$ 56.4**	**$ 409.6**
Principal investment income (loss)			
Realized	**$ 63.8**	**$ (27.4)**	**$ 36.4**
Unrealized	**68.5**	**(50.0)**	**18.5**
Total principal investment income (loss)	**$ 132.3**	**$ (77.4)**	**$ 54.9**

	Six Months Ended June 30, 2017		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues[a]			
Realized	$ 424.2	$ 11.5	$ 435.7
Unrealized	784.3	54.0	838.3
Total performance revenues[a]	1,208.5	65.5	1,274.0
Performance revenues related compensation expense[b]			
Realized	212.5	5.8	218.3
Unrealized	361.7	0.5	362.2
Total performance revenues related compensation expense[b]	574.2	6.3	580.5
Net performance revenues			
Realized	211.7	5.7	217.4
Unrealized	422.6	53.5	476.1
Total net performance revenues	$ 634.3	$ 59.2	$ 693.5
Principal investment income (loss)			
Realized	$ 26.5	$ (21.3)	$ 5.2
Unrealized	78.8	(42.2)	36.6
Total principal investment income (loss)	$ 105.3	$ (63.5)	$ 41.8

(a) Amounts labeled as performance allocations in the unaudited condensed consolidated statements of operations.
(b) Amounts labeled as performance allocations and incentive fee related compensation in the unaudited condensed consolidated statements of operations.

(2) Adjustments to performance revenues and principal investment income (loss) relate to (i) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the segment results, (ii) amounts attributable to non-controlling interests in consolidated entities, which were excluded from the segment results, (iii) the reclassification of NGP performance revenues, which are included in investment income in U.S. GAAP financial statements, (iv) the reclassification of certain incentive fees from business development companies, which are included in fund management fees in the segment results, and (v) the reclassification of certain tax expenses associated with performance revenues. Adjustments to principal investment income (loss) also include the reclassification of earnings for the investments in NGP Management and its affiliates to the appropriate operating captions for the segment results, the exclusion of charges associated with the investment in NGP Management and its affiliates that are excluded from the segment results, and adjustments to reflect the Partnership's share of Urbplan's net losses as investment losses for the segment results until Urbplan was deconsolidated during the third quarter of 2017. Adjustments are also included in these financial statement captions to reflect the Partnership's economic interests in Claren Road (through January 2017).

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

14. Subsequent Events

Distributions

In July 2018, the Board of Directors of the general partner of the Partnership declared a quarterly distribution of $0.22 per common unit to common unitholders of record at the close of business on August 13, 2018, payable on August 17, 2018.

In July 2018, the Board of Directors of the general partner of the Partnership declared a quarterly distribution of $0.367188 per Preferred Unit to preferred unitholders of record at the close of business on September 1, 2018, payable on September 17, 2018. See Note 12 for more information on the Preferred Units.

New York Lease

The Partnership will be relocating one of its New York City offices in either late 2020 or early 2021 to new office space in Midtown New York. The lease was signed in July 2018 and the Partnership expects to incur a charge of $60 million related to the assignment of an existing office lease in New York. The charge is expected to be paid over approximately 15 years.

Investment in Fortitude Holdings

On July 31, 2018, a subsidiary of the Partnership entered into a membership interest purchase agreement (the “Membership Interest Purchase Agreement”) with American International Group, Inc. (“AIG”) and Fortitude Group Holdings, LLC, a wholly owned subsidiary of AIG (“Fortitude Holdings”), pursuant to which the Partnership has agreed to acquire a 19.9% interest in Fortitude Holdings (the “Transaction”). Fortitude Holdings will own 100% of the outstanding common shares of DSA Reinsurance Company Ltd., a Bermuda domiciled reinsurer (“DSA Re”) established to reinsure a portfolio of AIG’s legacy life, annuity and property and casualty liabilities. DSA Re has approximately $36 billion in reserves as of March 31, 2018.

Pursuant to the Membership Interest Purchase Agreement, the Partnership will also enter into a strategic asset management relationship with DSA Re pursuant to which DSA Re, together with certain AIG-affiliated ceding companies it has reinsured, will commit to allocate at least $6 billion of assets in asset management strategies and vehicles of the Partnership and its affiliates. If DSA Re, together with AIG and its affiliates, fails to allocate such assets to the Partnership's asset management strategies and vehicles within 30 months of the closing of the transaction, the Partnership may be entitled to certain payments from AIG based on the commitment shortfall and assumed customary fee rates.

The Partnership will pay an aggregate of $381 million in cash at closing (the “Initial Purchase Price”) and up to $95 million in additional deferred consideration following December 31, 2023. If Fortitude Holdings is unable to distribute a planned non-pro rata dividend to AIG within 18 months following closing, then the Initial Purchase Price may be adjusted upward by up to $100 million to account for the increased value of Fortitude Holdings’ equity. AIG has also agreed to a post-closing purchase price adjustment pursuant to which AIG will pay affiliates of the Partnership in respect of certain adverse reserve development in DSA Re’s property and casualty insurance business, based on an agreed methodology, that occur on or prior to December 31, 2023, up to the value of the Partnership’s investment.

In connection with the Transaction, the Partnership will also enter into an operating agreement (an “Operating Agreement”) that will govern its rights and obligations as an equity holder of Fortitude Holdings and entitles the Partnership to customary minority protections contingent upon the Partnership maintaining agreed ownership percentages of Fortitude Holdings.

Consummation of the Transaction is subject to certain closing conditions, including, among others, (1) the receipt of regulatory approval of the Bermuda Monetary Authority, (2) the absence of any injunction, judgment or ruling of a governmental authority enjoining, restraining or otherwise prohibiting the Transaction and (3) subject to specified materiality standards, the accuracy of the representations and warranties of, and performance of all covenants by, the parties as set forth in the Membership Interest Purchase Agreement. In addition, AIG’s obligations and the obligations of Fortitude Holdings to consummate the Transaction are conditioned on DSA Re’s receipt of approvals from its board of directors regarding entry into an investment management agreement and an exclusivity agreement. The Membership Interest Purchase Agreement also provides for certain termination rights for both the Partnership and AIG.

The Partnership’s investment will be accounted for under the equity method of accounting and the investment will be included in the Global Credit segment. Separately, income from the assets to be managed by the Partnership will be included in the segment of the related investment fund.

15. Supplemental Financial Information

The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Partnership's financial position as of June 30, 2018 and December 31, 2017 and results of operations for the three months and six months ended June 30, 2018 and 2017. The supplemental statement of cash flows is presented without effects of the Consolidated Funds.

	As of June 30, 2018			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	$ 876.8	$ —	$ —	$ 876.8
Cash and cash equivalents held at Consolidated Funds	—	395.3	—	395.3
Restricted cash	1.7	—	—	1.7
Corporate treasury investments	343.5	—	—	343.5
Investments, including performance allocations of $3,900.3 million	5,897.6	—	(250.0)	5,647.6
Investments of Consolidated Funds	—	5,248.3	—	5,248.3
Due from affiliates and other receivables, net	309.4	—	(6.2)	303.2
Due from affiliates and other receivables of Consolidated Funds, net	—	117.5	—	117.5
Fixed assets, net	95.9	—	—	95.9
Deposits and other	58.5	—	—	58.5
Intangible assets, net	29.9	—	—	29.9
Deferred tax assets	176.2	—	—	176.2
Total assets	$ 7,789.5	$ 5,761.1	$ (256.2)	$ 13,294.4
Liabilities and partners' capital				
Debt obligations	$ 1,591.9	$ —	$ —	$ 1,591.9
Loans payable of Consolidated Funds	—	4,835.1	—	4,835.1
Accounts payable, accrued expenses and other liabilities	365.7	—	—	365.7
Accrued compensation and benefits	2,346.7	—	—	2,346.7
Due to affiliates	170.0	—	—	170.0
Deferred revenue	62.0	—	—	62.0
Deferred tax liabilities	69.7	—	—	69.7
Other liabilities of Consolidated Funds	—	666.8	—	666.8
Accrued giveback obligations	63.2	—	—	63.2
Total liabilities	4,669.2	5,501.9	—	10,171.1
Series A preferred units	387.5	—	—	387.5
Partners' capital	738.4	74.3	(74.3)	738.4
Accumulated other comprehensive loss	(78.2)	2.3	(3.7)	(79.6)
Non-controlling interests in consolidated entities	374.4	7.9	—	382.3
Non-controlling interests in Carlyle Holdings	1,698.2	174.7	(178.2)	1,694.7
Total partners' capital	3,120.3	259.2	(256.2)	3,123.3
Total liabilities and partners' capital	$ 7,789.5	$ 5,761.1	$ (256.2)	$ 13,294.4

	As of December 31, 2017 (As Adjusted)			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Assets				
Cash and cash equivalents	$ 1,000.1	$ —	$ —	$ 1,000.1
Cash and cash equivalents held at Consolidated Funds	—	377.6	—	377.6
Restricted cash	28.7	—	—	28.7
Corporate treasury investments	376.3	—	—	376.3
Investments, including performance allocations of $3,664.3 million	5,508.5	—	(219.9)	5,288.6
Investments of Consolidated Funds	—	4,534.3	—	4,534.3
Due from affiliates and other receivables, net	268.7	—	(5.3)	263.4
Due from affiliates and other receivables of Consolidated Funds, net	—	50.8	—	50.8
Fixed assets, net	100.4	—	—	100.4
Deposits and other	54.1	—	—	54.1
Intangible assets, net	35.9	—	—	35.9
Deferred tax assets	170.4	—	—	170.4
Total assets	$ 7,543.1	$ 4,962.7	$ (225.2)	$ 12,280.6
Liabilities and partners' capital				
Loans payable	$ 1,573.6	$ —	$ —	$ 1,573.6
Loans payable of Consolidated Funds	—	4,303.8	—	4,303.8
Accounts payable, accrued expenses and other liabilities	355.1	—	—	355.1
Accrued compensation and benefits	2,222.6	—	—	2,222.6
Due to affiliates	229.9	—	—	229.9
Deferred revenue	82.1	—	—	82.1
Deferred tax liabilities	75.6	—	—	75.6
Other liabilities of Consolidated Funds	—	422.1	—	422.1
Accrued giveback obligations	66.8	—	—	66.8
Total liabilities	4,605.7	4,725.9	—	9,331.6
Series A preferred units	387.5	—	—	387.5
Partners' capital	701.8	62.8	(62.8)	701.8
Accumulated other comprehensive income (loss)	(72.2)	4.1	(4.6)	(72.7)
Non-controlling interests in consolidated entities	391.4	13.3	—	404.7
Non-controlling interests in Carlyle Holdings	1,528.9	156.6	(157.8)	1,527.7
Total partners' capital	2,937.4	236.8	(225.2)	2,949.0
Total liabilities and partners' capital	$ 7,543.1	$ 4,962.7	$ (225.2)	$ 12,280.6

	Three Months Ended June 30, 2018			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$ 307.4	$ —	$ (6.1)	$ 301.3
Incentive fees	7.3	—	0.1	7.4
Investment income				
Performance allocations				
Realized	97.4	—	—	97.4
Unrealized	327.7	—	—	327.7
Principal investment income				
Realized	41.5	—	(5.2)	36.3
Unrealized	50.5	—	(8.6)	41.9
Total investment income	517.1	—	(13.8)	503.3
Interest and other income	33.5	—	(5.5)	28.0
Interest and other income of Consolidated Funds	—	53.6	—	53.6
Total revenues	865.3	53.6	(25.3)	893.6
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	176.0	—	—	176.0
Equity-based compensation	64.9	—	—	64.9
Performance allocations and incentive fee related compensation				
Realized	51.7	—	—	51.7
Unrealized	170.3	—	—	170.3
Total compensation and benefits	462.9	—	—	462.9
General, administrative and other expenses	126.8	—	—	126.8
Interest	18.4	—	—	18.4
Interest and other expenses of Consolidated Funds	—	62.0	(16.7)	45.3
Other non-operating expenses	0.3	—	—	0.3
Total expenses	608.4	62.0	(16.7)	653.7
Other income				
Net investment gains of Consolidated Funds	—	12.9	—	12.9
Income before provision for income taxes	256.9	4.5	(8.6)	252.8
Provision for income taxes	11.6	—	—	11.6
Net income	245.3	4.5	(8.6)	241.2
Net income attributable to non-controlling interests in consolidated entities	20.8	—	(4.1)	16.7
Net income attributable to Carlyle Holdings	224.5	4.5	(4.5)	224.5
Net income attributable to non-controlling interests in Carlyle Holdings	155.1	—	—	155.1
Net income attributable to The Carlyle Group L.P.	69.4	4.5	(4.5)	69.4
Net income attributable to Series A Preferred Unitholders	5.9	—	—	5.9
Net income attributable to The Carlyle Group L.P. Common Unitholders	$ 63.5	$ 4.5	$ (4.5)	$ 63.5

	Six Months Ended June 30, 2018			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$ 577.7	$ —	$ (11.9)	$ 565.8
Incentive fees	13.7	—	—	13.7
Investment income				
Performance allocations				
Realized	318.0	—	—	318.0
Unrealized	415.2	—	—	415.2
Principal investment income				
Realized	69.0	—	(5.2)	63.8
Unrealized	79.6	—	(11.1)	68.5
Total investment income	881.8	—	(16.3)	865.5
Interest and other income	62.0	—	(11.5)	50.5
Interest and other income of Consolidated Funds	—	100.9	—	100.9
Total revenues	1,535.2	100.9	(39.7)	1,596.4
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	363.3	—	—	363.3
Equity-based compensation	149.8	—	—	149.8
Performance allocations and incentive fee related compensation				
Realized	160.1	—	—	160.1
Unrealized	219.9	—	—	219.9
Total compensation and benefits	893.1	—	—	893.1
General, administrative and other expenses	221.8	—	—	221.8
Interest	36.3	—	—	36.3
Interest and other expenses of Consolidated Funds	—	106.3	(25.1)	81.2
Other non-operating expenses	0.6	—	—	0.6
Total expenses	1,151.8	106.3	(25.1)	1,233.0
Other income				
Net investment gains of Consolidated Funds	—	14.9	—	14.9
Income before provision for income taxes	383.4	9.5	(14.6)	378.3
Provision for income taxes	19.4	—	—	19.4
Net income	364.0	9.5	(14.6)	358.9
Net income attributable to non-controlling interests in consolidated entities	32.8	—	(5.1)	27.7
Net income attributable to Carlyle Holdings	331.2	9.5	(9.5)	331.2
Net income attributable to non-controlling interests in Carlyle Holdings	222.1	—	—	222.1
Net income attributable to The Carlyle Group L.P.	109.1	9.5	(9.5)	109.1
Net income attributable to Series A Preferred Unitholders	11.8	—	—	11.8
Net income attributable to The Carlyle Group L.P. Common Unitholders	$ 97.3	$ 9.5	$ (9.5)	$ 97.3

	Three Months Ended June 30, 2017 (As Adjusted)			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$ 243.4	$ —	$ (4.6)	$ 238.8
Incentive fees	13.1	—	(2.0)	11.1
Investment income (loss)				
Performance allocations				
Realized	346.6	—	—	346.6
Unrealized	185.9	—	—	185.9
Principal investment income				
Realized	27.3	—	(0.6)	26.7
Unrealized	27.6	—	4.7	32.3
Total investment income	587.4	—	4.1	591.5
Interest and other income	10.3	—	(4.7)	5.6
Interest and other income of Consolidated Funds	—	45.0	—	45.0
Revenue of a real estate VIE	16.4	—	—	16.4
Total revenues	870.6	45.0	(7.2)	908.4
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	151.0	—	—	151.0
Equity-based compensation	88.0	—	—	88.0
Performance allocations and incentive fee related compensation				
Realized	166.7	—	—	166.7
Unrealized	90.4	—	—	90.4
Total compensation and benefits	496.1	—	—	496.1
General, administrative and other expenses	95.8	—	—	95.8
Interest	16.5	—	—	16.5
Interest and other expenses of Consolidated Funds	—	91.9	(13.4)	78.5
Interest and other expenses of a real estate VIE and loss on deconsolidation	18.4	—	—	18.4
Other non-operating expenses	0.1	—	—	0.1
Total expenses	626.9	91.9	(13.4)	705.4
Other income				
Net investment gains of Consolidated Funds	—	40.7	—	40.7
Income (loss) before provision for income taxes	243.7	(6.2)	6.2	243.7
Provision for income taxes	13.2	—	—	13.2
Net income (loss)	230.5	(6.2)	6.2	230.5
Net income attributable to non-controlling interests in consolidated entities	16.5	—	—	16.5
Net income (loss) attributable to Carlyle Holdings	214.0	(6.2)	6.2	214.0
Net income attributable to non-controlling interests in Carlyle Holdings	156.4	—	—	156.4
Net income (loss) attributable to The Carlyle Group L.P.	$ 57.6	$ (6.2)	$ 6.2	$ 57.6

	Six Months Ended June 30, 2017 (As Adjusted)			
	Consolidated Operating Entities	Consolidated Funds	Eliminations	Consolidated
	(Dollars in millions)			
Revenues				
Fund management fees	$ 493.7	$ —	$ (8.6)	$ 485.1
Incentive fees	18.7	—	(2.0)	16.7
Investment income (loss)				
Performance allocations				
Realized	424.2	—	—	424.2
Unrealized	784.3	—	—	784.3
Principal investment income				
Realized	27.2	—	(0.7)	26.5
Unrealized	79.4	—	(0.6)	78.8
Total investment income	1,315.1	—	(1.3)	1,313.8
Interest and other income	26.2	—	(10.2)	16.0
Interest and other income of Consolidated Funds	—	87.9	—	87.9
Revenue of a real estate VIE	109.0	—	—	109.0
Total revenues	1,962.7	87.9	(22.1)	2,028.5
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	297.0	—	—	297.0
Equity-based compensation	160.8	—	—	160.8
Performance allocations and incentive fee related compensation				
Realized	212.5	—	—	212.5
Unrealized	361.7	—	—	361.7
Total compensation and benefits	1,032.0	—	—	1,032.0
General, administrative and other expenses	189.6	—	—	189.6
Interest	31.5	—	—	31.5
Interest and other expenses of Consolidated Funds	—	144.9	(21.2)	123.7
Interest and other expenses of a real estate VIE and loss on deconsolidation	138.0	—	—	138.0
Other non-operating expenses	0.1	—	—	0.1
Total expenses	1,391.2	144.9	(21.2)	1,514.9
Other income				
Net investment gains of Consolidated Funds	—	57.8	—	57.8
Income before provision for income taxes	571.5	0.8	(0.9)	571.4
Provision for income taxes	19.0	—	—	19.0
Net income	552.5	0.8	(0.9)	552.4
Net income attributable to non-controlling interests in consolidated entities	19.9	—	(0.1)	19.8
Net income attributable to Carlyle Holdings	532.6	0.8	(0.8)	532.6
Net income attributable to non-controlling interests in Carlyle Holdings	392.0	—	—	392.0
Net income attributable to The Carlyle Group L.P.	$ 140.6	$ 0.8	$ (0.8)	$ 140.6

	Six Months Ended June 30,	
	2018	2017
	(Dollars in millions)	
Cash flows from operating activities		
Net income	$ 364.0	$ 552.5
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	21.9	20.1
Equity-based compensation	149.8	160.8
Non-cash performance allocations and incentive fees	(215.6)	(511.8)
Other non-cash amounts	4.7	(9.4)
Principal investment income	(134.5)	(95.8)
Purchases of investments	(274.9)	(236.9)
Proceeds from the sale of investments	393.0	311.9
Payments of contingent consideration	(37.5)	(22.5)
Deconsolidation of Claren Road	—	(23.3)
Change in deferred taxes, net	(2.6)	0.3
Change in due from affiliates and other receivables	(48.6)	(75.1)
Change in receivables and inventory of a real estate VIE	—	(14.5)
Change in deposits and other	(12.1)	(9.3)
Change in other assets of a real estate VIE	—	1.6
Change in accounts payable, accrued expenses and other liabilities	0.8	(3.3)
Change in accrued compensation and benefits	(8.9)	(41.1)
Change in due to affiliates	(26.6)	0.1
Change in other liabilities of a real estate VIE	—	47.9
Change in deferred revenue	(19.3)	27.7
Net cash provided by operating activities	153.6	79.9
Cash flows from investing activities		
Purchases of fixed assets, net	(12.5)	(16.7)
Net cash used in investing activities	(12.5)	(16.7)
Cash flows from financing activities		
Borrowings under credit facility	—	250.0
Repayments under credit facility	—	(250.0)
Payments on debt obligations	(13.8)	—
Proceeds from debt obligations	34.5	112.1
Net payments on loans payable of a real estate VIE	—	(14.3)
Payments of contingent consideration	—	(0.4)
Distributions to common unitholders	(61.0)	(22.7)
Distributions to preferred unitholders	(11.8)	—
Distributions to non-controlling interest holders in Carlyle Holdings	(140.4)	(63.1)
Contributions from non-controlling interest holders	8.9	25.8
Distributions to non-controlling interest holders	(51.8)	(53.0)
Common units repurchased	(51.0)	(0.2)
Change in due to/from affiliates financing activities	4.0	49.2
Net cash (used in) provided by financing activities	(282.4)	33.4
Effect of foreign exchange rate changes	(9.0)	18.7
(Decrease) increase in cash, cash equivalents and restricted cash	(150.3)	115.3
Cash, cash equivalents and restricted cash, beginning of period	1,028.8	684.0
Cash, cash equivalents and restricted cash, end of period	$ 878.5	$ 799.3
Reconciliation of cash, cash equivalents and restricted cash, end of period:		
Cash and cash equivalents	$ 876.8	$ 789.9
Restricted cash	1.7	9.4
Total cash, cash equivalents and restricted cash, end of period	$ 878.5	$ 799.3
Cash and cash equivalents held at Consolidated Funds	$ 395.3	$ 416.1

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

The following discussion analyzes the financial condition and results of operations of The Carlyle Group L.P. (the "Partnership"). Such analysis should be read in conjunction with the consolidated financial statements and the related notes included in this Quarterly Report on Form 10-Q and the Annual Report on Form 10-K for the year ended December 31, 2017.

Overview

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

- *Corporate Private Equity* — Our Corporate Private Equity segment advises our 24 buyout and 10 growth capital funds, which seek a wide variety of investments of different sizes and growth potentials. As of June 30, 2018, our Corporate Private Equity segment had $81 billion in AUM and $56 billion in Fee-earning AUM.

- *Real Assets* — Our Real Assets segment advises our eleven U.S. and internationally focused real estate funds, our two infrastructure funds, our two power funds, our international energy fund, as well as our four Legacy Energy funds (funds that we jointly advise with Riverstone). The segment also includes four NGP management fee funds and four carry funds advised by NGP. As of June 30, 2018, our Real Assets segment had $45 billion in AUM and $32 billion in Fee-earning AUM.

- *Global Credit* — Our Global Credit segment advises a group of 58 funds that pursue investment opportunities across structured credit, direct lending, distressed credit, energy credit, and opportunistic credit. As of June 30, 2018, our Global Credit segment had $36 billion in AUM and $29 billion in Fee-earning AUM.

- *Investment Solutions* — Our Investment Solutions segment advises global private equity and real estate fund of funds programs and related co-investment and secondary activities across 215 fund vehicles. As of June 30, 2018, our Investment Solutions segment had $48 billion in AUM and $30 billion in Fee-earning AUM.

We earn management fees pursuant to contractual arrangements with the investment funds that we manage and fees for transaction advisory and oversight services provided to portfolio companies of these funds. We also typically receive from an investment fund either an incentive fee or a special residual allocation of income, which we refer to as a performance allocation, or carried interest, in the event that specified investment returns are achieved by the fund. Under U.S. generally accepted accounting principles ("U.S. GAAP"), we are required to consolidate some of the investment funds that we advise. However, for segment reporting purposes, we present revenues and expenses on a basis that deconsolidates these investment funds. Accordingly, our segment revenues primarily consist of fund management and related advisory fees, performance revenues (consisting of incentive fees and performance allocations), principal investment income, including realized and unrealized gains on our investments in our funds and other trading securities, as well as interest and other income. Our segment expenses primarily consist of compensation and benefits expenses, including salaries, bonuses, performance payment arrangements, and equity-based compensation excluding awards granted in our initial public offering or in connection with acquisitions and strategic investments, and general and administrative expenses. While our segment expenses include depreciation and interest expense, our segment expenses exclude acquisition-related charges and amortization of intangibles and impairment. Refer to Note 13 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for more information on the differences between our financial results reported pursuant to U.S. GAAP and our financial results for segment reporting purposes.

Our Family of Funds

The following chart presents the name (acronym), total capital commitments (in the case of our carry funds, structured credit funds, and the NGP management fee funds), assets under management (in the case of structured products), gross assets (in the case of our business development companies), and vintage year of the active funds in each of our segments, as of June 30, 2018. We present total capital commitments (as opposed to assets under management) for our closed-end investment funds because we believe this metric provides the most useful information regarding the relative size and scale of such funds. In the case of our products which are open-ended, and accordingly do not have permanent committed capital, we generally believe the most useful metric regarding relative size and scale is assets under management.

Corporate Private Equity

Buyout Carry Funds

Carlyle Partners (U.S.)		
CP VII	$18.4 bn	2018
CP VI	$13.0 bn	2014
CP V	$13.7 bn	2007
CP IV	$7.9 bn	2005
Global Financial Services Partners		
CGFSP III	$865 mm	2018
CGFSP II	$1.0 bn	2013
CGFSP I	$1.1 bn	2008
Carlyle Europe Partners		
CEP V	€4.3 bn	2018
CEP IV	€3.7 bn	2014
CEP III	€5.3 bn	2007
CEP II	€1.8 bn	2003
Carlyle Asia Partners		
CAP V	$6.6 bn	2018
CBPF II	RMB 301 mm	2017
CAP IV	$3.9 bn	2014
CBPF I	RMB 2.0 bn	2010
CAP III	$2.6 bn	2008
CAP II	$1.8 bn	2006
Carlyle Japan Partners		
CJP III	¥119.5 bn	2013
CJP II	¥165.6 bn	2006
Carlyle Global Partners		
CGP	$3.6 bn	2015
Carlyle MENA Partners		
MENA I	$471 mm	2008
Carlyle South American Buyout Fund		
CSABF I	$776 mm	2009
Carlyle Sub-Saharan Africa Fund		
CSSAF I	$698 mm	2012
Carlyle Peru Fund		
CPF I	$308 mm	2012
Growth Carry Funds		
Carlyle U.S. Venture/Growth Partners		
CEOF II	$2.4 bn	2015
CEOF I	$1.1 bn	2011
CUSGF III	$605 mm	2006
CVP II	$602 mm	2001
Carlyle Europe Technology Partners		
CETP III	€657 mm	2014
CETP II	€522 mm	2008
Carlyle Asia Venture/Growth Partners		
CAGP V	$339 mm	2017
CAGP IV	$1.0 bn	2008
CAGP III	$680 mm	2005
Carlyle Cardinal Ireland		
CCI	€292 mm	2014

Global Credit

Loans & Structured Credit

Cash CLO's		
U.S.	$16.9 bn	2007-2018
Europe	€7.8 bn	2006-2018
Structured Credit Carry Funds		
CSC	$838 mm	2017
CASCOF	$445 mm	2015
Direct Lending		
Business Development Companies[1]		
TCG BDC II, Inc.	$920 mm	2017
TCG BDC, Inc.	$2.0 bn	2013
Corporate Mezzanine Carry Fund		
CMP II	$553 mm	2008
Opportunistic Credit Carry Fund		
CCOF	$757 mm	2017
Energy Credit Carry Funds		
CEMOF II	$2.8 bn	2015
CEMOF I	$1.4 bn	2011
Distressed Credit Carry Funds		
CSP IV	$2.5 bn	2016
CSP III	$703 mm	2011
CSP II	$1.4 bn	2007

Investment Solutions

AlpInvest

Fund of Private Equity Funds		
74 vehicles	€42.2 bn	2000-2018
Secondary Investments		
54 vehicles	€15.4 bn	2002-2018
Co-Investments		
55 vehicles	€15.3 bn	2000-2018
Metropolitan Real Estate		
Real Estate Fund of Funds		
32 vehicles	$4.1 bn	2002-2018

Real Assets

Real Estate Carry Funds

Carlyle Realty Partners (U.S.)		
CRP VIII	$5.4 bn	2017
CRP VII	$4.2 bn	2014
CRP VI	$2.3 bn	2011
CRP V	$3.0 bn	2006
CRP IV	$950 mm	2005
CRP III	$564 mm	2001
Core Plus Real Estate (U.S.)		
CPI	$1.6 bn	2016
International Real Estate		
CER	€209 mm	2017
CAREP II	$486 mm	2008
CEREP III	€2.2 bn	2007
Natural Resources Funds		
NGP Energy Carry Funds		
NGP XII	$3.1 bn	2017
NGP XI	$5.3 bn	2014
NGP X	$3.6 bn	2012
NGP Agribusiness Carry Fund		
NGP GAP	$402 mm	2014
NGP Management Fee Funds		
Various[2]	$7.0 bn	2004-2008
International Energy Carry Fund		
CIEP I	$2.5 bn	2013
Infrastructure Carry Funds		
CGIOF	$1.1 bn	2018
CIP I	$1.1 bn	2006
Power Carry Funds		
CPP II	$1.5 bn	2014
CPOCP	$478 mm	2013
Legacy Energy Carry Funds		
Carlyle/Riverstone Global Energy		
Energy IV	$6.0 bn	2008
Energy III	$3.8 bn	2005
Energy II	$1.1 bn	2003
Carlyle/Riverstone Renewable Energy		
Renew II	$3.4 bn	2008

Note: All amounts shown represent total capital commitments as of June 30, 2018 unless otherwise noted. Certain of our recent vintage funds are currently in fundraising and total capital commitments are subject to change. In addition, certain carry funds included herein may be disclosed which are not included in fund performance if they have not made an initial investment or called capital for investments or fees.

(1) Amounts represent gross assets as of June 30, 2018.
(2) Includes NGP M&R, NGP ETP II, NGP VIII and NGP IX.

Trends Affecting our Business

General economic fundamentals remained strong during the second quarter 2018, with growth in real GDP and corporate earnings staying well above post-crisis averages in most economies. Despite the overall strong economic performance, the equity markets have lagged with 34 of the 45 MSCI equity indices down year-to-date. As of June 30, 2018, the MSCI ACWI-All Cap declined 1.2%, and the S&P 500 index increased 1.7%, since the start of the year. Robust earnings growth across global companies has been offset by investor concerns regarding the financial pressures created by a strengthening dollar, a flattening yield curve and the potential fallout from tariffs. As public multiples are flat and/or declining, we continue to expect that it will be difficult for the public markets to generate the same level of appreciation in 2018 as they achieved in 2017.

The foreign exchange value of the dollar has increased by about 7% since the end of January 2018, which has strained several Emerging Market economies with significant dollar-denominated liabilities. By reducing the domestic value of foreign sales and earnings, a stronger dollar could also slow the growth of corporate profits in the U.S. Companies in our portfolio with meaningful export volumes may feel some pressure as these effects further materialize. The dollar could appreciate more in the near term as the market currently expects two additional Federal Reserve interest rate hikes in 2018 that would take U.S. overnight interest rates to 2.4% at year-end, which would be higher than the average 30-year bond yield for the rest of the G-10 economies. If the dollar continues to appreciate relative to other currencies, these economic effects may become more pronounced.

In the second quarter, credit remained readily available on reasonable terms for our firm and our portfolio companies. The leveraged loan markets have been especially strong with $10.9 billion of net inflows into loan funds since the start of the year. Conversely, concerns about higher interest rates have caused investors to shed exposure to high-yield bonds, with dedicated funds experiencing $31.9 billion of outflows in the first half of 2018.

Longer-dated treasuries rallied throughout the quarter, while, in contrast, the two-year yield has hit its highest level since mid-2008. After closing above 3% for eight consecutive days in May 2018, the yield on the 10-year Treasury fell steadily and as of mid-July 2018 sat at just 2.85%. The rally in the long end, which was likely spurred in part in response to escalating international trade tensions, left the 10-year yield just 25 basis points above that of the two-year Treasury, the flattest yield curve since 2007. The yield curve has steepened somewhat as of the end of July 2018 as concerns that other economies may end central bank easing have driven the 10-year yield up near 3% once more. Many observers regard yield curve inversion as a reliable predictor of a slowdown in future economic activity, which could affect the terms of, and reduce the recent level of, loan and banking transactions.

While overall inflation expectations remain low in most global economies (eurozone core prices rose just 1.1% in May 2018), average core U.S. inflation has risen to 2.2% in the twelve months ended June 2018, led by cost pressures in the energy, transportation, and construction sectors. In recent months, management teams at our portfolio companies in the U.S. have expressed concerns about rising cost pressures related to input prices and compensation expense. Over the past year, general long-distance freight trucking costs have risen 9.4% year-over-year, on average, according to federal data, with some contracts rising by multiples of that amount.

Additionally, the effects of tariffs have become visible across the economy, with steel prices rising 9.5% (annualized) between April and May 2018. The combined effect of tariffs, the rebound in commodity prices, and tightness in parts of the labor market may exert significant downward pressure on corporate margins in the second half of 2018. Some portion of the cost increases will be passed onto end market consumers, but many businesses lack the requisite pricing power. We continue to closely monitor trade issues, in particular vis a vis China as we have many investments in companies operating in China and investments in companies that export to or import from China. The potential impact of tariffs will differ based on the company, industry and its supply chain, although as tariffs have been imposed to date on less than 4% of total U.S. imports, we have not yet seen the announced tariffs have a material impact on the operations of our portfolio companies. If additional tariffs are imposed or the trade dispute continues to intensify, it could negatively impact the overall economy and possibly our portfolio companies, in particular as the growing uncertainty could cause the management teams of our portfolio companies to delay strategic decisions until the trade dispute stabilizes.

The overall performance of the public equity markets has been flat over the quarter, but this has had a muted impact on our portfolio as publicly traded companies comprise only 13% of the remaining fair value in our total carry fund portfolio as of June 30, 2018, excluding Investment Solutions. In addition, the price of crude oil increased significantly in the second quarter, which positively impacted our public and private energy investments. We have seen strong underlying performance by our portfolio companies and investments as our overall carry fund portfolio appreciated by 5% during the second quarter of 2018 and 17% since the second quarter of 2017. In the second quarter of 2018, our Corporate Private Equity funds appreciated by 3%, our Real Asset funds appreciated by 7% and our Global Credit carry funds appreciated by 3%. Appreciation in Investment Solutions was 8% in the second quarter, which was bolstered by the strengthening of the U.S. Dollar relative to the Euro during the period. Our private carry fund portfolio appreciated by 4% and our public carry fund portfolio appreciated by 5%, each excluding Investment Solutions.

The current macroeconomic environment continues to support record levels of private equity fundraising globally. We raised more than $12 billion of new capital in the second quarter, reaching 77% of our four-year $100 billion fundraising target which we expect to achieve by next year. We anticipate that we will raise approximately $30 billion during 2018 as some of the fundraising planned for future years accelerated into this year. While we expect additional funds to launch over the next several quarters, we do expect our fundraising pace to decelerate after reloading our large flagship funds. Higher fundraising activity generates incremental expenses in the quarter the capital is raised, which generally occur ahead of the associated positive revenue impact from new management fees. We activated management fees on our new U.S. Buyout and Asia Buyout funds in the second quarter and we expect to activate fees on our new Europe Buyout fund in the next several quarters. We anticipate that Fee-Earning AUM and Fee Related Earnings will increase in the second half of 2018 due to the activation of these fees. Pending Fee Earning AUM, which is capital that we have raised, but on which we have not yet activated fees, declined to $10 billion at June 30, 2018 from $27 billion as of the end of the first quarter of 2018 due to the activation of fees on our latest U.S. buyout and Asia buyout funds.

The investment environment remains challenging, driven by a high level of competition and high valuations. Our experienced investment teams across the globe continue to pursue investments where we can leverage our competitive advantages, sector expertise and global One Carlyle platform. During the second quarter, our carry funds invested $3.5 billion in new or follow-on transactions, and invested approximately $21.6 billion over the last twelve months. We generated $7 billion in realized proceeds in our carry funds in the second quarter. A higher percentage of realizations in the second quarter originated in funds that are accruing, but not yet realizing, performance revenues. We continue to expect our 2018 realized net performance revenue to be lower than our 2017 realized net performance revenue, before increasing in 2019.

We are continuing our efforts to build a larger Global Credit business that leverages our existing platform and operations and can manage a significantly higher level of assets under management in their current strategies. We are also extending our product capabilities into adjacent strategies to meet the evolving needs of our investors. If we successfully execute on our business plans, we expect to grow AUM in the Global Credit segment and expect the Global Credit segment to contribute more to our Fee Related Earnings in the future.

Recent Transactions

Distributions

In July 2018, the Board of Directors of our general partner declared a quarterly distribution of $0.22 per unit to common unitholders of record at the close of business on August 13, 2018, payable on August 17, 2018.

The Board of Directors of our general partner has declared a quarterly distribution of $0.367188 per Preferred Unit to holders of record at the close of business on September 1, 2018, payable on September 17, 2018. Distributions are on the Preferred Units are discretionary and non-cumulative. See Note 12 of our unaudited condensed consolidated financial statements for more information on the Preferred Units.

New York Lease

We will be relocating one of our New York City offices in either late 2020 or early 2021 to new office space in Midtown New York to provide for a more efficient and collaborative environment for our employees. The lease was signed in July 2018 and we expect to incur a charge of $60 million related to the assignment of an existing office lease in New York. The charge is expected to be paid over approximately 15 years. This charge will be reflected in our third quarter of 2018 operating results and will be excluded from our non-GAAP results.

Investment in Fortitude Holdings

On July 31, 2018, a subsidiary of the Partnership entered into a membership interest purchase agreement with American International Group, Inc. (“AIG”) and Fortitude Group Holdings, LLC, a wholly owned subsidiary of AIG (“Fortitude Holdings”), pursuant to which we have agreed to acquire a 19.9% interest in Fortitude Holdings. See Note 14 of our unaudited condensed consolidated financial statements for more information on this transaction.

Key Financial Measures

Our key financial measures are discussed in the following pages. Additional information regarding these key financial measures and our other significant accounting policies can be found in Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Revenues

On January 1, 2018, we adopted ASU 2014-9, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-9”). Upon adoption, certain performance revenues that represent a performance-based capital allocation from fund limited partners to us are now accounted for as earnings from financial assets and included as a component of investment income (loss). We also are entitled to receive performance-based incentive fees pursuant to management contracts from certain of our Global Credit funds when the return on assets under management exceeds certain benchmark returns or other performance targets. These fees are recorded as incentive fees in our unaudited condensed consolidated statements of operations. See Note 2 to the unaudited condensed consolidated financial statements for more information on our adoption of ASU 2014-9.

Revenues primarily consist of fund management fees, incentive fees, investment income (including performance allocations), realized and unrealized gains of our investments in our funds and other principal investments, as well as interest and other income.

Fund Management Fees. Fund management fees include management fees and transaction and portfolio advisory fees. We earn management fees for advisory services we provide to funds in which we hold a general partner interest or with which we have an investment advisory or investment management agreement. Additionally, management fees include catch-up management fees, which are episodic in nature and represent management fees charged to fund investors in subsequent closings of a fund which apply to the time period between the fee initiation date and the subsequent closing date.

Management fees attributable to Carlyle Partners VII, L.P. (“CP VII”), our seventh U.S. buyout fund with approximately $17.4 billion of Fee-earning AUM as of June 30, 2018 were approximately 14% of total management fees recognized during the three months ended June 30, 2018. Management fees attributable to Carlyle Partners VI, L.P. (“CP VI”), our sixth U.S. buyout fund with approximately $10.2 billion of Fee-earning AUM as of June 30, 2018, were approximately 11% of total management fees recognized during the six months ended June 30, 2018. Management fees attributable to CP VI were approximately 16% of total management fees recognized during both the three months and six months ended June 30, 2017, respectively. No other fund generated over 10% of total management fees in the periods presented.

Transaction and Portfolio Advisory Fees. Transaction and portfolio advisory fees are fees we receive for the transaction and portfolio advisory services we provide to our portfolio companies. When covered by separate contractual agreements, we recognize transaction and portfolio advisory fees for these services when the performance obligation has been satisfied and collection is reasonably assured. We are required to offset our fund management fees earned by a percentage of the transaction and advisory fees earned, which we refer to as the “rebate offsets.” Such rebate offset percentages generally approximate a range of 80% to 100% of the fund’s portion of the transaction and advisory fees earned. The recognition of portfolio advisory fees and transactions fees can be volatile as they are primarily generated by investment activity within our funds, and therefore are impacted by our investment pace.

Incentive Fees. Incentive fees consist of performance-based incentive arrangements pursuant to management contracts from certain of our Global Credit funds when the return on assets under management exceeds certain benchmark returns or other performance targets. In such arrangements, incentive fees are recognized when the performance benchmark has been achieved.

Investment Income. Investment income consists of our performance allocations as well as the unrealized and realized gains and losses resulting from our equity method investments and other principal investments.

Performance allocations are the earnings allocations to us, commonly referred to as carried interest, from certain of our investment funds, which we refer to as the “carry funds.” Carried interest revenue is recognized by Carlyle upon appreciation of the valuation of our funds' investments above certain return hurdles as set forth in each respective partnership agreement and is based on the amount that would be due to us pursuant to the fund partnership agreement at each period end as if the funds were liquidated at such date. Accordingly, the amount of carried interest recognized as performance allocations reflects our share of the fair value gains and losses of the associated funds' underlying investments measured at their then-current fair values relative to the fair values as of the end of the prior period. As a result, the performance allocations earned in an applicable reporting period are not indicative of any future period, as fair values are based on conditions prevalent as of the reporting date. Refer to “— Trends Affecting our Business” for further discussion.

In addition to performance allocations from our Corporate Private Equity and Real Assets funds and closed-end carry funds in the Global Credit segment, we are also entitled to receive performance allocations from our Investment Solutions and NGP carry funds. The timing of performance allocations realizations for these funds is typically later in the life of the fund as compared to our other carry funds based on the terms of such arrangements.

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

Performance allocations in excess of 10% of the total for the three months ended June 30, 2018 were generated from the following funds:

- $120.2 million from CP VI (with total AUM of approximately $14.6 billion), and
- $48.4 million from Carlyle International Energy Fund, L.P. ("CIEP") (with total AUM of approximately $3.1 billion).

Performance allocations in excess of 10% of the total for the six months ended June 30, 2018 were generated from the following funds:

- $164.7 million from CP VI,
- $112.0 million from CEP IV, and
- $79.1 million from CRP VII.

Performance allocations in excess of 10% of the total for the three months ended June 30, 2017 were generated primarily from the following funds:

- $192.4 million from CP VI,
- $80.7 million from CAP IV, and
- $66.0 million from CP V.

Performance allocations in excess of 10% of the total for the six months ended June 30, 2017 were generated primarily from the following funds:

- $397.2 million from CP VI,
- $253.0 million from CP V, and
- $226.3 million from CAP IV.

No other fund generated over 10% of performance allocations in the periods presented above.

Under our arrangements with the historical owners and management team of AlpInvest, we generally do not retain any carried interest in respect of the historical investments and commitments to our fund vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date). We are entitled to 15% of the carried interest in respect of commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 40% of the carried interest in respect of all other commitments (including all future commitments from third parties). In certain instances, carried interest associated with the AlpInvest fund vehicles is subject to entity level income taxes in the Netherlands.

Realized carried interest may be clawed back or given back to the fund if the fund's investment values decline below certain return hurdles, which vary from fund to fund. When the fair value of a fund's investments remains constant or falls below certain return hurdles, previously recognized performance allocations are reversed. In all cases, each investment fund is considered separately in evaluating carried interest and potential giveback obligations. For any given period, performance allocations revenue on our statement of operations may include reversals of previously recognized performance allocations due to a decrease in the value of a particular fund that results in a decrease of cumulative performance allocations earned to date.

Since fund return hurdles are cumulative, previously recognized performance allocations also may be reversed in a period of appreciation that is lower than the particular fund's hurdle rate. For the three months ended June 30, 2018 and 2017, the reversals of performance allocations were $71.3 million and $17.2 million, respectively. For the six months ended June 30, 2018 and 2017, the reversals of performance allocations were $94.0 million and $57.9 million, respectively.

As of June 30, 2018, accrued performance allocations and accrued giveback obligations were approximately $3.9 billion and $63.2 million, respectively. Each balance assumes a hypothetical liquidation of the funds' investments at June 30, 2018 at their then current fair values. These assets and liabilities will continue to fluctuate in accordance with the fair values of the fund investments until they are realized. As of June 30, 2018, approximately $35.8 million of the 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 $27.4 million. The Partnership uses "net accrued performance revenues" to refer to the aggregation of the accrued performance allocations and incentive fees net of (i) accrued giveback obligations, (ii) accrued performance allocations and incentive fee compensation, (iii) performance allocations and incentive fee-related tax obligations, and (iv) accrued performance allocations and incentive fees attributable to non-controlling interests and excludes any net accrued performance allocations and incentive fees that have been realized but will be collected in subsequent periods. Net accrued performance revenues as of June 30, 2018 are $2.0 billion.

In addition, realized performance allocations may be reversed in future periods to the extent that such amounts become subject to a giveback obligation. If, at June 30, 2018, all investments held by our carry funds were deemed worthless, the amount of realized and previously distributed performance allocations subject to potential giveback would be approximately $0.7 billion on an after-tax basis where applicable. See the related discussion of "Contingent Obligations (Giveback)" within "— Liquidity and Capital Resources." Since Carlyle's inception, we have realized a total of approximately $182.2 million in aggregate giveback obligations. Approximately $36.7 million of the $182.2 million in aggregate realized giveback obligations was attributable to Carlyle Holdings. The funding for employee obligations and givebacks related to carry realized pre-IPO is primarily through a collection of employee receivables related to giveback obligations and from non-controlling interests for their portion of the obligation. The realization of giveback obligations for the Partnership's portion of such obligations reduces Distributable Earnings in the period realized and negatively impacts earnings available for distribution to common unitholders in the period realized. Further, each individual recipient of realized carried interest typically signs a guarantee agreement or partnership agreement that personally obligates such person to return his/her pro rata share of any amounts of realized carried interest previously distributed that are later clawed back. Accordingly, carried interest as performance allocation compensation is subject to return to the Partnership in the event a giveback obligation is funded. Generally, the actual giveback liability, if any, does not become due until the end of a fund's life.

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

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

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

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

The table below summarizes the valuation of investments and other financial instruments included within our AUM, by segment and fair value hierarchy levels, as of June 30, 2018 (amounts in millions):

	As of June 30, 2018				
	Corporate Private Equity	Real Assets	Global Credit	Investment Solutions	Total
Consolidated Results					
Level I	$ 2,570	$ 4,695	$ 276	$ 1,016	**$ 8,557**
Level II	151	175	344	—	**670**
Level III	38,995	23,296	28,125	29,543	**119,959**
Fair Value of Investments	41,716	28,166	28,745	30,559	**129,186**
Available Capital	39,452	17,252	6,786	17,066	**80,556**
Total AUM	**$ 81,168**	**$ 45,418**	**$ 35,531**	**$ 47,625**	**$ 209,742**

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

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

Expenses

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

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

In addition, we have implemented various equity-based compensation arrangements that require senior Carlyle professionals and other employees to vest ownership of a portion of their equity interests over a service period of up to 60 months, which under U.S. GAAP will result in compensation charges over current and future periods. Further, in order to recruit and retain existing and future senior Carlyle professionals and other employees, we have implemented additional equity-based compensation programs that have resulted in increases to our equity-based compensation expenses. Compensation charges associated with the equity-based compensation grants issued in our initial public offering in May 2012, which are fully vested as of May 2018, or grants issued in acquisitions or strategic investments are excluded from our calculation of Economic Income. Compensation charges associated with all equity-based compensation grants are excluded from Fee Related Earnings and Distributable Earnings.

We may hire additional individuals and overall compensation levels may correspondingly increase, which could result in an increase in compensation and benefits expense. A portion of our compensation expense relates to internal fundraising costs, and compensation may fluctuate based on increases or decreases in our fundraising activity. Amounts due to employees related to such fundraising will be expensed when earned even though the benefit of the new capital and related fees will be reflected in operations over the life of the related fund.

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

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

Income Taxes. The Carlyle Holdings partnerships and their subsidiaries primarily operate as pass-through entities for U.S. income tax purposes and record a provision for state and local income taxes for certain entities based on applicable laws and a provision for foreign income taxes for certain foreign entities. In addition, Carlyle Holdings I GP Inc. is subject to U.S. income taxes on only a portion of our income or loss. Depending on the sources of our taxable income or loss, our income tax provision or benefit can vary significantly from period to period.

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

In the normal course of business, we are subject to examination by federal and certain state, local and foreign tax regulators. With a few exceptions, as of June 30, 2018, our U.S. federal income tax returns for the years 2014 through 2016 are open under the normal three-year statute of limitations and therefore subject to examination. State and local tax returns are generally subject to audit from 2013 to 2016. Foreign tax returns are generally subject to audit from 2010 to 2016. Certain of our affiliates are currently under audit by federal, state and foreign tax authorities. We do not believe the outcome of any future audit will have a material impact on our consolidated financial statements.

Non-controlling Interests in Consolidated Entities. Non-controlling interests in consolidated entities represent the component of equity in consolidated entities not held by us. These interests are adjusted for general partner allocations.

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

Non-GAAP Financial Measures

Economic Income. Economic income, or “EI,” is a key performance benchmark used in our industry. EI 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 revenues (comprised of performance allocations and incentive fees), and does not include net income (loss) attributable to non-Carlyle interests in consolidated entities or charges (credits) related to Carlyle corporate actions and non-recurring items. Charges (credits) related to Carlyle corporate actions and non-recurring items include: charges associated with equity-based compensation that was issued in the initial public offering in May 2012 or is issued in acquisitions or strategic investments, changes in the tax receivable agreement liability, amortization and any impairment charges associated with acquired intangible assets, transaction costs associated with acquisitions, charges associated with earnouts and contingent consideration including gains and losses associated with the estimated fair value of contingent consideration issued in conjunction with acquisitions or strategic investments, gains and losses from the retirement of debt, charges associated with contract terminations and employee severance. We believe the inclusion or exclusion of these items provides investors with a meaningful indication of our core operating performance. For segment reporting purposes, revenues and expenses, and, accordingly, segment net income, are presented on a basis that deconsolidates the Consolidated Funds. Total Segment EI equals the aggregate of EI for all segments. This measure supplements and should be considered in addition to and not in lieu of the results of operations discussed further under “Consolidated Results of Operations” prepared in accordance with U.S. GAAP.

Fee Related Earnings. Fee Related Earnings, or “FRE,” is a component of EI and is used to assess the ability of the business to cover cash-based compensation and benefits 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 EI and also adjusts EI to exclude net performance revenues, principal investment income from investments in Carlyle funds, equity-based compensation, net interest (interest income less interest expense), and certain general, administrative and other expenses when the timing of any future payment is uncertain.

Distributable Earnings. Distributable Earnings is FRE plus realized net performance revenues, realized principal investment income, and net interest. Distributable Earnings is intended to show the amount of net realized earnings without the effects of consolidation of the Consolidated Funds. Distributable Earnings is derived from our segment reported results and is an additional measure to assess performance and determine amounts potentially available for distribution from Carlyle Holdings to its unitholders. Distributable Earnings is evaluated regularly by management in making resource deployment and compensation decisions and in assessing performance of our four segments. We also use Distributable Earnings in our budgeting, forecasting, and the overall management of our segments. We believe that reporting Distributable Earnings is helpful to understanding our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance.

Operating Metrics

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

Fee-earning Assets under Management. Fee-earning assets under management or Fee-earning AUM refers to the assets we manage or advise from which we derive recurring fund management fees. Our Fee-earning AUM is generally based on one of the following, once fees have been activated:

(a) the amount of limited partner capital commitments, generally for carry funds where the original investment period has not expired, for AlpInvest carry funds during the commitment fee period and for Metropolitan carry funds during the weighted-average investment period of the underlying funds (see “Fee-earning AUM based on capital commitments” in the table below for the amount of this component at each period);

(b) the remaining amount of limited partner invested capital at cost, generally for carry funds and certain co-investment vehicles where the original investment period has expired, Metropolitan carry funds after the expiration of the weighted-average investment period of the underlying funds, and one of our business development companies (see “Fee-earning AUM based on invested capital” in the table below for the amount of this component at each period);

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

(d) the external investor portion of the net asset value of our hedge fund and fund of hedge funds vehicles (pre redemptions and subscriptions), as well as certain carry funds (see “Fee-earning AUM based on net asset value” in the table below for the amount of this component at each period);

(e) the gross assets (including assets acquired with leverage), excluding cash and cash equivalents, of one of our business development companies and certain carry funds (see “Fee-earning AUM based on lower of cost or fair value and other” in the table below for the amount of this component at each period); and

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

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

	As of June 30,	
	2018	**2017**
Consolidated Results	**(Dollars in millions)**	
Components of Fee-earning AUM		
Fee-earning AUM based on capital commitments (1)	$ 61,823	$ 53,412
Fee-earning AUM based on invested capital (2)	41,110	23,222
Fee-earning AUM based on collateral balances, at par (3)	20,046	17,111
Fee-earning AUM based on net asset value (4)	2,228	1,310
Fee-earning AUM based on lower of cost or fair value and other (5)	21,270	21,079
Balance, End of Period (6) (7)	**$ 146,477**	**$ 116,134**

(1) Reflects limited partner capital commitments where the original investment period, weighted-average investment period, or commitment fee period has not expired.
(2) Reflects limited partner invested capital at cost and includes amounts committed to or reserved for investments for certain Real Assets and Investment Solutions funds.
(3) Represents the amount of aggregate Fee-earning collateral balances and principal balances, at par, for our CLOs/structured products.
(4) Reflects the net asset value (pre-redemptions and subscriptions) of certain carry funds.
(5) Includes funds with fees based on gross asset value.
(6) Energy II, Energy III, Energy IV, and Renew II (collectively, the “Legacy Energy Funds”), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. Carlyle has a minority representation on the management committees of Energy IV and Renew II. Carlyle and Riverstone each hold half of the seats on the management committees of Energy II and Energy III, but the investment period for these funds has expired and the remaining investments in such funds are being disposed of in the ordinary course of business. As of June 30, 2018, the Legacy Energy Funds had, in the aggregate, approximately $4.9 billion in AUM and $3.4 billion in Fee-earning AUM. We are no longer raising capital for the Legacy Energy Funds and expect these balances to continue to decrease over time as the funds wind down.
(7) Ending balance excludes $10 billion of pending Fee-earning AUM for which fees have not yet been activated.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Consolidated Results	(Dollars in millions)		(Dollars in millions)	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$ 125,771	$ 114,905	$ 124,595	$ 114,994
Inflows, including Fee-paying Commitments (1)	25,939	2,303	28,491	5,039
Outflows, including Distributions (2)	(4,617)	(3,495)	(7,069)	(6,161)
Changes in CLO collateral balances (3)	1,339	389	1,600	(349)
Market Appreciation/(Depreciation) (4)	13	(179)	(22)	(155)
Foreign Exchange and other (5)	(1,968)	2,211	(1,118)	2,766
Balance, End of Period	**$ 146,477**	**$ 116,134**	**$ 146,477**	**$ 116,134**

(1) Inflows represent limited partner capital raised and capital invested by our carry funds and the NGP management fee funds outside the investment period, weighted-average investment period or commitment fee period. Inflows do not include funds raised of $10 billion and $9 billion as of June 30, 2018 and 2017, respectively, which are not yet earning fees.
(2) Outflows represent limited partner distributions from our carry funds and the NGP management fee funds, changes in basis for our carry funds where the investment period, weighted-average investment period or commitment fee period has expired, and reductions for funds that are no longer calling for fees.
(3) Represents the change in the aggregate Fee-earning collateral balances at par of our CLOs/structured products, as of the quarterly cut-off dates.
(4) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value and net asset value.
(5) Includes activity of funds with fees based on gross asset value. Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

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

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

(a) the aggregate fair value of our carry funds and related co-investment vehicles, NGP management fee funds and separately managed accounts, 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, plus the capital that Carlyle is entitled to call from investors in those vehicles pursuant to the terms of their capital commitments to those vehicles.

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

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

Our calculations of Fee-earning AUM and 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 fees or performance allocations. 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.

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

Available Capital. "Available Capital" refers to the amount of capital commitments available to be called for investments, which may be reduced for equity invested that is funded via a fund credit facility and expected to be called from investors at a later date, plus any additional assets/liabilities at the fund level other than active investments. Amounts previously called may be added back to available capital following certain distributions. "Expired Available Capital" occurs when a fund has passed the investment period and follow-on periods and can no longer invest capital into new or existing deals. Any remaining Available Capital, typically a result of either recycled distributions or specific reserves established for the follow-on period that are not drawn, can only be called for fees and expenses and is therefore removed from the Total AUM calculation.

The table below provides the period to period rollforward of Total AUM.

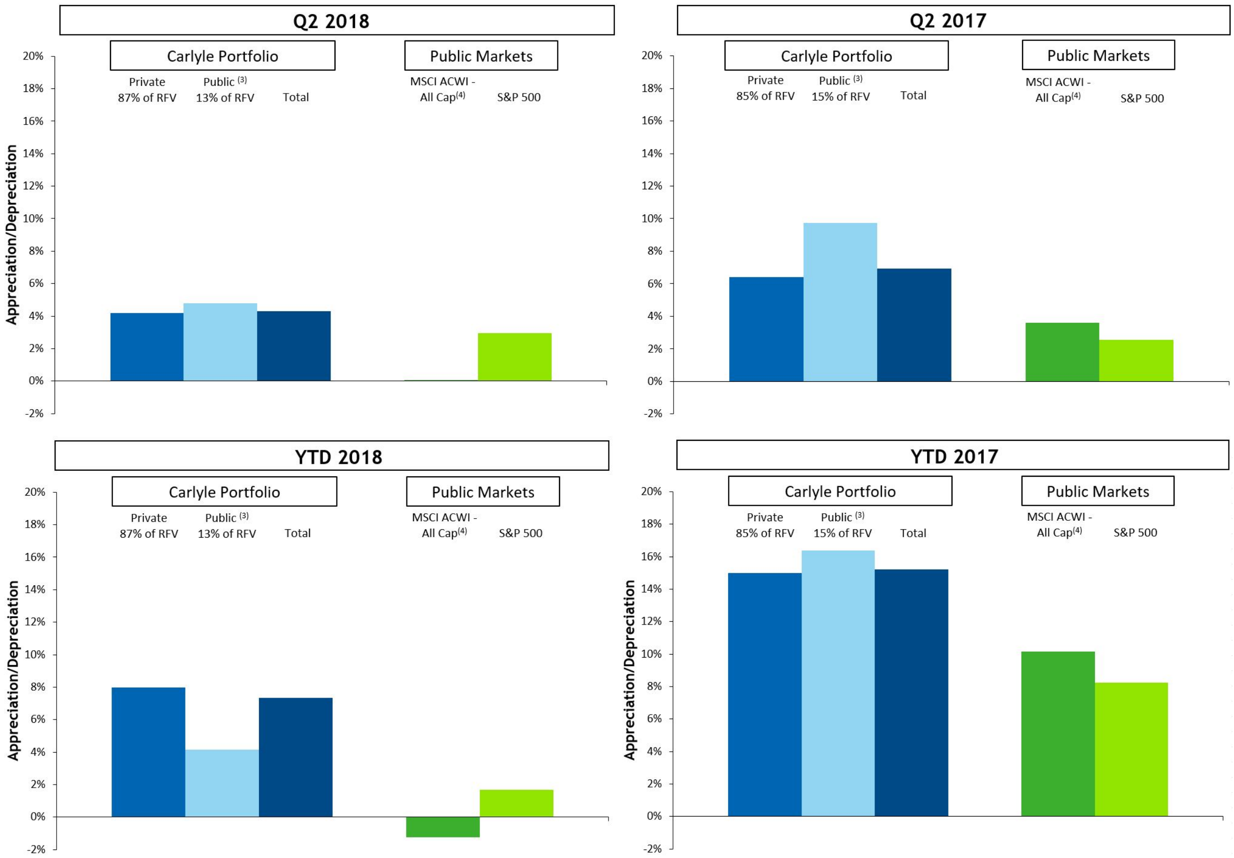
	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
	(Dollars in millions)	**(Dollars in millions)**
Consolidated Results		
Total AUM Rollforward		
Balance, Beginning of Period	$ 201,496	$ 195,061
New Commitments (1)	12,112	19,813
Outflows (2)	(5,959)	(12,292)
Market Appreciation/(Depreciation) (3)	5,759	9,015
Foreign Exchange Gain/(Loss) (4)	(3,120)	(1,750)
Other (5)	(546)	(105)
Balance, End of Period	**$ 209,742**	**$ 209,742**

(1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
(2) Outflows includes distributions in our carry funds and related co-investment vehicles, the NGP management fee funds and separately managed accounts, as well as runoff of CLO collateral balances.
(3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles, the NGP management fee funds and separately managed accounts.
(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
(5) Includes expiring available capital, the impact of capital calls for fees and expenses, change in gross asset value for our business development companies and other changes in AUM.

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

The table below presents the change in appreciation on portfolio investments of our carry funds. Please refer to "— Segment Analysis" for a detailed discussion by segment of the activity affecting Total AUM for each of the periods presented.

Carlyle Portfolio Appreciation[1,2] vs. % Change in MSCI All Country World Index - All Cap



(1) Reflects Corporate Private Equity, Real Assets, and Global Credit carry funds. Appreciation/Depreciation is fund only, and excludes the impact of external co-investment.

(2) For Carlyle returns, "Appreciation/Depreciation" represents realized and unrealized gain / loss for the period on a total return basis before fees and expenses. The percentage of return is calculated as the sum of ending remaining investment fair market value ("FMV") and net investment outflow (sales proceeds less net purchases) less beginning remaining investment FMV divided by beginning remaining investment FMV.

(3) Public portfolio includes initial public offerings ("IPO") that occurred in the quarter. Investments may be reported as private in quarters prior to the IPO quarter.

(4) The MSCI ACWI - All Cap Index represents the performance of the MSCI All Country World Index across all market capitalization sizes of the global equity market. There are significant differences between the types of securities and assets typically acquired by our carry funds and the investments covered by the MSCI All Country World Index. Specifically, our carry funds may make investments in securities and other assets that have a greater degree of risk and volatility, and less liquidity, than those securities included in the MSCI All Country World Index. Moreover, investors in the securities included in the MSCI All Country World Index may not be subject to the management fees, carried interest or expenses to which investors in our carry funds are typically subject. Comparisons between the our carry fund appreciation and the MSCI All Country World Index are included for informational purposes only.

Consolidation of Certain Carlyle Funds

The Partnership consolidates all entities that it controls either through a majority voting interest or as the primary beneficiary of variable interest entities. The entities we consolidate are referred to collectively as the Consolidated Funds in our unaudited condensed consolidated financial statements. For further information on our consolidation policy, see Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

As of June 30, 2018, our Consolidated Funds represent approximately 2% of our AUM; 2% of our fund management fees for both the three months and six months ended June 30, 2018; and none of our investment income for both the three months and six months ended June 30, 2018.

We are not required under the consolidation guidance to consolidate in our financial statements most of the investment funds we advise. However, we consolidate certain CLOs that we advise. As of June 30, 2018, our consolidated CLOs held approximately $5.6 billion of total assets and comprised substantially all of the assets and loans payable of the Consolidated Funds. The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the liabilities of the Consolidated Funds are non-recourse to us. For further information on consolidation of certain funds, see Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

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

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

Consolidated Results of Operations

The following table and discussion sets forth information regarding our unaudited condensed consolidated results of operations for the three months and six months ended June 30, 2018 and 2017. The unaudited condensed consolidated financial statements have been prepared on substantially the same basis for all historical periods presented; however, the consolidated funds are not the same entities in all periods shown due to changes in U.S. GAAP, changes in fund terms and the creation and termination of funds. As further described below, the consolidation of these funds primarily had the impact of increasing interest and other income of Consolidated Funds, interest and other expenses of Consolidated Funds, and net investment gains (losses) of Consolidated Funds in the year that the fund is initially consolidated. The consolidation of these funds had no effect on net income attributable to the Partnership for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (As Adjusted)	2018	2017 (As Adjusted)
	(Dollars in millions, except unit and per unit data)			
Revenues				
Fund management fees	$ 301.3	$ 238.8	$ 565.8	$ 485.1
Incentive fees	7.4	11.1	13.7	16.7
Investment income				
Performance allocations				
Realized	97.4	346.6	318.0	424.2
Unrealized	327.7	185.9	415.2	784.3
Principal investment income				
Realized	36.3	26.7	63.8	26.5
Unrealized	41.9	32.3	68.5	78.8
Total investment income	503.3	591.5	865.5	1,313.8
Interest and other income	28.0	5.6	50.5	16.0
Interest and other income of Consolidated Funds	53.6	45.0	100.9	87.9
Revenue of a real estate VIE	—	16.4	—	109.0
Total revenues	893.6	908.4	1,596.4	2,028.5
Expenses				
Compensation and benefits				
Cash-based compensation and benefits	176.0	151.0	363.3	297.0
Equity-based compensation	64.9	88.0	149.8	160.8
Performance allocations and incentive fee related compensation				
Realized	51.7	166.7	160.1	212.5
Unrealized	170.3	90.4	219.9	361.7
Total compensation and benefits	462.9	496.1	893.1	1,032.0
General, administrative and other expenses	126.8	95.8	221.8	189.6
Interest	18.4	16.5	36.3	31.5
Interest and other expenses of Consolidated Funds	45.3	78.5	81.2	123.7
Interest and other expenses of a real estate VIE and loss on deconsolidation	—	18.4	—	138.0
Other non-operating expenses	0.3	0.1	0.6	0.1
Total expenses	653.7	705.4	1,233.0	1,514.9
Other income				
Net investment gains of Consolidated Funds	12.9	40.7	14.9	57.8
Income before provision for income taxes	252.8	243.7	378.3	571.4
Provision for income taxes	11.6	13.2	19.4	19.0
Net income	241.2	230.5	358.9	552.4
Net income attributable to non-controlling interests in consolidated entities	16.7	16.5	27.7	19.8
Net income attributable to Carlyle Holdings	224.5	214.0	331.2	532.6
Net income attributable to non-controlling interests in Carlyle Holdings	155.1	156.4	222.1	392.0
Net income attributable to The Carlyle Group L.P.	69.4	57.6	109.1	140.6
Net income attributable to Series A Preferred Unitholders	5.9	—	11.8	—
Net income attributable to The Carlyle Group L.P. common unitholders	$ 63.5	$ 57.6	$ 97.3	$ 140.6
Net income attributable to The Carlyle Group L.P. per common unit				
Basic	$ 0.62	$ 0.65	$ 0.96	$ 1.61
Diluted	$ 0.56	$ 0.59	$ 0.87	$ 1.49
Weighted-average common units				
Basic	102,465,109	88,801,343	101,603,587	87,079,007
Diluted	112,582,728	96,986,255	111,948,144	94,486,422

Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017 and Six Months Ended June 30, 2018 Compared to the Six Months Ended June 30, 2017

Revenues

Total revenues decreased $14.8 million, or 1.6%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $432.1 million, or 21% for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in total revenues for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Total Revenues, June 30, 2017	$ 908.4	$ 2,028.5
Increases (Decreases):		
Increase in fund management fees	62.5	80.7
Decrease in incentive fees	(3.7)	(3.0)
Decrease in investment income, including performance allocations	(88.2)	(448.3)
Increase in interest and other income	22.4	34.5
Increase in interest and other income of Consolidated Funds	8.6	13.0
Decrease in revenue from a real estate VIE	(16.4)	(109.0)
Total decrease	(14.8)	(432.1)
Total Revenues, June 30, 2018	$ 893.6	$ 1,596.4

Fund Management Fees. Fund management fees increased $62.5 million, or 26.2%, to $301.3 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $80.7 million, or 17%, to $565.8 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to the following:

	Three Months Ended June 30,	Six Months Ended June 30,
	2018 v. 2017	
	(Dollars in Millions)	
Higher management fees from the commencement of the investment period for certain newly raised funds	$ 88.6	$ 124.7
Lower management fees resulting from the change in basis for earning management fees from commitments to invested capital for certain funds and from distributions from funds whose management fees are based on invested capital	(34.7)	(49.8)
Increase in catch-up management fees from subsequent closes of funds that are in the fundraising period	11.6	10.0
Higher (lower) transaction and portfolio advisory fees	0.9	(4.2)
All other changes	(3.9)	—
Total increase in fund management fees	$ 62.5	$ 80.7

Fund management fees include transaction and portfolio advisory fees, net of rebate offsets, of $7.0 million and $6.1 million for the three months ended June 30, 2018 and 2017, respectively, and $13.6 million and $17.8 million for the six months ended June 30, 2018 and 2017, respectively. The $4.2 million decrease in transaction and portfolio advisory fees for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 resulted primarily from transaction fees earned related to investments in one of our U.S. buyout funds in the six months ended June 30, 2017 as compared to the six months ended June 30, 2018.

Investment Income. Investment income decreased $88.2 million to $503.3 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $448.3 million to $865.5 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to the following:

	Three Months Ended June 30,	Six Months Ended June 30,
	2018 v. 2017	
	(Dollars in Millions)	
Decrease in performance allocations, excluding NGP	$ (107.4)	$ (475.3)
Increase in investment income from NGP, which includes performance allocations from the investments in NGP	35.3	12.9
Absence in 2018 of investment expenses related to Q1 2017 amended NGP agreements	—	20.8
Decrease in investment income from our buyout and growth funds	(13.2)	(8.3)
Decrease in losses on foreign currency derivatives	2.6	1.7
Increase in investment income from our real assets funds, excluding NGP	3.1	3.8
Decrease in investment income from our distressed debt funds and energy mezzanine funds	(10.1)	(11.2)
Increase in investment income from CLOs	0.2	0.7
All other changes	1.3	6.6
Total decrease in investment income	$ (88.2)	$ (448.3)

Performance Allocations. Performance allocations decreased $107.4 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $475.3 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The decrease in performance allocations for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 was primarily due to lower appreciation in our Corporate Private Equity segment. The decrease in performance allocations for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 was primarily due to lower appreciation in our Corporate Private Equity and Real Assets segments. Performance allocations by segment on a consolidated U.S. GAAP basis for the three months and six months ended June 30, 2018 and 2017 comprised the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in Millions)			
Corporate Private Equity	$ 210.7	$ 419.8	$ 468.6	$ 987.8
Real Assets	138.4	81.7	135.1	139.5
Global Credit	12.3	2.5	14.9	16.9
Investment Solutions	63.7	28.5	114.6	64.3
Total performance allocations	$ 425.1	$ 532.5	$ 733.2	$ 1,208.5
Total carry fund appreciation	5%	5%	9%	11%

Approximately $168.6 million of our performance allocations for the three months ended June 30, 2018 were related to CP VI and CIEP, while approximately $339.0 million of our performance allocations for the three months ended June 30, 2017 were related to CP VI, CAP IV, and CP V. Approximately $355.8 million of our performance allocations for the six months ended June 30, 2018 were related to CP VI, CEP IV, and CRP VII, while approximately $876.5 million of our performance allocations for the six months ended June 30, 2017 were related to CP VI, CP V, and CAP IV.

General economic fundamentals remained strong during the second quarter 2018, with growth in real gross domestic product and corporate earnings staying well above post-crisis averages in most economies. Despite the overall strong economic performance, the equity markets have lagged with 34 of the 45 MSCI equity indices down year-to-date. In addition, as of June 30, 2018, the MSCI ACWI-All Cap declined 1.2% and the S&P 500 index increased 1.7%, since the start of the year. Robust earnings growth across global companies has been offset by investor concerns regarding the financial pressures created by a strengthening dollar, a flattening yield curve and the potential fallout from tariffs. Additionally, in the second quarter, while credit remained readily available on reasonable terms, overall inflation expectations remain low in most global economies. However, average core U.S. inflation has risen to 2.2% in the twelve months ended June 2018, led by cost pressures in the energy, transportation, and construction sectors. Further, the effects of tariffs have become visible across the economy, with steel prices rising 9.5% (annualized) between April and May 2018. The combined effect of tariffs, the rebound in commodity prices, and tightness in parts of the labor market may exert significant downward pressure on corporate margins in the second half of 2018. Some portion of the cost increases will be passed onto end market consumers, but many businesses lack the requisite pricing power. We have seen strong underlying performance by our portfolio companies and investments as our overall carry fund portfolio appreciated by 5% during the second quarter of 2018 and 17% since the second quarter of 2017. In the second quarter of 2018, our Corporate Private Equity funds appreciated by 3%, our Real Asset funds appreciated by 7% and our Global Credit carry funds appreciated by 3%. Appreciation in Investment Solutions was 8% in the second quarter, which was bolstered by the strength of the Euro relative to other currencies.

Interest and Other Income. Interest and other income increased $22.4 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $34.5 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Increases for both periods were primarily as a result of increased interest income related to our CLOs and certain money market accounts. In addition, contributing to the increase was the Partnership's adoption of the revenue recognition standard, ASU 2014-9, on January 1, 2018. As part of the adoption, the reimbursement of certain costs incurred on behalf of Carlyle funds, primarily travel and entertainment costs, that were previously presented net in our unaudited condensed consolidated statements of operations are presented gross beginning on January 1, 2018. For the three months and six months ended June 30, 2018, these costs were approximately $8.2 million and $14.3 million, respectively, and are presented in interest and other income and general, administrative and other expenses in our unaudited condensed consolidated statements of operations. See Note 2 to our unaudited condensed consolidated financial statements for more information on the adoption of the revenue recognition standard.

Interest and Other Income of Consolidated Funds. Our CLOs generate interest income primarily from investments in bonds and loans inclusive of amortization of discounts and generate other income from consent and amendment fees. Substantially all interest and other income of the CLOs and other consolidated funds together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds' limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Interest and other income of Consolidated Funds increased $8.6 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $13.0 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Substantially all of the increase in interest and other income of Consolidated Funds for both periods relates to increased interest income from CLOs.

Revenue of a Real Estate VIE. Revenue of a real estate VIE was $16.4 million and $109.0 million for the three months and six months ended June 30, 2017. There was no revenue recognized for the three months and six months ended June 30, 2018 due to the deconsolidation of the VIE in the third quarter of 2017 when the Partnership disposed of its interest in Urbplan. See Note 15 to the consolidated financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017 for more information on the disposal transaction.

The revenue for the three months and six months ended June 30, 2017 consisted of amounts recognized as a result of the completion of land development projects during the period and investment income earned on Urbplan's investments. Urbplan recognized revenue during the three months and six months ended June 30, 2017 using the completed contract method of accounting. This accounting method required Urbplan to recognize revenue in the period in which the land development services contract was completed.

Expenses

Total expenses decreased $51.7 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $281.9 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in total expenses for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Total Expenses, June 30, 2017	$ 705.4	$ 1,514.9
Increases (Decreases):		
Decrease in total compensation and benefits	(33.2)	(138.9)
Increase in general, administrative and other expenses	31.0	32.2
Decrease in interest and other expenses of Consolidated Funds	(33.2)	(42.5)
Decrease in interest and other expenses of a real estate VIE and loss on deconsolidation	(18.4)	(138.0)
All other changes	2.1	5.3
Total decrease	(51.7)	(281.9)
Total Expenses, June 30, 2018	$ 653.7	$ 1,233.0

Total Compensation and Benefits. Total compensation and benefits decreased $33.2 million, or 6.7%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $138.9 million, or 13%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, due to the following:

	Three Months Ended June 30,	Six Months Ended June 30,
	2018 v. 2017	
	(Dollars in Millions)	
Increase in cash-based compensation and benefits	$ 25.0	$ 66.3
Decrease in equity-based compensation	(23.1)	(11.0)
Decrease in performance allocations and incentive fee related compensation	(35.1)	(194.2)
Total decrease in total compensation and benefits	$ (33.2)	$ (138.9)

Cash-based Compensation and Benefits. Cash-based compensation and benefits increased $25.0 million, or 16.6%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $66.3 million, or 22%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to the following:

	Three Months Ended June 30,	Six Months Ended June 30,
	2018 v. 2017	
	(Dollars in Millions)	
Increase in headcount and bonuses	$ 30.0	$ 64.3
(Decrease) increase in compensation costs associated with fundraising activities	(5.0)	2.0
Total increase in cash-based compensation and benefits	$ 25.0	$ 66.3

Equity-based Compensation. Equity-based compensation decreased $23.1 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $11.0 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The decrease in equity-based compensation for both periods was due primarily to the timing of the last vesting of awards related to our initial public offering in 2012 in May 2018. This decrease is partially offset by the ongoing grants of deferred restricted common units to new and existing employees during 2017 and 2018.

Performance allocations and incentive fee related compensation expense. Performance allocations and incentive fee related compensation expense decreased $35.1 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $194.2 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Performance allocations and incentive fee related compensation as a percentage of performance allocations and incentive fees was 52% for both the three months and six months ended June 30, 2018, and 48% for both the three months and six months ended June 30, 2017. For our largest segment, Corporate Private Equity, our performance allocations and incentive fee related compensation expense as a percentage of performance allocations and incentive fees is generally around 45%. Performance allocations from our Investment Solutions segment pay a higher ratio of performance allocations and incentive fees as compensation. Conversely, performance allocations from the Legacy Energy funds in the Real Assets segment are primarily allocated to Carlyle because the investment teams for the Legacy Energy funds are employed by Riverstone and not Carlyle.

General, Administrative and Other Expenses. General, administrative and other expenses increased $31.0 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $32.2 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to:

	Three Months Ended June 30,	Six Months Ended June 30,
	2018 v. 2017	
	(Dollars in Millions)	
Lower expenses for litigation and contingencies	$ (104.2)	(148.8)
Absence in 2018 of net insurance recoveries recognized for certain legal matters in 2017	103.3	138.6
Certain costs incurred on behalf of Carlyle funds, primarily travel and entertainment costs, that are now presented on a gross basis as a result of the adoption of the new revenue recognition standard (See Note 2 to the unaudited condensed consolidated financial statements)	8.2	14.3
Lower professional fees and office expenses	(0.5)	(14.3)
Higher external fundraising costs	22.4	27.6
Foreign exchange and other changes	1.8	14.8
Total increase in general, administrative and other expenses	$ 31.0	$ 32.2

Interest and Other Expenses of Consolidated Funds. Interest and other expenses of Consolidated Funds decreased $33.2 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $42.5 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The decrease for both periods is primarily due to higher interest expense on the consolidated CLOs.

The CLOs incur interest expense on their loans payable and incur other expenses consisting of trustee fees, rating agency fees and professional fees. Substantially all interest and other income of the CLOs together with interest expense of our CLOs and net investment gains (losses) of Consolidated Funds is attributable to the related funds' limited partners or CLO investors and therefore is allocated to non-controlling interests. Accordingly, such amounts have no material impact on net income attributable to the Partnership.

Interest and Other Expenses of a Real Estate VIE and Loss on Deconsolidation. Interest and other expenses of a real estate VIE and loss on deconsolidation was $18.4 million and $138.0 million for the three months and six months ended June 30, 2017, respectively. There were no expenses recognized for the three months and six months ended June 30, 2018 due to the deconsolidation of the VIE in the third quarter of 2017 when the Partnership disposed of its interest in Urbplan. See Note 15 to the consolidated financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2017 for more information on the disposal transaction.

Net Investment Gains of Consolidated Funds

For the three months ended June 30, 2018, net investment gains of Consolidated Funds were $12.9 million as compared to net investment gains of $40.7 million for the three months ended June 30, 2017. For the six months ended June 30, 2018, net investment gains of Consolidated Funds were $14.9 million as compared to net investment gains of $57.8 million for the six months ended June 30, 2017. For both the three months and six months ended June 30, 2018 and 2017, net investment gains (losses) comprise the activity of the consolidated CLOs and certain other funds. For the consolidated CLOs, the amount reflects the net gain or loss on the fair value adjustment of both assets and liabilities. The components of net investment gains of consolidated funds for the respective periods are:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Realized losses	$ (1.6)	$ (3.7)	$ (4.3)	$ (5.8)
Net change in unrealized gains	(24.5)	(1.9)	(37.2)	35.4
Total gains (losses)	(26.1)	(5.6)	(41.5)	29.6
Gains from liabilities of CLOs	39.0	46.3	56.4	28.2
Total investment gains of Consolidated Funds	$ 12.9	$ 40.7	$ 14.9	$ 57.8

Net Income Attributable to Non-controlling Interests in Consolidated Entities

Net income attributable to non-controlling interests in consolidated entities was $16.7 million for the three months ended June 30, 2018 as compared to $16.5 million for the three months ended June 30, 2017. Net income attributable to non-controlling interests in consolidated entities was $27.7 million for the six months ended June 30, 2018 as compared to $19.8 million for the six months ended June 30, 2017. These amounts are primarily attributable to the net earnings or losses of the Consolidated Funds for each period, which are substantially all allocated to the related funds' limited partners or CLO investors. This balance also includes the net income attributable to non-controlling interests in carried interest, giveback obligations, and cash held for carried interest distributions as well as the allocation of Urbplan’s net losses that are attributable to non-controlling interests (for the three months and six months ended June 30, 2017 only).

Net Income Attributable to The Carlyle Group L.P. Common Unitholders

The net income attributable to The Carlyle Group L.P. common unitholders was $63.5 million for the three months ended June 30, 2018 as compared to $57.6 million for the three months ended June 30, 2017. The net income attributable to The Carlyle Group L.P. common unitholders was $97.3 million for the six months ended June 30, 2018 as compared to $140.6 million for the six months ended June 30, 2017. The Partnership is allocated a portion of the net income (loss) attributable to Carlyle Holdings based on the Partnership’s ownership in Carlyle Holdings (which was approximately 30% and 28% as of June 30, 2018 and 2017, respectively). Net income or loss attributable to The Carlyle Group L.P. common unitholders also includes 100% of the net income or loss attributable to the Partnership’s wholly-owned taxable subsidiary, Carlyle Holdings I GP Inc., which was $(4.7) million and $(2.1) million for the three months ended June 30, 2018 and 2017, respectively, and $(0.6) million and $(2.9) million for the six months ended June 30, 2018 and 2017, respectively. As a result, the total net income or loss attributable to the Partnership will vary as a percentage of the net income or loss attributable to Carlyle Holdings.

Non-GAAP Financial Measures

The following tables set forth information in the format used by management when making resource deployment decisions and in assessing performance of our segments. These non-GAAP financial measures are presented for the three months and six months ended June 30, 2018 and 2017. The tables below show our total segment Economic Income which is the sum of Fee Related Earnings, Net Performance Revenues, Principal Investment Income (Loss), Reserve for Litigation and Contingencies, Net Interest, and Equity-based compensation expense (excluding equity-based compensation grants issued in May 2012 upon the completion of the initial public offering or grants issued in acquisitions or strategic investments). Our Non-GAAP financial measures exclude the effects of consolidated funds, acquisition-related items including amortization and any impairment charges of acquired intangible assets and contingent consideration taking the form of earn-outs, charges associated with equity-based compensation grants issued in May 2012 upon completion of the initial public offering or grants issued in acquisitions or strategic investments, changes in the tax receivable agreement liability, corporate actions and infrequently occurring or unusual events.

The following table shows our total segment Economic Income, Fee Related Earnings and Distributable Earnings for the three months and six months ended June 30, 2018 and 2017.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Total Segment Revenues	$ 840.2	$ 859.0	$ 1,494.1	$ 1,860.2
Total Segment Expenses	568.1	558.9	1,053.0	1,160.0
Economic Income	**$ 272.1**	**$ 300.1**	**$ 441.1**	**$ 700.2**
(-) Net Performance Revenues	249.6	299.4	409.6	693.5
(-) Principal Investment Income	25.3	31.2	54.9	41.8
(+) Equity-based Compensation	50.0	36.7	87.7	66.8
(+) Net Interest	10.6	14.0	21.7	25.6
(=) Fee Related Earnings	**$ 57.8**	**$ 20.2**	**$ 86.0**	**$ 57.3**
(+) Realized Net Performance Revenues	49.6	182.1	152.7	217.4
(+) Realized Principal Investment Income (Loss)	17.7	10.6	36.4	5.2
(+) Net Interest	(10.6)	(14.0)	(21.7)	(25.6)
(=) Distributable Earnings	**$ 114.5**	**$ 198.9**	**$ 253.4**	**$ 254.3**

The following table sets forth our total segment revenues for the three months and six months ended June 30, 2018 and 2017.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$ 328.1	$ 257.2	$ 615.6	$ 512.8
Portfolio advisory fees, net	3.2	4.9	6.8	8.9
Transaction fees, net	3.8	1.2	6.8	8.9
Total fund level fee revenues	335.1	263.3	629.2	530.6
Performance revenues				
Realized	99.5	352.7	310.5	435.7
Unrealized	370.0	206.6	476.4	838.3
Total performance revenues	469.5	559.3	786.9	1,274.0
Principal investment income (loss)				
Realized	17.7	10.6	36.4	5.2
Unrealized	7.6	20.6	18.5	36.6
Total principal investment income	25.3	31.2	54.9	41.8
Interest income	7.9	2.4	14.6	5.8
Other income	2.4	2.8	8.5	8.0
Total Segment Revenues	$ 840.2	$ 859.0	$ 1,494.1	$ 1,860.2

The following table sets forth our total segment expenses for the three months and six months ended June 30, 2018 and 2017.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Segment Expenses				
Compensation and benefits				
Cash-based compensation and benefits	$ 172.3	$ 153.0	$ 361.4	$ 300.3
Equity-based compensation	50.0	36.7	87.7	66.8
Performance revenues related compensation				
Realized	49.9	170.6	157.8	218.3
Unrealized	170.0	89.3	219.5	362.2
Total compensation and benefits	442.2	449.6	826.4	947.6
General, administrative, and other indirect expenses	98.9	85.4	173.7	166.0
Depreciation and amortization expense	8.5	7.5	16.6	15.0
Interest expense	18.5	16.4	36.3	31.4
Total Segment Expenses	$ 568.1	$ 558.9	$ 1,053.0	$ 1,160.0

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Income before provision for income taxes	$ 252.8	$ 243.7	$ 378.3	$ 571.4
Adjustments:				
Equity-based compensation issued in conjunction with the initial public offering, acquisitions and strategic investments	18.4	58.5	68.5	125.5
Acquisition related charges, including amortization of intangibles and impairment	9.2	9.2	13.8	18.0
Other non-operating expense	0.3	0.1	0.6	0.1
Tax expense associated with performance fee compensation	3.8	(2.4)	1.7	(5.3)
Net income attributable to non-controlling interests in consolidated entities	(16.7)	(16.5)	(27.7)	(19.8)
Severance and other adjustments	4.3	7.5	5.9	10.3
Economic Income	$ 272.1	$ 300.1	$ 441.1	$ 700.2
(-) Net performance revenues[1]	249.6	299.4	409.6	693.5
(-) Principal investment income[1]	25.3	31.2	54.9	41.8
(+) Equity-based compensation	50.0	36.7	87.7	66.8
(+) Net Interest	10.6	14.0	21.7	25.6
(=) Fee Related Earnings	$ 57.8	$ 20.2	$ 86.0	$ 57.3
(+) Realized net performance revenues[1]	49.6	182.1	152.7	217.4
(+) Realized principal investment income (loss)[1]	17.7	10.6	36.4	5.2
(+) Net Interest	(10.6)	(14.0)	(21.7)	(25.6)
(=) Distributable Earnings	$ 114.5	$ 198.9	$ 253.4	$ 254.3

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

	Three Months Ended June 30, 2018		
	Carlyle Consolidated	Adjustments [2]	Total Reportable Segments
	(Dollars in millions)		
Performance revenues[a]			
Realized	$ 97.4	$ 2.1	$ 99.5
Unrealized	327.7	42.3	370.0
Total performance revenues[a]	425.1	44.4	469.5
Performance revenues related compensation expense[b]			
Realized	51.7	(1.8)	49.9
Unrealized	170.3	(0.3)	170.0
Total performance revenues related compensation expense[b]	222.0	(2.1)	219.9
Net performance revenues			
Realized	45.7	3.9	49.6
Unrealized	157.4	42.6	200.0
Total net performance revenues	$ 203.1	$ 46.5	$ 249.6
Principal investment income (loss)			
Realized	$ 36.3	$ (18.6)	$ 17.7
Unrealized	41.9	(34.3)	7.6
Principal investment income (loss)	$ 78.2	$ (52.9)	$ 25.3

	Six Months Ended June 30, 2018		
	Carlyle Consolidated	Adjustments [2]	Total Reportable Segments
	(Dollars in millions)		
Performance revenues[a]			
Realized	$ 318.0	$ (7.5)	$ 310.5
Unrealized	415.2	61.2	476.4
Total performance revenues[a]	733.2	53.7	786.9
Performance revenues related compensation expense[b]			
Realized	160.1	(2.3)	157.8
Unrealized	219.9	(0.4)	219.5
Total performance revenues related compensation expense[b]	380.0	(2.7)	377.3
Net performance revenues			
Realized	157.9	(5.2)	152.7
Unrealized	195.3	61.6	256.9
Total net performance revenues	$ 353.2	$ 56.4	$ 409.6
Principal investment income (loss)			
Realized	$ 63.8	$ (27.4)	$ 36.4
Unrealized	68.5	(50.0)	18.5
Principal investment income (loss)	$ 132.3	$ (77.4)	$ 54.9

	Three Months Ended June 30, 2017		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues[a]			
Realized	$ 346.6	$ 6.1	$ 352.7
Unrealized	185.9	20.7	206.6
Total performance revenues[a]	532.5	26.8	559.3
Performance revenues related compensation expense[b]			
Realized	166.7	3.9	170.6
Unrealized	90.4	(1.1)	89.3
Total performance revenues related compensation expense[b]	257.1	2.8	259.9
Net performance revenues			
Realized	179.9	2.2	182.1
Unrealized	95.5	21.8	117.3
Total net performance revenues	$ 275.4	$ 24.0	$ 299.4
Principal investment income (loss)			
Realized	$ 26.7	$ (16.1)	$ 10.6
Unrealized	32.3	(11.7)	20.6
Total principal investment income (loss)	$ 59.0	$ (27.8)	$ 31.2

	Six Months Ended June 30, 2017		
	Carlyle Consolidated	Adjustments (2)	Total Reportable Segments
	(Dollars in millions)		
Performance revenues[a]			
Realized	$ 424.2	$ 11.5	$ 435.7
Unrealized	784.3	54.0	838.3
Total performance revenues[a]	1,208.5	65.5	1,274.0
Performance revenues related compensation expense[b]			
Realized	212.5	5.8	218.3
Unrealized	361.7	0.5	362.2
Total performance revenues related compensation expense[b]	574.2	6.3	580.5
Net performance revenues			
Realized	211.7	5.7	217.4
Unrealized	422.6	53.5	476.1
Total net performance revenues	$ 634.3	$ 59.2	$ 693.5
Principal investment income (loss)			
Realized	$ 26.5	$ (21.3)	$ 5.2
Unrealized	78.8	(42.2)	36.6
Total principal investment income (loss)	$ 105.3	$ (63.5)	$ 41.8

(a) Amounts labeled as performance allocations in the unaudited condensed consolidated statements of operations.

(b) Amounts labeled as performance allocations and incentive fee related compensation in the unaudited condensed consolidated statements of operations.

(2) Adjustments to performance revenues and principal investment income (loss) relate to (i) amounts earned from the Consolidated Funds, which were eliminated in the U.S. GAAP consolidation but were included in the Non-GAAP results, (ii) amounts attributable to non-controlling interests in consolidated entities, which were excluded from the

Non-GAAP results, (iii) the reclassification of NGP performance revenues, which are included in investment income in the U.S. GAAP financial statements, (iv) the reclassification of certain incentive fees from business development companies, which are included in fund management fees in the segment results, and (v) the reclassification of certain tax expenses associated with performance revenues. Adjustments to principal investment income (loss) also include the reclassification of earnings for the investment in NGP Management and its affiliates to the appropriate operating captions for the Non-GAAP results, the exclusion of charges associated with the investment in NGP Management and its affiliates that are excluded from the Non-GAAP results and adjustments to reflect the Partnership's share of Urbplan net losses, until Urbplan was deconsolidated during the three months ended September 30, 2017, as investment losses for the Non-GAAP results. Adjustments are also included in these financial statement captions to reflect Carlyle's economic interests in Claren Road (through January 2017).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
	(Dollars in millions)			
Economic Income				
Corporate Private Equity	$ 100.4	$ 241.8	$ 214.0	$ 555.2
Real Assets	144.1	50.7	175.4	110.1
Global Credit	10.7	0.6	18.4	16.0
Investment Solutions	16.9	7.0	33.3	18.9
Economic Income	$ 272.1	$ 300.1	$ 441.1	$ 700.2
Distributable Earnings				
Corporate Private Equity	$ 39.5	$ 172.8	$ 126.3	$ 208.2
Real Assets	51.9	11.8	85.1	15.4
Global Credit	14.6	8.9	24.8	16.7
Investment Solutions	8.5	5.4	17.2	14.0
Distributable Earnings	$ 114.5	$ 198.9	$ 253.4	$ 254.3

Segment Analysis

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

For segment reporting purposes, revenues and expenses are presented on a basis that deconsolidates our Consolidated Funds. As a result, segment revenues from management fees, performance revenues and principal investment income (loss) are different than those presented on a consolidated U.S. GAAP basis because fund management fees recognized in certain segments are received from Consolidated Funds and are eliminated in consolidation when presented on a consolidated U.S. GAAP basis. Furthermore, segment expenses are different than related amounts presented on a consolidated U.S. GAAP basis due to the exclusion of fund expenses that are paid by the Consolidated Funds. Segment revenue and expenses are also different than those presented on a consolidated U.S. GAAP basis because we present our segment revenues and expenses related to Claren Road based on our 63% economic interest in that entity (through January 31, 2017). Also, EI excludes expenses associated with equity-based compensation that was issued in our initial public offering or issued in acquisitions and strategic investments.

Corporate Private Equity

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$ 148.0	$ 117.7	$ 262.1	$ 233.4
Portfolio advisory fees, net	2.8	4.5	6.0	8.3
Transaction fees, net	3.6	1.2	3.9	8.9
Total fund level fee revenues	154.4	123.4	272.0	250.6
Performance revenues				
Realized	52.0	272.1	240.0	323.4
Unrealized	163.8	142.9	228.4	658.2
Total performance revenues	215.8	415.0	468.4	981.6
Principal investment income				
Realized	12.3	8.9	20.2	9.1
Unrealized	(4.9)	13.3	2.1	18.8
Total principal investment income	7.4	22.2	22.3	27.9
Interest income	2.5	0.8	4.5	1.9
Other income	0.6	1.3	3.7	2.6
Total revenues	380.7	562.7	770.9	1,264.6
Segment Expenses				
Compensation and benefits				
Cash-based compensation and benefits	90.5	72.7	187.7	146.8
Equity-based compensation	23.0	17.8	41.7	32.8
Performance revenues related compensation				
Realized	24.0	121.6	114.7	147.7
Unrealized	75.0	69.4	101.1	297.2
Total compensation and benefits	212.5	281.5	445.2	624.5
General, administrative, and other indirect expenses	56.5	28.4	89.4	63.4
Depreciation and amortization expense	4.2	3.7	8.2	7.4
Interest expense	7.1	7.3	14.1	14.1
Total expenses	280.3	320.9	556.9	709.4
Economic Income	**$ 100.4**	**$ 241.8**	**$ 214.0**	**$ 555.2**
(-) Net Performance Revenues	116.8	224.0	252.6	536.7
(-) Principal Investment Income	7.4	22.2	22.3	27.9
(+) Equity-based Compensation	23.0	17.8	41.7	32.8
(+) Net Interest	4.6	6.5	9.6	12.2
(=) Fee Related Earnings	**$ 3.8**	**$ 19.9**	**$ (9.6)**	**$ 35.6**
(+) Realized Net Performance Revenues	28.0	150.5	125.3	175.7
(+) Realized Principal Investment Income	12.3	8.9	20.2	9.1
(+) Net Interest	(4.6)	(6.5)	(9.6)	(12.2)
(=) Distributable Earnings	**$ 39.5**	**$ 172.8**	**$ 126.3**	**$ 208.2**

Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017 and Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Distributable Earnings

Distributable Earnings decreased $133.3 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $81.9 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in distributable earnings for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Distributable earnings, June 30, 2017	$ 172.8	$ 208.2
Increases (decreases):		
Decrease in fee related earnings	(16.1)	(45.2)
Decrease in realized net performance revenues	(122.5)	(50.4)
Increase in realized principal investment income	3.4	11.1
Decrease in net interest	1.9	2.6
Total decrease	(133.3)	(81.9)
Distributable earnings, June 30, 2018	$ 39.5	$ 126.3

Realized Net Performance Revenues. Realized net performance revenues decreased $122.5 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $50.4 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The decrease in realized net performance revenues for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 was primarily due to lower realizations in our U.S buyout funds, primarily CP V, and our Europe and Asia buyout funds. The decrease in realized net performance revenues for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 was primarily due to lower realizations from our U.S. and Asia buyout funds in carry in 2018 as compared to 2017, partially offset by higher realizations from our Europe buyout funds in 2018 as compared to 2017. Realized net performance revenues were primarily generated by the following funds for the three months and six months ended June 30, 2018 and 2017:

Three Months Ended June 30,		Six Months Ended June 30,	
2018	2017	2018	2017
CBPF I	CP V	CEP III	CP V
CAP III	CAP III	CAP III	CAP III
CP V	CEP III	CBPF I	CEP III
		CAP II	CGFSP

Realized Principal Investment Income. Realized principal investment income increased $3.4 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. The increase in realized principal investment income for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 was primarily due to higher realized gains in our investments in U.S. and Asia buyout funds, partially offset by lower realized gains in our investments in Europe buyout funds.

Realized principal investment income increased $11.1 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The increase in realized principal investment income for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 was primarily due to higher realized gains in our investments in U.S., Europe, Asia, and Japan buyout funds, partially offset by realized losses in our investments in our U.S. Growth buyout funds for the six months ended June 30, 2018 as compared to realized gains on our investments in these funds for the six months ended June 30, 2017.

Fee Related Earnings

Fee related earnings decreased $16.1 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $45.2 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in fee related earnings for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Fee related earnings, June 30, 2017	$ 19.9	$ 35.6
Increases (decreases):		
Increase in fee revenues	31.0	21.4
Increase in cash-based compensation and benefits	(17.8)	(40.9)
Increase in general, administrative and other indirect expenses	(28.1)	(26.0)
All other changes	(1.2)	0.3
Total decrease	(16.1)	(45.2)
Fee related earnings, June 30, 2018	$ 3.8	$ (9.6)

Fee Revenues. Total fee revenues increased $31.0 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $21.4 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, due to the following:

	Three Months Ended June 30,	Six Months Ended June 30,
	2018 v. 2017	
	(Dollars in Millions)	
Higher fund management fees	$ 30.3	$ 28.7
Higher (lower) transaction fees	2.4	(5.0)
Lower portfolio advisory fees	(1.7)	(2.3)
Total increase in fee revenues	$ 31.0	$ 21.4

The increase in fund management fees for both the three months and six months ended June 30, 2018 as compared to the three months and six months ended June 30, 2017 was primarily due to the activation of management fees during the second quarter of 2018 on our seventh U.S. buyout fund ("CP VII") and our fifth Asia buyout fund ("CAP V"), which, in aggregate, increased management fees by approximately $47.7 million in each period. These increases were partially offset by lower assets under management from sales of investments during 2017 for CP V, CP VI, our first financial services fund ("CGFSP I"), our third Europe buyout fund ("CEP III"), and our second Asia buyout fund ("CAP II").

The total weighted-average management fee rate decreased from 1.31% at June 30, 2017 to 1.22% at June 30, 2018. The decrease is primarily driven by CP VI and CAP IV stepping down effective fee rates as they exit the investment period. Fee-earning assets under management were $56.3 billion and $36.2 billion as of June 30, 2018 and 2017, respectively, reflecting an increase of $20.1 billion.

The increase in transaction fees for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 was primarily due to a significant investment in one of our Asia buyout funds. The decrease in transaction fees for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 was primarily from significant investments in one of our U.S. buyout and Europe buyout funds in the six months ended June 30, 2017 as compared to the six months ended June 30, 2018.

Cash-based compensation and benefits expense. Cash-based compensation and benefits expense increased $17.8 million, or 24%, for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. The increase was primarily due to an increase in projected year-end bonuses and higher compensation costs related to fundraising activities of approximately $8.7 million.

Cash-based compensation and benefits expense increased $40.9 million, or 28%, for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The increase was primarily due to an increase in projected year-end bonuses and higher compensation costs related to fundraising activities of approximately $16.2 million.

General, administrative and other indirect expenses. General, administrative and other indirect expenses increased $28.1 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, primarily due to higher external costs associated with fundraising activities of approximately $25.0 million and higher professional fees, partially offset by positive foreign currency adjustments for the three months ended June 30, 2018 as compared to negative foreign currency adjustments for the three months ended June 30, 2017.

General, administrative and other indirect expenses increased $26.0 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to higher external costs associated with fundraising activities of approximately $25.1 million and higher professional fees, partially offset by lower costs for litigation and contingencies and lower negative foreign currency adjustments.

Economic Income

Economic income decreased $141.4 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $341.2 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in economic income for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Economic income, June 30, 2017	$ 241.8	$ 555.2
Increases (decreases):		
Decrease in net performance revenues	(107.2)	(284.1)
Decrease in principal investment income	(14.8)	(5.6)
Increase in equity-based compensation	(5.2)	(8.9)
Decrease in fee related earnings	(16.1)	(45.2)
Decrease in net interest	1.9	2.6
Total decrease	(141.4)	(341.2)
Economic income, June 30, 2018	$ 100.4	$ 214.0

Performance Revenues. Performance revenues (realized and unrealized) decreased $199.2 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $513.2 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The decrease for both the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 was primarily due to lower appreciation on our buyout funds.

Performance revenues are from the following types of funds:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Buyout funds	$ 174.0	$ 410.5	$ 416.0	$ 948.2
Growth Capital funds	41.8	4.5	52.4	33.4
Total performance revenues	$ 215.8	$ 415.0	$ 468.4	$ 981.6

The $215.8 million of performance revenues for the three months ended June 30, 2018 was driven primarily by performance revenues recognized from the following funds:

- CP VI of $120.2 million,
- CEP IV of $40.0 million,
- CP V of $30.0 million,
- CJP III of $23.8 million,
- CEOF of $17.8 million,
- CETP III of $15.6 million,
- CAP IV of $(39.8) million, and
- CAP III of $(23.5) million.

The $415.0 million of performance revenues for the three months ended June 30, 2017 was driven by performance revenues recognized from the following funds:

- CP VI of $192.4 million,
- CAP IV of $80.7 million,
- CP V of $65.4 million,
- CGFSP II of $22.5 million,
- CAP III of $17.3 million, and
- CGFSP of $14.4 million.

The $468.4 million of performance revenues for the six months ended June 30, 2018 was driven primarily by performance revenues recognized from the following funds:

- CP VI of $164.7 million,
- CEP IV of $112.0 million,
- CP V of $64.8 million,
- CJP III of $38.2 million,
- CEP III of $33.2 million,
- CETP III of $22.2 million,
- CEOF of $17.6 million,
- CAP IV of $(44.7) million, and
- CAP III of $(30.5) million.

The $981.6 million of performance revenues for the six months ended June 30, 2017 was driven by performance revenues recognized from the following funds:

- CP VI of $397.2 million,
- CP V of $251.6 million,
- CAP IV of $226.3 million,
- CGFSP II of $29.7 million,
- CETP II of $24.6 million, and
- CEP III of $21.2 million.

Performance revenues of $215.8 million and $415.0 million are inclusive of performance revenues reversed of approximately $69.4 million and $11.2 million for the three months ended June 30, 2018 and 2017, respectively. Performance revenues of $468.4 million and $981.6 million are inclusive of performance revenues reversed of approximately $79.8 million and $40.7 million for the six months ended June 30, 2018 and 2017, respectively.

The appreciation (depreciation) in remaining value of assets for this segment by type of fund are as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2018	**2017**	**2018**	**2017**
Buyout funds	3%	9%	7%	19%
Growth Capital funds	3%	4%	5%	11%
Total	3%	8%	7%	18%

Net performance revenues as a percentage of total performance revenues are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Net Performance Revenues	$116.8	$224.0	$252.6	$536.7
Percentage of Total Performance Revenues	54%	54%	54%	55%

Unrealized performance revenues reflect the difference between total performance revenues and realized performance revenues. The recognition of realized performance revenues results in a reversal of accumulated unrealized performance revenues, generally resulting in minimal impact on total performance revenues. Because unrealized performance revenues are reversed upon a realization event, in periods where the Partnership generates significant realized performance revenues unrealized performance revenues may be negative even in periods of portfolio appreciation.

Principal investment income. Principal investment income (realized and unrealized) for the three months ended June 30, 2018 was $7.4 million as compared to principal investment income of $22.2 million for the three months ended June 30, 2017. The decrease related primarily to lower unrealized gains on certain U.S. buyout funds as well as unrealized losses on certain Asia buyout funds for the three months ended June 30, 2018 as compared to unrealized gains on these same funds for the three months ended June 30, 2017.

Principal investment income (realized and unrealized) for the six months ended June 30, 2018 was $22.3 million as compared to principal investment income of $27.9 million for the six months ended June 30, 2017. The decrease related primarily to unrealized losses on certain Asia buyout funds for the three months ended June 30, 2018 as compared to unrealized gains on these same funds for the three months ended June 30, 2017. These unrealized losses were partially offset by higher realized gains on our U.S., Europe and Asia buyout funds.

Equity-based compensation. Equity-based compensation was $23.0 million for the three months ended June 30, 2018, an increase of $5.2 million from $17.8 million for the three months ended June 30, 2017. Equity-based compensation was $41.7 million for the six months ended June 30, 2018, an increase of $8.9 million from $32.8 million for the six months ended June 30, 2017. The increase for both periods primarily relates to the ongoing grants of deferred restricted common units to new and existing employees during 2017 and 2018.

Fee-earning AUM as of and for the Three and Six Months Ended June 30, 2018 and 2017

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

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

	As of June 30,	
	2018	2017
Corporate Private Equity	(Dollars in millions)	
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	$ 33,148	$ 26,004
Fee-earning AUM based on invested capital	20,651	8,466
Fee-earning AUM based on lower of cost or fair value	2,511	1,746
Total Fee-earning AUM	**$ 56,310**	**$ 36,216**
Weighted Average Management Fee Rates (2)		
All Funds	1.22%	1.31%
Funds in Investment Period	1.46%	1.44%

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Corporate Private Equity	**(Dollars in millions)**		**(Dollars in millions)**	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$ 35,293	$ 36,878	$ 35,584	$ 36,327
Inflows, including Fee-paying Commitments (1)	23,619	41	23,836	527
Outflows, including Distributions (2)	(2,143)	(1,046)	(2,913)	(1,132)
Market Appreciation/(Depreciation) (3)	(8)	4	22	(9)
Foreign Exchange and other (4)	(451)	339	(219)	503
Balance, End of Period	**$ 56,310**	**$ 36,216**	**$ 56,310**	**$ 36,216**

(1) Inflows represent limited partner capital raised and capital invested by carry funds outside the original investment period.
(2) Outflows represent distributions from funds outside the investment period and changes in fee basis for our carry funds where the original investment period has expired.
(3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on portfolio investments in our carry funds based on the lower of cost or fair value.
(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of period end.

Fee-earning AUM was $56.3 billion at June 30, 2018, an increase of $21.0 billion, or approximately 60%, compared to $35.3 billion at March 31, 2018. The increase was driven by inflows of $23.6 billion from the activation of management fees in CP VII and CAP V. This was partially offset by outflows of $2.1 billion primarily due to the step-down of fees in CP VI. Investment and distribution activity by funds still in the investment period does not impact Fee-earning AUM as these funds are based on commitments.

Fee-earning AUM was $56.3 billion at June 30, 2018, an increase of $20.7 billion, or approximately 58%, compared to $35.6 billion at December 31, 2017. The increase was driven by inflows of $23.8 billion primarily from new fee-earning commitments in CP VII and CAP V. Partially offsetting the increase were outflows of $2.9 billion primarily due to the step-down of fees in CP VI.

Fee-earning AUM was $56.3 billion at June 30, 2018, an increase of $20.1 billion, or approximately 56%, compared to $36.2 billion at June 30, 2017. The increase was driven by inflows of $25.4 billion primarily related to new fee-earning commitments in CP VII and CAP V, as well as new investments made by CGP. This was partially offset by outflows of $5.5 billion primarily due to the step-down of fees in CP VI and dispositions in CP V.

Fee-earning AUM was $36.2 billion at June 30, 2017, a decrease of $0.7 billion, or approximately 2%, compared to $36.9 billion at March 31, 2017. The decrease was driven by outflows of $1.0 billion primarily due to dispositions in CP V. This decrease was partially offset by foreign exchange gains of $0.3 billion primarily due to the translation of Fee-earning AUM in our Europe buyout and growth funds from EUR to USD.

Fee-earning AUM was $36.2 billion at June 30, 2017, a decrease of $0.1 billion compared to $36.3 billion at December 31, 2016. The decrease was driven by outflows of $1.1 billion primarily due to dispositions in CP V. This was largely offset by inflows of $0.5 billion primarily related to new investments made by CGP and new commitments to CAGP V, and foreign exchange gains of $0.5 billion primarily due to the translation of Fee-earning AUM in our Europe buyout and growth funds from EUR to USD.

Total AUM as of and for the Three and Six Months Ended June 30, 2018

The table below provides the period to period rollforward of Total AUM.

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
	(Dollars in millions)	(Dollars in millions)
Corporate Private Equity		
Total AUM Rollforward		
Balance, Beginning of Period	$ 74,978	$ 72,558
New Commitments (1)	8,733	12,666
Outflows (2)	(2,317)	(5,541)
Market Appreciation/(Depreciation) (3)	1,014	2,443
Foreign Exchange Gain/(Loss) (4)	(738)	(403)
Other (5)	(502)	(555)
Balance, End of Period	**$ 81,168**	**$ 81,168**

(1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
(2) Outflows includes distributions in our carry funds, related co-investment vehicles and separately managed accounts.
(3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds, related co-investment vehicles and separately managed accounts.
(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
(5) Includes expiring available capital, the impact of capital calls for fees and expenses and other changes in AUM.

Total AUM was $81.2 billion at June 30, 2018, an increase of $6.2 billion, or approximately 8%, compared to $75.0 billion as of March 31, 2018. The increase was driven by $8.7 billion of new commitments raised primarily in CEP V, CP VII, and CAP V. Also driving the increase was market appreciation of $1.0 billion due to overall segment appreciation of 3% for the period. The carry funds driving appreciation for the period included $0.7 billion attributable to CP VI, $0.2 billion attributable to CEP IV, and $0.2 billion attributable to CP V. The increase was partially offset by outflows of $2.3 billion primarily in CP VI.

Total AUM was $81.2 billion at June 30, 2018, an increase of $8.6 billion, or approximately 12%, compared to $72.6 billion as of December 31, 2017. The increase was driven by $12.7 billion of new commitments raised primarily in CEP V, CP VII, and CAP V. Also driving the increase was $2.4 billion of market appreciation due to overall segment appreciation of 7% for the period. The carry funds driving appreciation for the period included $0.9 billion attributable to CP VI, $0.5 billion attributable to CEP IV, and $0.3 billion attributable to CP V. The increase was partially offset by outflows of $5.5 billion primarily in our US, Asia, and Europe buyout funds, as well as in our financial services funds.

Fund Performance Metrics

Fund performance information for our investment funds that generally have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2018, which we refer to as our “significant funds” is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

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

			TOTAL INVESTMENTS					REALIZED/PARTIALLY REALIZED INVESTMENTS(5)			
			As of June 30, 2018					As of June 30, 2018			
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (7)(12)	Net IRR (8)(12)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC (4)	Gross IRR(7)
Corporate Private Equity			(Reported in Local Currency, in Millions)					(Reported in Local Currency, in Millions)			
Fully Invested/Committed Funds(6)											
CP II	10/1994	$ 1,331.1	$ 1,362.4	$ 4,072.2	3.0x	34%	25%	$ 1,362.4	$ 4,072.2	3.0x	34%
CP III	2/2000	$ 3,912.7	$ 4,031.6	$ 10,146.9	2.5x	27%	21%	$ 4,031.6	$ 10,146.9	2.5x	27%
CP IV	12/2004	$ 7,850.0	$ 7,612.6	$ 18,024.3	2.4x	16%	13%	$ 7,612.6	$ 18,024.3	2.4x	16%
CP V	5/2007	$ 13,719.7	$ 13,190.9	$ 27,708.7	2.1x	18%	14%	$ 9,350.8	$ 25,045.6	2.7x	26%
CP VI	5/2012	$ 13,000.0	$ 12,671.5	$ 18,123.7	1.4x	19%	13%	$ 1,689.2	$ 4,334.4	2.6x	40%
CEP I	12/1997	€ 1,003.6	€ 981.6	€ 2,126.5	2.2x	18%	11%	€ 981.6	€ 2,126.5	2.2x	18%
CEP II	9/2003	€ 1,805.4	€ 2,048.4	€ 4,124.7	2.0x	36%	20%	€ 1,883.8	€ 4,106.8	2.2x	43%
CEP III	12/2006	€ 5,294.9	€ 5,116.4	€ 11,714.1	2.3x	19%	14%	€ 4,389.9	€ 11,207.7	2.6x	21%
CAP I	12/1998	$ 750.0	$ 627.7	$ 2,521.8	4.0x	25%	18%	$ 627.7	$ 2,521.8	4.0x	25%
CAP II	2/2006	$ 1,810.0	$ 1,628.2	$ 3,080.9	1.9x	11%	8%	$ 1,628.2	$ 3,080.9	1.9x	11%
CAP III	5/2008	$ 2,551.6	$ 2,543.2	$ 4,658.9	1.8x	17%	11%	$ 2,071.8	$ 4,260.2	2.1x	19%
CAP IV	11/2012	$ 3,880.4	$ 3,958.1	$ 5,791.2	1.5x	23%	15%	$ 185.1	$ 372.2	2.0x	42%
CJP I	10/2001	¥ 50,000.0	¥ 47,291.4	¥ 138,902.1	2.9x	61%	37%	¥ 47,291.4	¥ 138,902.1	2.9x	61%
CJP II	7/2006	¥ 165,600.0	¥ 141,866.7	¥ 212,302.1	1.5x	7%	4%	¥ 126,166.7	¥ 191,642.2	1.5x	7%
CGFSP I	9/2008	$ 1,100.2	$ 1,080.7	$ 2,465.0	2.3x	20%	14%	$ 1,080.7	$ 2,465.0	2.3x	20%
CGFSP II	4/2013	$ 1,000.0	$ 942.7	$ 1,422.6	1.5x	23%	15%	$ 283.1	$ 580.5	2.1x	33%
CEOF I	5/2011	$ 1,119.1	$ 1,168.2	$ 1,629.7	1.4x	12%	8%	$ 346.9	$ 824.6	2.4x	38%
CETP II	2/2007	€ 521.6	€ 437.4	€ 1,262.9	2.9x	28%	19%	€ 359.7	€ 1,180.2	3.3x	30%
CAGP IV	6/2008	$ 1,041.4	$ 954.1	$ 1,352.4	1.4x	9%	5%	$ 502.1	$ 932.8	1.9x	16%
All Other Funds (9)	Various		$ 4,865.4	$ 7,589.9	1.6x	16%	7%	$ 3,790.6	$ 6,125.0	1.6x	17%
Coinvestments and Other (10)	Various		$ 11,451.6	$ 25,276.3	2.2x	36%	33%	$ 6,958.3	$ 20,703.6	3.0x	36%
Total Fully Invested Funds			**$ 79,819.4**	**$ 159,487.3**	**2.0x**	**26%**	**18%**	**$ 51,978.7**	**$ 128,217.4**	**2.5x**	**27%**
Funds in the Investment Period (6)											
CP VII	11/2017	$ 18,368.1	$ 31.9	$ 31.9	1.0x	NM	NM				
CEP IV	8/2013	€ 3,669.5	€ 3,081.5	€ 4,194.4	1.4x	23%	12%				
CAP V	10/2017	$ 6,554.2	$ —	$ —	n/a	n/a	n/a				
CGP	12/2014	$ 3,588.0	$ 2,551.5	$ 2,879.6	1.1x	9%	6%				
CJP III	8/2013	¥ 119,505.1	¥ 60,094.5	¥ 129,573.8	2.2x	29%	19%				
CEOF II	3/2015	$ 2,400.0	$ 1,167.6	$ 1,426.4	1.2x	NM	NM				
All Other Funds (11)	Various		$ 1,339.6	$ 1,865.4	1.4x	NM	NM				
Total Funds in the Investment Period			**$ 9,231.4**	**$ 12,270.7**	**1.3x**	**19%**	**9%**	**$ 664.2**	**$ 1,772.8**	**2.7x**	**46%**
TOTAL CORPORATE PRIVATE EQUITY (13)			**$ 89,050.8**	**$ 171,757.9**	**1.9x**	**26%**	**18%**	**$ 52,643.0**	**$ 129,990.2**	**2.5x**	**28%**

(1) The data presented herein that provides "inception to date" performance results of our segments relates to the period following the formation of the first fund within each segment. For our Corporate Private Equity segment our first fund was formed in 1990.
(2) Represents the original cost of investments since inception of the fund.
(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.
(4) Multiple of invested capital ("MOIC") represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.
(5) An investment is considered realized when the investment fund has completely exited, and ceases to own an interest in, the investment. An investment is considered partially realized when the total amount of proceeds received in respect of such investment, including dividends, interest or other distributions and/or return of capital, represents at least 85% of invested capital and such investment is not yet fully realized. Because part of our value creation strategy involves pursuing best exit

alternatives, we believe information regarding Realized/Partially Realized MOIC and Gross IRR, when considered together with the other investment performance metrics presented, provides investors with meaningful information regarding our investment performance by removing the impact of investments where significant realization activity has not yet occurred. Realized/Partially Realized MOIC and Gross IRR have limitations as measures of investment performance, and should not be considered in isolation. Such limitations include the fact that these measures do not include the performance of earlier stage and other investments that do not satisfy the criteria provided above. The exclusion of such investments will have a positive impact on Realized/Partially Realized MOIC and Gross IRR in instances when the MOIC and Gross IRR in respect of such investments are less than the aggregate MOIC and Gross IRR. Our measurements of Realized/Partially Realized MOIC and Gross IRR may not be comparable to those of other companies that use similarly titled measures. We do not present Realized/Partially Realized performance information separately for funds that are still in the investment period because of the relatively insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Corporate Private Equity.

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

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

(8) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.

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

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

(11) Aggregate, which is considered not meaningful, includes the following funds and their respective commencement dates: CSSAF (April 2012) , CCI (December 2012), CETP III (May 2014), CAGP V (May 2016), CGFSP III (June 2017), and CBPF II (November 2017).

(12) For funds marked "NM," IRR may be positive or negative, but is not considered meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked "Neg," IRR is negative as of reporting period end.

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

		Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch-up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
				As of June 30, 2018							
Corporate Private Equity				**(Reported in Local Currency, in Millions)**							
CP VI	$	13,390.6	1.3x	1.4x	97%	X		100%	Jun-13	21	May-18
CAP IV	$	5,022.9	1.4x	1.5x	102%	X		100%	Jul-13	20	Nov-18
CEP IV	€	3,424.7	1.3x	1.4x	84%	X		100%	Sep-14	16	Aug-19
CGP	$	2,841.3	1.1x	1.1x	71%	X		100%	Jan-15	14	Dec-20
CP V	$	2,734.5	0.7x	2.1x	96%	X	X	100%	Jun-07	45	May-13
CEOF II	$	1,293.3	1.2x	1.2x	49%			80%	Nov-15	11	Mar-21
CEP III	€	740.2	1.1x	2.3x	97%	X	X	100%	Jul-07	44	Dec-12
CJP III	¥	91,530.6	1.9x	2.2x	50%	X		100%	Sep-13	20	Feb-20
CEOF I	$	791.8	1.0x	1.4x	104%	X		80%	Sep-11	28	May-17
CGFSP II	$	786.4	1.3x	1.5x	94%	X	X	100%	Jun-13	21	Dec-17
CAP III	$	757.4	1.5x	1.8x	100%	X	X	100%	Jun-08	41	May-14
CP IV	$	276.1	2.9x	2.4x	97%	X		80%	Apr-05	53	Dec-10
CJP II	¥	17,235.0	1.1x	1.5x	86%			80%	Oct-06	47	Jul-12
All Other Funds (8)	$	3,368.8	1.1x	2.1x		NM	NM				
Coinvestment and Other (9)	$	4,608.1	1.1x	2.2x		NM	NM				
Total Corporate Private Equity (10)	**$**	**41,716.2**	**1.2x**	**1.9x**							

(1) Remaining Fair Value reflects the unrealized carrying value of investments for Corporate Private Equity, Real Assets and Global Credit carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than $100 million are listed individually.
(2) Unrealized multiple of invested capital ("MOIC") represents remaining fair market value, before management fees, expenses and carried interest, divided by remaining investment cost.
(3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.
(4) Represents cumulative invested capital as of the reporting period divided by total commitments. Amount can be greater than 100% due to the re-investment of recallable distributions to fund investors.
(5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund's asset base.
(6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.
(7) Represents the date of the first capital contribution for management fees.
(8) Aggregate includes the following funds: CMG, CP I, CP II, CP III, CP VII,. CEP I, CEP II, CAP I, CAP II, CBPF, CBPF II, CJP I, CEVP, CETP I, CETP II, CETP III, CCI, CAVP I, CAVP II, CAGP III, CAGP IV, CAGP V, Mexico, MENA, CSABF, CSSAF, CPF, CGFSP I, CGFSP III, CVP I, CVP II, and CUSGF III. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
(9) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
(10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

Real Assets

For purposes of presenting results of operations for this segment, our earnings from our investments in NGP are presented in the respective operating captions, and the net income or loss from Urbplan allocable to the Partnership (after consideration of amounts allocable to non-controlling interests) is presented within principal investment income until we disposed of our interests in Urbplan in the three months ended September 30, 2017. The following table presents our results of operations for our Real Assets segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$ 78.7	$ 58.2	$ 153.1	$ 114.2
Portfolio advisory fees, net	0.4	0.1	0.7	0.2
Transaction fees, net	0.1	—	2.8	—
Total fund level fee revenues	79.2	58.3	156.6	114.4
Performance revenues				
Realized	33.6	39.7	41.4	53.2
Unrealized	143.0	60.6	145.4	139.3
Total performance revenues	176.6	100.3	186.8	192.5
Principal investment income (loss)				
Realized	3.1	0.3	11.3	(7.8)
Unrealized	11.9	6.8	12.8	12.0
Total principal investment income (loss)	15.0	7.1	24.1	4.2
Interest income	1.2	0.4	2.1	1.0
Other income	0.7	0.3	1.9	0.7
Total revenues	272.7	166.4	371.5	312.8
Segment Expenses				
Compensation and benefits				
Cash-based compensation and benefits	29.3	37.3	64.0	67.9
Equity-based compensation	15.9	9.3	26.0	18.1
Performance revenues related compensation				
Realized	15.0	17.4	19.0	24.2
Unrealized	46.8	19.2	41.9	38.5
Total compensation and benefits	107.0	83.2	150.9	148.7
General, administrative, and other indirect expenses	15.9	26.5	34.0	42.1
Depreciation and amortization expense	1.6	1.6	3.2	3.4
Interest expense	4.1	4.4	8.0	8.5
Total expenses	128.6	115.7	196.1	202.7
Economic Income	**$ 144.1**	**$ 50.7**	**$ 175.4**	**$ 110.1**
(-) Net Performance Revenues	114.8	63.7	125.9	129.8
(-) Principal Investment Income (Loss)	15.0	7.1	24.1	4.2
(+) Equity-based Compensation	15.9	9.3	26.0	18.1
(+) Net Interest	2.9	4.0	5.9	7.5
(=) Fee Related Earnings	**$ 33.1**	**$ (6.8)**	**$ 57.3**	**$ 1.7**
(+) Realized Net Performance Revenues	18.6	22.3	22.4	29.0
(+) Realized Principal Investment Income (Loss)	3.1	0.3	11.3	(7.8)
(+) Net Interest	(2.9)	(4.0)	(5.9)	(7.5)
(=) Distributable Earnings	**$ 51.9**	**$ 11.8**	**$ 85.1**	**$ 15.4**

Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017 and Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Distributable Earnings

Distributable earnings increased $40.1 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $69.7 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in distributable earnings for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Distributable earnings, June 30, 2017	$ 11.8	$ 15.4
Increases (decreases):		
Increase in fee related earnings	39.9	55.6
Decrease in realized net performance revenues	(3.7)	(6.6)
Increase in realized principal investment income	2.8	19.1
Decrease in net interest	1.1	1.6
Total increase	40.1	69.7
Distributable earnings, June 30, 2018	$ 51.9	$ 85.1

Realized Net Performance Revenues. Realized net performance revenues decreased $3.7 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $6.6 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The decrease in realized net performance revenue for both the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 was primarily due to lower realizations on our U.S. real estate funds. Realized net performance revenues were primarily generated by the following funds for the three months and six months ended June 30, 2018 and 2017:

Three Months Ended June 30,		Six Months Ended June 30,	
2018	2017	2018	2017
CRP VII	CRP VI	CRP VII	CRP VI
CAREP - External Coinvestment	CPOCP	CAREP - External Coinvestment	CPOCP

Realized Principal Investment Income (Loss). Realized principal investment income for the three months ended June 30, 2018 was $3.1 million as compared to realized principal investment income of $0.3 million for the three months ended June 30, 2017. We recognized higher realized principal investment income related to our investments in U.S. real estate funds for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017.

Realized principal investment income for the six months ended June 30, 2018 was $11.3 million as compared to realized principal investment loss of $7.8 million for the six months ended June 30, 2017. The increase primarily related to the absence in 2018 of $9.3 million of realized principal investment losses recognized in the six months ended June 30, 2017 associated with Urbplan. In the third quarter of 2017, we disposed of our interests in Urbplan in a transaction in which a third party acquired operational control and all of the economic interests in Urbplan. With this transaction,we deconsolidated Urbplan from our financial results. See Note 15 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 for more information. Additionally, we recognized higher realized principal investment income related to our investments in U.S. and Europe real estate funds for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017.

Fee Related Earnings

Fee related earnings increased $39.9 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $55.6 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in fee related earnings for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Fee related earnings, June 30, 2017	$ (6.8)	$ 1.7
Increases (decreases):		
Increase in fee revenues	20.9	42.2
Decrease in cash-based compensation and benefits	8.0	3.9
Decrease in general, administrative and other indirect expenses	10.6	8.1
All other changes	0.4	1.4
Total increase	39.9	55.6
Fee related earnings, June 30, 2018	$ 33.1	$ 57.3

Fee Revenues. Fee revenues increased $20.9 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $42.2 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, due to the following:

	Three Months Ended June 30,	Six Months Ended June 30,
	2018 v. 2017	
	(Dollars in Millions)	
Higher fund management fees	$ 20.5	$ 38.9
Higher transaction fees	0.1	2.8
Higher portfolio advisory fees	0.3	0.5
Total increase in fee revenues	$ 20.9	$ 42.2

The increase in fund management fees for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 primarily reflected increased management fees from both our eighth U.S. real estate fund (“CRP VIII”), our first global infrastructure fund (“CGI”) and the twelfth NGP fund (“NGP XII”), all of which had their first closings in 2017. Management fees also increased as a result of $8.4 million in catch-up management fees from subsequent closes in 2018 for CGI, CRP VIII and NGP XII during the three months ended June 30, 2018 as compared to approximately $0.3 million in catch-up management fees earned during the three months ended June 30, 2017.

The increase in fund management fees for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 primarily reflects increased management fees from CRP VIII, CGI and NGP XII, all of which had their first closings in 2017. Management fees also increased as a result of $10.3 million in catch-up management fees from subsequent closes in 2018 for CGI, CRP VIII and NGP XII during the six months ended June 30, 2018 as compared to approximately $0.1 million in catch-up management fees earned during the six months ended June 30, 2017.

The weighted average management fee rate for funds in the investment period decreased to 1.32% at June 30, 2018 from 1.43% at June 30, 2017 due to new funds raised over the past year, primarily CRP VIII, NGP XII, and CGIOF, having lower management fee rates relative to other funds in the original investment period. The total weighted average management fee rate was 1.23% at June 30, 2018, a slight decline from 1.24% at June 30, 2017.

The increase in transaction fees for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 was primarily from a significant investment in our first international energy fund (“CIEP”) in the six months ended June 30, 2018.

Cash-based compensation and benefits expense. Cash-based compensation and benefits expense decreased $8.0 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, primarily due to a decrease in compensation costs related to fundraising activities of approximately $11.8 million, partially offset by an increase in headcount and higher projected year-end bonuses.

Cash-based compensation and benefits expense decreased $3.9 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to a decrease in compensation costs related to fundraising activities of approximately $10.9 million, partially offset by an increase in headcount and higher projected year-end bonuses.

General, administrative and other indirect expenses. General, administrative and other indirect expenses decreased $10.6 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, primarily due to decreased external costs associated with fundraising activities of approximately $3.1 million recorded in the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, a decrease in professional fees, and positive foreign currency adjustments in the three months ended June 30, 2018 as compared to negative foreign currency adjustments in the three months ended June 30, 2017. These decreases were partially offset by higher information technology expenses.

General, administrative and other indirect expenses decreased $8.1 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to decreased professional fees and lower negative foreign currency adjustments in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. These decreases were partially offset by increased external costs associated with fundraising activities of approximately $1.7 million recorded in the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 and higher information technology expenses.

Economic Income

Economic income increased $93.4 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $65.3 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in economic income for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	**Six Months Ended June 30,**
	(Dollars in Millions)	
Economic income, June 30, 2017	$ 50.7	$ 110.1
Increases (decreases):		
Increase (decrease) in net performance revenues	51.1	(3.9)
Increase in principal investment income	7.9	19.9
Increase in equity-based compensation	(6.6)	(7.9)
Increase in fee related earnings	39.9	55.6
Decrease in net interest	1.1	1.6
Total increase	93.4	65.3
Economic income, June 30, 2018	$ 144.1	$ 175.4

Performance Revenues. Performance revenues (realized and unrealized) increased $76.3 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 primarily due to higher appreciation from the NGP funds. Performance revenues (realized and unrealized) decreased $5.7 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 primarily due to lower realized gains from our U.S. real estate funds, partially offset by higher appreciation from the NGP funds.

Performance revenues are from the following types of funds:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Real Estate funds	$ 88.6	$ 77.0	$ 76.0	$ 131.3
Natural Resources funds	88.2	23.5	110.9	60.9
Legacy Energy funds	(0.2)	(0.2)	(0.1)	0.3
Total performance revenues	$ 176.6	$ 100.3	$ 186.8	$ 192.5

The $176.6 million of performance revenues for the three months ended June 30, 2018 was driven primarily by performance revenues recognized from the following funds:

- CIEP of $48.4 million,
- CRP VII of $41.6 million,
- NGP XI of $37.3 million,
- CRP V of $31.6 million, and
- CRP III of $8.6 million.

The $100.3 million of performance revenues for the three months ended June 30, 2017 was driven primarily by performance revenues recognized from the following funds:

- CRP VII of $40.4 million,
- NGP XI of $19.5 million,
- CRP V of $18.7 million, and
- CRP III of $10.5 million.

The $186.8 million of performance revenues for the six months ended June 30, 2018 was driven primarily by performance revenues recognized from the following funds:

- CRP VII of $79.1 million,
- CIEP of $57.9 million,
- NGP XI of $49.2 million, and
- CRP V of $(12.1) million.

The $192.5 million of performance revenues for the six months ended June 30, 2017 was driven primarily by performance revenues recognized from the following funds:

- CRP VII of $61.3 million,
- NGP XI of $55.1 million,
- CRP V of $43.6 million, and
- CRP III of $18.3 million.

Performance revenues of $176.6 million and $100.3 million are inclusive of performance revenues reversed of approximately $1.5 million and $3.3 million for the three months ended June 30, 2018 and 2017, respectively. Performance revenues of $186.8 million and $192.5 million are inclusive of performance revenues reversed of approximately $13.9 million and $9.5 million for the six months ended June 30, 2018 and 2017, respectively.

The appreciation (depreciation) in remaining value of assets for this segment by type of fund are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Real Estate funds	5%	6%	6%	11%
Natural Resources funds	9%	6%	13%	15%
Legacy Energy funds	4%	4%	6%	7%
Total	7%	6%	9%	11%

Net performance revenues for the three months ended June 30, 2018 were $114.8 million, representing an increase of $51.1 million from $63.7 million in net performance revenues for the three months ended June 30, 2017. The increase was primarily due to increased performance revenues from the NGP funds, for which there is no performance revenues related compensation expense, partially offset by decreased performance revenues from the U.S. real estate funds. Net performance revenues for the six months ended June 30, 2018 were $125.9 million, representing a decline of $3.9 million from $129.8 million in net performance revenues for the six months ended June 30, 2017. The decline was primarily due to decreased performance revenues from the U.S. real estate funds, partially offset by higher performance revenues from the NGP funds, for which there is no performance revenues related compensation expense.

Performance revenues earned from the Legacy Energy funds and from NGP funds are primarily allocated to Carlyle and are not otherwise shared or allocated with our investment professionals since the investment teams are employed by Riverstone and NGP, respectively, and not Carlyle. Accordingly, performance revenues compensation as a percentage of performance revenues is generally not a comparable measurement for Real Assets from period to period.

Principal Investment Income (Loss). Principal investment income (realized and unrealized) for the three months ended June 30, 2018 was $15.0 million as compared to principal investment income of $7.1 million for the three months ended June 30, 2017. The increase was primarily related to higher unrealized principal investment income related to our investments in the NGP funds and our U.S. real estate funds for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017.

Principal investment income (realized and unrealized) for the six months ended June 30, 2018 was $24.1 million as compared to principal investment income of $4.2 million for the six months ended June 30, 2017. The increase was primarily related to higher realized principal investment income related to our investments in the NGP funds and our U.S. and Europe real estate funds for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Additionally, principal investment income increased due to the absence in 2018 of $9.3 million of realized principal investment losses recognized in the six months ended June 30, 2017 associated with Urbplan. In the third quarter of 2017, we disposed of our interests in Urbplan in a transaction in which a third party acquired operational control and all of the economic interests in Urbplan. With this transaction,we deconsolidated Urbplan from our financial results. See Note 15 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017 for more information.

Equity-based Compensation. Equity-based compensation was $15.9 million for the three months ended June 30, 2018, an increase of $6.6 million from $9.3 million for the three months ended June 30, 2017. Equity-based compensation was $26.0 million for the six months ended June 30, 2018, an increase of $7.9 million from $18.1 million for the six months ended June 30, 2017. The increase for both periods primarily relates to the ongoing grants of deferred restricted common units to new and existing employees during 2017 and 2018.

Fee-earning AUM as of and for the Three and Six Months Ended June 30, 2018 and 2017

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

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

	As of June 30,	
	2018	**2017**
Real Assets	**(Dollars in millions)**	
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	$ 12,780	$ 13,063
Fee-earning AUM based on invested capital (2)	17,276	12,345
Fee-earning AUM based on net asset value	1,109	509
Fee-earning AUM based on lower of cost or fair value and other (3)	376	319
Total Fee-earning AUM (4)	**$ 31,541**	**$ 26,236**
Weighted Average Management Fee Rates (5)		
All Funds	1.23%	1.24%
Funds in Investment Period	1.32%	1.43%

(1) For additional information concerning the components of Fee-earning AUM, See "—Fee-earning Assets under Management."
(2) Includes amounts committed to or reserved for investments for certain real estate funds.
(3) Includes certain funds that are calculated on gross asset value.
(4) Energy II, Energy III, Energy IV, and Renew II (collectively, the "Legacy Energy Funds"), are managed with Riverstone Holdings LLC and its affiliates. Affiliates of both Carlyle and Riverstone act as investment advisers to each of the Legacy Energy Funds. Carlyle has a minority representation on the management committees of Energy IV and Renew II. Carlyle and Riverstone each hold half of the seats on the management committees of Energy II and Energy III, but the investment period for these funds has expired and the remaining investments in such funds are being disposed of in the ordinary course of business. As of June 30, 2018, the Legacy Energy Funds had, in the aggregate, approximately $4.9 billion in AUM and $3.4 billion in Fee-earning AUM. We are no longer raising capital for the Legacy Energy Funds and expect these balances to continue to decrease over time as the funds wind down. NGP VII, NGP VIII, NGP IX, or in the case of NGP M&R, NGP ETP I, and NGP ETP II, certain affiliated entities (collectively, the "NGP management fee funds") and NGP X, NGP GAP, NGP XI, and NGP XII (referred to herein as "carry funds"), are managed by NGP Energy Capital Management. As of June 30, 2018, the NGP management fee funds and carry funds had, in the aggregate, approximately $14.0 billion in AUM and $11.4 billion in Fee-earning AUM.
(5) Represents the aggregate effective management fee rate of each fund in the segment, weighted by each fund's Fee-earning AUM, as of the end of each period presented. Calculation reflects Carlyle's 10% interest in management fees earned by the Legacy Energy funds and 55% interest in management fees earned by the NGP management fee funds and carry funds. Accounts based on gross asset base generally have an effective management fee rate of 0.5% or less.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Real Assets	(Dollars in millions)		(Dollars in millions)	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$ 32,134	$ 27,157	$ 31,599	$ 27,487
Inflows, including Fee-paying Commitments (1)	637	286	1,645	471
Outflows, including Distributions (2)	(1,171)	(1,272)	(1,605)	(1,838)
Market Appreciation/(Depreciation) (3)	19	7	47	25
Foreign Exchange and other (4)	(78)	58	(145)	91
Balance, End of Period	**$ 31,541**	**$ 26,236**	**$ 31,541**	**$ 26,236**

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

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

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

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

Fee-earning AUM was $31.5 billion at June 30, 2018, a decrease of $0.6 billion, or approximately 2%, compared to $32.1 billion at March 31, 2018. The decrease was driven by outflows of $1.2 billion, primarily related to distribution and step-down activity in our US real estate and Legacy Energy funds. Partially offsetting the decrease were inflows of $0.6 billion primarily related to new fee-paying commitments in NGP XII and CGIOF, and new limited partner capital invested in CPI. Changes in fair value have no material impact on Fee-earning AUM for Real Assets as substantially all of the funds generate management fees based on either commitments or invested capital at cost, neither of which is impacted by fair value movements. Investment and distribution activity by funds still in the original investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.

Fee-earning AUM was $31.5 billion at June 30, 2018, a decrease of $0.1 billion compared to $31.6 billion at December 31, 2017. The slight decrease was driven by outflows of $1.6 billion primarily related to distribution and step-down activity in the US real estate funds, Europe real estate funds, and Legacy Energy funds. This was largely offset by inflows of $1.6 billion primarily due to new fee-paying commitments in CGIOF, NGP XII, and CRP VIII, and new limited partner capital invested in CPI.

Fee-earning AUM was $31.5 billion at June 30, 2018, an increase of $5.3 billion, or approximately 20%, compared to $26.2 billion at June 30, 2017. This increase was driven by inflows of $10.0 billion, primarily related to new fee-paying commitments in CRP VIII, NGP XII, and CGIOF, and new limited partner invested capital in CPI. The increase was partially offset by outflows of $4.7 billion primarily related to distribution activity in the US real estate funds, Legacy Energy funds, and the NGP management fee and carry funds, as well as other funds outside the original investment period.

Fee-earning AUM was $26.2 billion at June 30, 2017, a decrease of $1.0 billion, or approximately 4%, compared to $27.2 billion at March 31, 2017. This decrease was driven by outflows of $1.3 billion, primarily related to distribution activity in our funds outside the original investment period. The decrease was partially offset by inflows of $0.3 billion, primarily related to new limited partner capital invested in CPI and new fee-paying commitments to our China real estate platform.

Fee-earning AUM was $26.2 billion at June 30, 2017, a decrease of $1.3 billion, or approximately 5%, compared to $27.5 billion at December 31, 2016. This decrease was driven by outflows of $1.8 billion primarily related to distribution activity in our funds outside the original investment period. The decrease was partially offset by inflows of $0.5 billion, primarily related to new limited partner capital invested in CPI and new fee-paying commitments to our China real estate platform.

Total AUM as of and for the Three and Six Months Ended June 30, 2018

The table below provides the period to period rollforward of Total AUM.

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
	(Dollars in millions)	**(Dollars in millions)**
Real Assets		
Total AUM Rollforward		
Balance, Beginning of Period	$ 44,028	$ 42,888
New Commitments (1)	721	1,973
Outflows (2)	(1,078)	(2,122)
Market Appreciation/(Depreciation) (3)	1,873	2,340
Foreign Exchange Gain/(Loss) (4)	(84)	(85)
Other (5)	(42)	424
Balance, End of Period	**$ 45,418**	**$ 45,418**

(1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
(2) Outflows includes distributions in our carry funds and related co-investment vehicles, NGP management fee funds and separately managed accounts.
(3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles, the NGP management fee funds and separately managed accounts.
(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
(5) Includes expiring available capital, the impact of capital calls for fees and expenses and other changes in AUM.

Total AUM was $45.4 billion at June 30, 2018, an increase of $1.4 billion, or approximately 3%, compared to $44.0 billion at March 31, 2018. The increase was driven by market appreciation of $1.9 billion. Carry fund market appreciation of 7% was driven by $0.4 billion attributable to NGP XI, $0.3 billion attributable to CIEP, and $0.2 billion attributable to CRP VII . Also driving the increase were new commitments of $0.7 billion from new funds raised primarily in CPI, NGP XII, and CGIOF. This was partially offset by outflows of $1.1 billion primarily related to distributions in the Legacy Energy funds, NGP management fee funds, and US real estate funds.

Total AUM was $45.4 billion at June 30, 2018, an increase of $2.5 billion, or approximately 6%, compared to $42.9 billion at December 31, 2017. The increase was driven by market appreciation of $2.3 billion. Carry fund market appreciation of 9% was driven by $0.6 billion attributable to NGP XI, $0.4 billion attributable to CRP VII, and $0.3 billion attributable to CIEP . Also driving the increase were new commitments of $2.0 billion from new funds raised primarily in CPI, CGIOF, NGP XII, and CRP VIII. This was partially offset by outflows of $2.1 billion primarily related to distributions in the Legacy Energy funds, US real estate funds, and NGP management fee funds.

Fund Performance Metrics

Fund performance information for our carry funds that generally have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2018, which we refer to as our "significant funds," is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns. The following tables reflect the performance of our significant funds in our Real Assets business. Please see "— Our Family of Funds" for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS					REALIZED/PARTIALLY REALIZED INVESTMENTS(5)			
			As of June 30, 2018					As of June 30, 2018			
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (7)(12)	Net IRR (8)(12)	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (7)(12)
Real Assets			(Reported in Local Currency, in Millions)					(Reported in Local Currency, in Millions)			
Fully Invested/Committed Funds(6)											
CRP III	11/2000	$ 564.1	$ 522.5	$ 1,845.9	3.5x	44%	30%	$ 522.5	$ 1,845.9	3.5x	44%
CRP IV	12/2004	$ 950.0	$ 1,270.0	$ 2,000.8	1.6x	7%	4%	$ 1,181.8	$ 1,949.1	1.6x	9%
CRP V	11/2006	$ 3,000.0	$ 3,405.0	$ 5,646.9	1.7x	12%	9%	$ 2,942.0	$ 4,964.8	1.7x	13%
CRP VI	9/2010	$ 2,340.0	$ 2,227.1	$ 4,045.7	1.8x	28%	20%	$ 1,605.7	$ 3,236.8	2.0x	33%
CRP VII	3/2014	$ 4,161.6	$ 3,472.8	$ 4,951.9	1.4x	22%	14%	$ 560.3	$ 1,093.8	2.0x	33%
CEREP I	3/2002	€ 426.6	€ 517.0	€ 698.6	1.4x	0.14	7%	€ 517.0	€ 698.6	1.4x	0.14
CEREP II	4/2005	€ 762.7	€ 833.8	€ 128.1	0.2x	Neg	Neg	€ 826.7	€ 132.3	0.2x	Neg
CEREP III	5/2007	€ 2,229.5	€ 2,051.8	€ 2,460.7	1.2x	4%	1%	€ 1,911.5	€ 2,365.2	1.2x	5%
CIP	9/2006	$ 1,143.7	$ 1,069.8	$ 1,433.9	1.3x	6%	3%	$ 1,013.4	$ 1,386.1	1.4x	6%
NGP X	1/2012	$ 3,586.0	$ 3,278.6	$ 4,319.0	1.3x	10%	6%	$ 1,382.9	$ 2,487.5	1.8x	25%
NGP XI	6/2014	$ 5,325.0	$ 4,378.7	$ 6,619.1	1.5x	34%	25%	$ 228.8	$ 471.3	2.1x	169%
Energy II	7/2002	$ 1,100.0	$ 1,334.8	$ 3,130.0	2.3x	81%	55%	$ 1,334.8	$ 3,130.0	2.3x	81%
Energy III	10/2005	$ 3,800.0	$ 3,569.7	$ 5,543.1	1.6x	10%	6%	$ 3,096.4	$ 5,044.7	1.6x	12%
Energy IV	12/2007	$ 5,979.1	$ 6,308.5	$ 8,430.9	1.3x	9%	5%	$ 4,877.0	$ 6,809.4	1.4x	6%
Renew II	3/2008	$ 3,417.5	$ 2,833.5	$ 4,270.4	1.5x	9%	5%	$ 1,479.3	$ 2,324.3	1.6x	12%
All Other Funds(9)	Various		$ 2,941.1	$ 3,307.7	1.1x	4%	Neg	$ 2,662.1	$ 3,021.9	1.1x	5%
Coinvestments and Other(10)	Various		$ 6,323.8	$ 10,531.2	1.7x	17%	13%	$ 4,370.9	$ 7,550.5	1.7x	20%
Total Fully Invested Funds			**$ 46,909.1**	**$ 69,915.5**	**1.5x**	**13%**	**8%**	**$ 31,059.1**	**$ 49,048.3**	**1.6x**	**14%**
Funds in the Investment Period(6)											
CRP VIII	5/2017	$ 5,281.7	$ 495.1	$ 490.9	1.0x	NM	NM				
CIEP I	9/2013	$ 2,500.0	$ 1,384.7	$ 2,246.9	1.6x	33%	17%				
NGP XII	7/2017	$ 3,100.9	$ 592.6	$ 655.4	1.1x	NM	NM				
CPP II	6/2014	$ 1,526.9	$ 646.6	$ 781.6	1.2x	NM	NM				
CPI	5/2016	$ 1,622.9	$ 1,138.8	$ 1,303.1	1.1x	NM	NM				
All Other Funds(11)	Various		$ 426.6	$ 371.9	0.9x	NM	NM				
Total Funds in the Investment Period			**$ 4,684.3**	**$ 5,849.8**	**1.2x**	**20%**	**8%**	**$ —**	**$ —**	**n/a**	**n/a**
TOTAL Real Assets(13)			**$ 51,593.4**	**$ 75,765.3**	**1.5x**	**13%**	**8%**	**$ 31,059.1**	**$ 49,048.3**	**1.6x**	**14%**

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

(2) Represents the original cost of investments since inception of the fund.

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

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

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

insignificant level of realizations for funds of this type. However, to the extent such funds have had realizations, they are included in the Realized/Partially Realized performance information presented for Total Real Assets.

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

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

(8) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.

(9) Aggregate includes the following funds: CRP I, CRP II, CAREP I, CAREP II, CRCP I, CPOCP, Renew I and Energy I.

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

(11) Aggregate includes NGP GAP, CCR, and CER. Return is not considered meaningful, as the investment period commenced in December 2013 for NGP GAP, October 2016 for CCR, and December 2017 for CER.

(12) For funds marked "NM," IRR may be positive or negative, but is not considered meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked "Neg," IRR is negative as of reporting period end.

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

		Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch-up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of June 30, 2018										
Real Assets	(Reported in Local Currency, in Millions)										
NGP XI	$	5,917.3	1.5x	1.5x	82%	X		80%	Feb-15	14	Oct-19
CRP VII	$	3,739.3	1.3x	1.4x	83%	X	X	80%	Jun-14	17	Mar-19
Energy IV	$	2,606.0	0.9x	1.3x	105%	(X)		80%	Feb-08	42	Dec-13
CIEP I	$	2,163.2	1.6x	1.6x	55%	X		80%	Oct-13	19	Sep-19
NGP X	$	1,873.3	1.1x	1.3x	91%			80%	Jan-12	26	May-17
Renew II	$	1,670.9	0.8x	1.5x	83%	(X)		80%	Mar-08	42	May-14
CRP V	$	1,257.6	2.1x	1.7x	114%	X		50%	Nov-06	47	Nov-11
CPI	$	1,220.9	1.1x	1.1x	n/a	X		50%	May-16	9	Apr-21
CRP VI	$	739.0	1.3x	1.8x	95%	X	X	50%	Mar-11	30	Mar-16
CPP II	$	661.1	1.2x	1.2x	42%			80%	Sep-14	16	Apr-21
NGP XII	$	655.4	1.1x	1.1x	19%			80%	Nov-17	3	Oct-19
CRP IV	$	584.8	3.8x	1.6x	134%			50%	Jan-05	54	Dec-09
CRP VIII	$	490.9	1.0x	1.0x	9%			80%	Aug-17	4	May-22
CRP III	$	452.0	136.5x	3.5x	93%	X	X	50%	Mar-01	70	May-05
Energy III	$	278.0	0.4x	1.5x	94%	(X)		80%	Nov-05	51	Oct-11
CEREP III	€	133.5	1.0x	1.2x	92%			67%	Jun-07	45	May-11
All Other Funds (8)	$	681.8	0.8x	1.3x		NM	NM				
Coinvestment and Other (9)	$	2,760.7	1.2x	1.7x		NM	NM				
Total Real Assets (10)	**$**	**27,908.1**	**1.2x**	**1.5x**							

(1) Remaining Fair Value reflects the unrealized carrying value of investments for Corporate Private Equity, Real Assets and Global Credit carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than $100 million are listed individually.

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

(3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.

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

(5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund's asset base.
(6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.
(7) Represents the date of the first capital contribution for management fees.
(8) Aggregate includes the following funds: CRP I, CRP II, CRCP I, CEREP I, CEREP II, CER, CAREP I, CAREP II, CCR, CPOCP, CGIOF, NGP GAP, Energy I, Energy II and Renew I. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
(9) Includes co-investments, prefund investments and certain other stand-alone investments arranged by us. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.
(10) For purposes of aggregation, funds that report in foreign currency have been converted to U.S. dollars at the reporting period spot rate.

Global Credit

We continue to invest in growing our Global Credit business. In the near to mid term, this segment will incur additional expenses to build the credit business and raise additional capital.

The following table presents our results of operations for our Global Credit segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$ 59.8	$ 45.1	$ 118.5	$ 93.2
Portfolio advisory fees, net	—	0.3	0.1	0.4
Transaction fees, net	0.1	—	0.1	—
Total fund level fee revenues	59.9	45.4	118.7	93.6
Performance revenues				
Realized	4.7	17.2	5.8	22.8
Unrealized	8.8	(1.6)	11.4	12.9
Total performance revenues	13.5	15.6	17.2	35.7
Principal investment income				
Realized	2.4	1.5	4.9	3.9
Unrealized	(1.7)	0.1	0.3	4.3
Total principal investment income	0.7	1.6	5.2	8.2
Interest income	3.9	1.0	7.2	2.6
Other income	1.0	1.1	2.6	4.5
Total revenues	79.0	64.7	150.9	144.6
Segment Expenses				
Compensation and benefits				
Cash-based compensation and benefits	30.5	22.8	64.5	46.5
Equity-based compensation	7.1	7.5	13.0	11.8
Performance revenues related compensation				
Realized	2.1	8.2	2.7	10.9
Unrealized	3.9	(0.7)	5.1	6.1
Total compensation and benefits	43.6	37.8	85.3	75.3
General, administrative, and other indirect expenses	17.3	21.8	33.1	45.0
Depreciation and amortization expense	1.6	1.3	3.0	2.5
Interest expense	5.8	3.2	11.1	5.8
Total expenses	68.3	64.1	132.5	128.6
Economic Income	**$ 10.7**	**$ 0.6**	**$ 18.4**	**$ 16.0**
(-) Net Performance Revenues	7.5	8.1	9.4	18.7
(-) Principal Investment Income	0.7	1.6	5.2	8.2
(+) Equity-based Compensation	7.1	7.5	13.0	11.8
(+) Net Interest	1.9	2.2	3.9	3.2
(=) Fee Related Earnings	**$ 11.5**	**$ 0.6**	**$ 20.7**	**$ 4.1**
(+) Realized Net Performance Revenues	2.6	9.0	3.1	11.9
(+) Realized Principal Investment Income	2.4	1.5	4.9	3.9
(+) Net Interest	(1.9)	(2.2)	(3.9)	(3.2)
(=) Distributable Earnings	**$ 14.6**	**$ 8.9**	**$ 24.8**	**$ 16.7**

Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017 and Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Distributable Earnings

Distributable earnings increased $5.7 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $8.1 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in distributable earnings for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Distributable earnings, June 30, 2017	$ 8.9	$ 16.7
Increases (decreases):		
Increase in fee related earnings	10.9	16.6
Decrease in realized net performance revenues	(6.4)	(8.8)
Increase in realized principal investment income	0.9	1.0
Decrease (increase) in net interest	0.3	(0.7)
Total increase	5.7	8.1
Distributable earnings, June 30, 2018	$ 14.6	$ 24.8

Realized Net Performance Revenues. Realized net performance revenues decreased $6.4 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $8.8 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The decrease in realized net performance revenues for both the three months and six months ended June 30, 2018 as compared to the three months and six months ended June 30, 2017 was primarily due to lower realizations on our structured credit funds.

Fee Related Earnings

Fee related earnings increased $10.9 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $16.6 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in fee related earnings for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Fee related earnings, June 30, 2017	$ 0.6	$ 4.1
Increases (decreases):		
Increase in fee revenues	14.5	25.1
Increase in cash-based compensation and benefits	(7.7)	(18.0)
Decrease in general, administrative and other indirect expenses	4.5	11.9
All other changes	(0.4)	(2.4)
Total increase	10.9	16.6
Fee related earnings, June 30, 2018	$ 11.5	$ 20.7

Fee Revenues. Fee revenues increased $14.5 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017. Contributing to the increase in fund management fees were the structured credit funds that originated in 2017 and 2018 as well as increased management fees from our business development companies as result of increased assets under management.

Fee revenues increased $25.1 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. Contributing to the increase in fund management fees were the structured credit funds that originated in 2017 and 2018 as well as increased management fees from our business development companies as result of increased assets under management. The increase was partially offset by the absence in the six months ended June 30, 2018 of $2.8 million of catch-up fund management fees related to CSP IV that were recognized in the six months ended June 30, 2017.

The weighted average management fee rate on our carry funds decreased from 1.37% at June 30, 2017 to 1.35% at June 30, 2018. The rate decreased slightly due to new funds being raised with slightly lower effective rates as well as step-downs of the fee rates in certain funds.

Cash-based compensation and benefits expense. Cash-based compensation and benefits expense increased $7.7 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $18.0 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to increased headcount and an increase in projected year-end bonuses.

We expect that as we add new talent to our growing global credit business, our cash compensation and benefits expense will increase. However, as this strategy raises incremental capital, we expect the positive impact from additional fee revenue to more than offset our increased compensation levels.

General, administrative and other indirect expenses. General, administrative and other indirect expenses decreased $4.5 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and decreased $11.9 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to a decrease in costs associated with litigation and contingencies.

Economic Income

Economic income increased $10.1 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $2.4 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in economic income for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	**Six Months Ended June 30,**
	(Dollars in Millions)	
Economic income, June 30, 2017	$ 0.6	$ 16.0
Increases (decreases):		
Decrease in net performance revenues	(0.6)	(9.3)
Decrease in principal investment income	(0.9)	(3.0)
Decrease (increase) in equity-based compensation	0.4	(1.2)
Increase in fee related earnings	10.9	16.6
Decrease (increase) in net interest	0.3	(0.7)
Total increase	10.1	2.4
Economic income, June 30, 2018	$ 10.7	$ 18.4

Performance Revenues. Performance revenues (realized and unrealized) for the three months and six months ended June 30, 2018 and 2017 are from the following types of funds:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Carry funds	$ 10.9	$ 2.3	$ 11.5	$ 15.8
Structured credit funds and business development companies	2.6	13.3	5.7	19.9
Total performance revenues	$ 13.5	$ 15.6	$ 17.2	$ 35.7

The $13.5 million of performance revenues for the three months ended June 30, 2018 was driven primarily by performance revenues recognized from the following funds:

- CSP IV of $6.8 million,
- CSP III of $2.3 million, and
- CLOs and other credit-oriented carry funds of $2.6 million.

The $15.6 million of performance revenues for the three months ended June 30, 2017 was driven by performance revenues recognized from the following funds:

- Business development companies, CLOs and other credit-oriented carry funds of $13.3 million, and
- CSP III of $4.2 million.

The $17.2 million of performance revenues for the six months ended June 30, 2018 was driven primarily by performance revenues recognized from the following funds:

- CLOs and other credit-oriented carry funds of $5.7 million,
- CSP III of $4.9 million, and
- CSP IV of $4.9 million.

The $35.7 million of performance revenues for the six months ended June 30, 2017 was driven by performance revenues recognized from the following funds:

- Business development companies, CLOs and other credit-oriented carry funds of $19.9 million,
- CSP III of $12.8 million,
- CSP IV of $5.3 million,
- CSP II of $3.5 million, and
- Carlyle Mezzanine Partners II, L.P. (“CMP II”) of $(5.8) million.

Performance revenues of $13.5 million and $15.6 million are inclusive of performance revenues reversed of approximately $1.9 million for the three months ended June 30, 2017. There were no performance revenues reversed during the three months ended June 30, 2018. Performance revenues of $17.2 million and $35.7 million are inclusive of performance revenues reversed of approximately $5.8 million for the six months ended June 30, 2017. There were no performance revenues reversed during the six months ended June 30, 2018.

The appreciation (depreciation) in remaining value of assets for this segment's carry funds are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Carry funds	3%	0%	6%	8%

Net performance revenues as a percentage of total performance revenues are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Net Performance Revenues	$7.5	$8.1	$9.4	$18.7
Percentage of Total Performance Revenues	56%	52%	55%	52%

The decrease in net performance revenues for both the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 was primarily due to lower realizations on our CLOs.

Principal Investment Income. Principal investment income (realized and unrealized) for the three months ended June 30, 2018 was $0.7 million compared to principal investment income of $1.6 million for the three months ended June 30, 2017. Principal investment income (realized and unrealized) for the six months ended June 30, 2018 was $5.2 million compared to principal investment income of $8.2 million for the six months ended June 30, 2017. The decrease for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 related primarily to depreciation on our carry funds for the six months ended June 30, 2018 as compared to appreciation on our carry funds for the six months ended June 30, 2017, partially offset by higher appreciation on our European CLOs for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017.

Equity-based Compensation. Equity-based compensation was $7.1 million for the three months ended June 30, 2018, a decrease of $0.4 million from $7.5 million for the three months ended June 30, 2017. Equity-based compensation was $13.0 million for the six months ended June 30, 2018, an increase of $1.2 million from $11.8 million for the six months ended June 30, 2017.

Fee-earning AUM as of and for the Three and Six Months Ended June 30, 2018 and 2017

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

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

	As of June 30,	
	2018	2017
Global Credit	(Dollars in millions)	
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	$ 5,026	$ 5,026
Fee-earning AUM based on invested capital	1,522	1,212
Fee-earning AUM based on collateral balances, at par	20,046	17,111
Fee-earning AUM based on net asset value	126	18
Fee-earning AUM based on other (2)	2,075	1,847
Total Fee-earning AUM	**$ 28,795**	**$ 25,214**
Weighted Average Management Fee Rates (3)		
All Funds, excluding CLOs	1.35%	1.37%

(1) For additional information concerning the components of Fee-earning AUM, see "—Fee-earning Assets under Management."
(2) Includes funds with fees based on gross asset value.
(3) Represents the aggregate effective management fee rate for carry funds, weighted by each fund's Fee-earning AUM, as of the end of each period presented. Management fees for CLOs are based on the total par amount of the assets (collateral) and principal balance of the notes in the fund and are not calculated as a percentage of equity and are therefore not included.

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

Global Credit	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
	(Dollars in millions)		(Dollars in millions)	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$ 27,830	$ 24,442	$ 27,262	$ 24,126
Inflows, including Fee-paying Commitments (1)	79	45	280	1,109
Outflows, including Distributions (2)	(207)	(99)	(225)	(146)
Changes in CLO collateral balances (3)	1,339	389	1,600	(349)
Market Appreciation/(Depreciation) (4)	—	1	(1)	1
Foreign Exchange and other (5)	(246)	436	(121)	473
Balance, End of Period	**$ 28,795**	**$ 25,214**	**$ 28,795**	**$ 25,214**

(1) Inflows represent limited partner capital raised and capital invested by our carry funds outside the investment period.
(2) Outflows represent limited partner distributions from our carry funds, changes in fee basis for our carry funds where the investment period has expired, and reductions for funds that are no longer calling fees.
(3) Represents the change in the aggregate Fee-earning collateral balances and principal balances at par of our CLOs/structured products, as of the quarterly cut-off dates.
(4) Market Appreciation/ (Depreciation) represents changes in the net asset value of certain carry funds.
(5) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds and other changes in Total AUM. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was $28.8 billion at June 30, 2018, an increase of $1.0 billion, or approximately 4%, compared to $27.8 billion at March 31, 2018. The difference was driven by increases in our CLO collateral balances of $1.3 billion. This was partially offset by $0.2 billion of foreign exchange losses primarily related to the translation of our Euro-denominated CLO's to USD and $0.2 billion of outflows. Distributions from carry funds still in the investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital.

Fee-earning AUM was $28.8 billion at June 30, 2018, an increase of $1.5 billion, or approximately 6%, compared to $27.3 billion at December 31, 2017. The increase was driven by increases in our CLO collateral balances of $1.6 billion and $0.3 billion of inflows primarily from purchases in CCOF and CSC. This was partially offset by outflows of $0.2 billion primarily in CEMOF I and CCOF.

Fee-earning AUM was $28.8 billion at June 30, 2018, an increase of $3.6 billion, or approximately 14%, compared to $25.2 billion at June 30, 2017. The increase was driven by increases in our CLO collateral balances of $2.8 billion, inflows of $0.6 billion primarily related to new and follow-on purchases in CCOF, CEMOF I, and CSC, and $0.5 billion of foreign exchange gains primarily related to the translation of our Euro-denominated CLO's to USD. This was partially offset by outflows of $0.3 billion primarily related to distributions in funds which charge fees based on invested equity.

Fee-earning AUM was $25.2 billion at June 30, 2017, an increase of $0.8 billion, or approximately 3%, compared to $24.4 billion at March 31, 2017. The difference was driven by foreign exchange gains of $0.4 billion primarily due to the translation of Fee-earning AUM in our European CLO's from EUR to USD and increases in CLO collateral balances of $0.4 billion.

Fee-earning AUM was $25.2 billion at June 30, 2017, an increase of $1.1 billion, or approximately 5%, compared to $24.1 billion at December 31, 2016. The increase was driven by net inflows of $1.1 billion primarily due to new limited partner commitments raised in CSP IV and foreign exchange gains of $0.5 billion primarily due to the translation of Fee-earning AUM in our European CLO's from EUR to USD. This increase was partially offset by $0.4 billion of decreases in our CLO collateral balances.

Total AUM as of and for the Three and Six Months Ended June 30, 2018.

The table below provides the period to period rollforward of Total AUM.

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
	(Dollars in millions)	(Dollars in millions)
Global Credit		
Total AUM Rollforward		
Balance, Beginning of Period	$ 33,783	$ 33,324
New Commitments (1)	2,018	2,868
Outflows (2)	(186)	(525)
Market Appreciation/(Depreciation) (3)	128	204
Foreign Exchange Gain/(Loss) (4)	(364)	(193)
Other (5)	152	(147)
Balance, End of Period	**$ 35,531**	**$ 35,531**

(1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
(2) Outflows includes distributions in our carry funds, related co-investment vehicles and separately managed accounts, as well as runoff of CLO collateral balances.
(3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds, related co-investment vehicles and separately managed accounts.
(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
(5) Includes expiring available capital, the impact of capital calls for fees and expenses, change in gross asset value for our business development companies and other changes in AUM.

Total AUM was $35.5 billion at June 30, 2018, an increase of $1.7 billion, or approximately 5%, compared to $33.8 billion at March 31, 2018. The increase was driven by new commitments of $2.0 billion primarily in our CLO's. This increase was partially offset by $0.4 billion of foreign exchange losses primarily related to the translation of our Euro-denominated CLO's to USD and $0.2 billion of outflows primarily related to changes in our CLO collateral balances.

Total AUM was $35.5 billion at June 30, 2018, an increase of $2.2 billion, or approximately 7%, compared to $33.3 billion at December 31, 2017. The increase was driven by new commitments of $2.9 billion primarily related to new funds raised in our CLO's and second BDC. This increase was partially offset by $0.5 billion of outflows primarily related to changes in our CLO collateral balances and $0.2 billion of foreign exchange losses primarily related to the translation of our Euro-denominated CLO's to USD.

Fund Performance Metrics

Fund performance information for certain of our Global Credit funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

The following table reflects the performance of carry funds in our Global Credit business. These tables separately present carry funds that, as of June 30, 2018, had at least $1.0 billion in capital commitments, cumulative equity invested or total equity value. Please see "— Our Family of Funds" for a legend of the fund acronyms listed below.

			TOTAL INVESTMENTS				
			As of June 30, 2018				
	Fund Inception Date(1)	Committed Capital	Cumulative Invested Capital(2)	Total Fair Value(3)	MOIC(4)	Gross IRR (5)(10)	Net IRR (6)(10)
Global Credit (Carry Funds Only)	(Reported in Local Currency, in Millions)						
Fully Invested/Committed Funds (7)							
CSP II	6/2007	$ 1,352.3	$ 1,352.3	$ 2,474.6	1.8x	17%	11%
CSP III	8/2011	$ 702.8	$ 702.8	$ 1,194.5	1.7x	31%	20%
CEMOF I	12/2010	$ 1,382.5	$ 1,600.4	$ 1,426.0	0.9x	Neg	Neg
All Other Funds(8)			$ 1,446.5	$ 1,989.1	1.4x	12%	7%
Coinvestments and Other(9)			$ 1,029.6	$ 1,023.6	1.0x	NM	NM
Total Fully Invested Funds			**$ 6,131.6**	**$ 8,107.8**	**1.3x**	**12%**	**6%**
Funds in the Investment Period (7)							
CSP IV	3/2016	$ 2,500.0	$ 912.5	$ 1,074.0	1.2x	NM	NM
CEMOF II	2/2015	$ 2,819.2	$ 954.7	$ 1,075.9	1.1x	NM	NM
All Other Funds			$ 439.2	$ 465.8	1.1x	NM	NM
Total Funds in the Investment Period			**$ 2,306.4**	**$ 2,615.8**	**1.1x**	**NM**	**NM**
TOTAL Global Credit			**$ 8,438.0**	**$ 10,723.6**	**1.3x**	**12%**	**6%**

(1) The data presented herein that provides "inception to date" performance results of our segments relates to the period following the formation of the first fund within each segment. For our Global Credit segment our first carry fund was formed in 2004.
(2) Represents the original cost of all capital called for investments since inception of the fund.
(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.
(4) Multiple of invested capital ("MOIC") represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.
(5) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value before management fees, expenses and carried interest.
(6) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.
(7) Fully Invested funds are past the expiration date of the investment period as defined in the respective limited partnership agreement. In instances where a successor fund has had its first capital call, the predecessor fund is categorized as fully invested.
(8) Aggregate includes the following funds: CMP I, CMP II, CSP I, and CASCOF.
(9) Includes coinvestments and certain other stand-alone investments arranged by us.
(10) For funds marked "NM," IRR may be positive or negative, but is not considered meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked "Neg," IRR is negative as of reporting period end.

	Remaining Fair Value(1)	Unrealized MOIC(2)	Total MOIC(3)	% Invested(4)	In Accrued Carry/ (Clawback) (5)	LTM Realized Carry (6)	Catch-up Rate	Fee Initiation Date(7)	Quarters Since Fee Initiation	Original Investment Period End Date
	As of June 30, 2018									
Global Credit	(Reported in Local Currency, in Millions)									
CEMOF II	$ 995.3	1.0x	1.1x	34%			100%	Dec-15	11	Feb-20
CSP IV	$ 820.5	1.1x	1.2x	37%	X		100%	Feb-17	6	Dec-20
CEMOF I	$ 720.2	0.5x	0.9x	116%			100%	Dec-10	31	Dec-15
CSP III	$ 347.5	1.2x	1.7x	100%	X	X	80%	Dec-11	27	Aug-15
All Other Funds (8)	$ 539.3	1.0x	1.5x		NM	NM				
Coinvestment and Other (9)	$ 853.7	0.8x	1.0x		NM	NM				
Total Global Credit	**$ 4,276.5**	**0.9x**	**1.3x**							

(1) Remaining Fair Value reflects the unrealized carrying value of investments for Corporate Private Equity, Real Assets and Global Credit carry funds and related co-investment vehicles. Significant funds with remaining fair value of greater than $100 million are listed individually.

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

(3) Total MOIC represents total fair value (realized proceeds combined with remaining fair value), before management fees, expenses and carried interest, divided by cumulative invested capital. For certain funds, represents the original cost of investments net of investment-level recallable proceeds, which is adjusted to reflect recyclability of invested capital for the purpose of calculating the fund MOIC.

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

(5) Fund has a net accrued performance revenue balance/(giveback obligation) as of the current quarter end, driven by a significant portion of the fund’s asset base.

(6) Fund has generated realized net performance revenues/(realized giveback) in the last twelve months.

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

(8) Aggregate includes the following funds: CSP I, CSP II, CMP I, CMP II, CSC, CCOF, and CASCOF. In Accrued Carry/(Clawback) and LTM Realized Carry not indicated because the indicator does not apply to each fund within the aggregate.

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

Investment Solutions

The following table presents our results of operations for our Investment Solutions segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
	(Dollars in millions)			
Segment Revenues				
Fund level fee revenues				
Fund management fees	$ 41.6	$ 36.2	$ 81.9	$ 72.0
Portfolio advisory fees, net	—	—	—	—
Transaction fees, net	—	—	—	—
Total fund level fee revenues	41.6	36.2	81.9	72.0
Performance revenues				
Realized	9.2	23.7	23.3	36.3
Unrealized	54.4	4.7	91.2	27.9
Total performance revenues	63.6	28.4	114.5	64.2
Principal investment income				
Realized	(0.1)	(0.1)	—	—
Unrealized	2.3	0.4	3.3	1.5
Total principal investment income	2.2	0.3	3.3	1.5
Interest income	0.3	0.2	0.8	0.3
Other income	0.1	0.1	0.3	0.2
Total revenues	107.8	65.2	200.8	138.2
Segment Expenses				
Compensation and benefits				
Cash-based compensation and benefits	22.0	20.2	45.2	39.1
Equity-based compensation	4.0	2.1	7.0	4.1
Performance revenues related compensation				
Realized	8.8	23.4	21.4	35.5
Unrealized	44.3	1.4	71.4	20.4
Total compensation and benefits	79.1	47.1	145.0	99.1
General, administrative, and other indirect expenses	9.2	8.7	17.2	15.5
Depreciation and amortization expense	1.1	0.9	2.2	1.7
Interest expense	1.5	1.5	3.1	3.0
Total expenses	90.9	58.2	167.5	119.3
Economic Income	**$ 16.9**	**$ 7.0**	**$ 33.3**	**$ 18.9**
(-) Net Performance Revenues	10.5	3.6	21.7	8.3
(-) Principal Investment Income	2.2	0.3	3.3	1.5
(+) Equity-based Compensation	4.0	2.1	7.0	4.1
(+) Net Interest	1.2	1.3	2.3	2.7
(=) Fee Related Earnings	**$ 9.4**	**$ 6.5**	**$ 17.6**	**$ 15.9**
(+) Realized Net Performance Revenues	0.4	0.3	1.9	0.8
(+) Realized Principal Investment Income	(0.1)	(0.1)	—	—
(+) Net Interest	(1.2)	(1.3)	(2.3)	(2.7)
(=) Distributable Earnings	**$ 8.5**	**$ 5.4**	**$ 17.2**	**$ 14.0**

Three Months Ended June 30, 2018 Compared to the Three Months Ended June 30, 2017 and Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Distributable Earnings

Distributable earnings increased $3.1 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $3.2 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in distributable earnings for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Distributable earnings, June 30, 2017	$ 5.4	$ 14.0
Increases (decreases):		
Increase in fee related earnings	2.9	1.7
Increase in realized net performance revenues	0.1	1.1
Decrease in net interest	0.1	0.4
Total increase	3.1	3.2
Distributable earnings, June 30, 2018	$ 8.5	$ 17.2

Fee Related Earnings

Fee related earnings increased $2.9 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $1.7 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in fee related earnings for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Fee related earnings, June 30, 2017	$ 6.5	$ 15.9
Increases (decreases):		
Increase in fee revenues	5.4	9.9
Increase in cash-based compensation and benefits	(1.8)	(6.1)
Increase in general, administrative and other indirect expenses	(0.5)	(1.7)
All other changes	(0.2)	(0.4)
Total increase	2.9	1.7
Fee related earnings, June 30, 2018	$ 9.4	$ 17.6

Fee Revenues. Total fee revenues increased $5.4 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, primarily due to increased management fees from our private equity fund vehicles as a result of closings of new fund vehicles, which have a higher average management fee rate than older fund vehicles as well as $1.4 million of catch-up management fees related to certain of our real estate fund vehicles recognized in the three months ended June 30, 2018.

Total fee revenues increased $9.9 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to increased management fees from our private equity fund vehicles as a result of closings of new fund vehicles, which have a higher average management fee rate than older fund vehicles as well as $1.5 million of catch-up management fees related to certain of our real estate fund vehicles recognized in the six months ended June 30, 2018. This increase was partially offset by the absence in 2018 of $1.2 million of catch-up management fees recognized in the six months ended June 30, 2017.

Cash-based compensation and benefits expense. Cash-based compensation and benefits expense increased $1.8 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, primarily due to an increase in headcount and an increase in projected year-end bonuses. These increases were partially offset by decreased compensation associated with fundraising activities of approximately $1.8 million.

Cash-based compensation and benefits expense increased $6.1 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to an increase in headcount and an increase in projected year-end bonuses. These increases were partially offset by decreased compensation associated with fundraising activities of approximately $2.0 million.

General, administrative and other indirect expenses. General, administrative and other indirect expenses increased $0.5 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017, primarily due to increased professional fees, partially offset by positive foreign currency adjustments during the three months ended June 30, 2018 as compared to negative foreign currency adjustments during the three months ended June 30, 2017.

General, administrative and other indirect expenses increased $1.7 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, primarily due to increased professional fees, partially offset by lower negative foreign currency adjustments during the six months ended June 30, 2018 as compared to the six months ended June 30, 2017.

Economic Income

Economic income increased $9.9 million for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 and increased $14.4 million for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017. The following table provides the components of the changes in economic income for the three months and six months ended June 30, 2018:

	Three Months Ended June 30,	Six Months Ended June 30,
	(Dollars in Millions)	
Economic income, June 30, 2017	$ 7.0	$ 18.9
Increases (decreases):		
Increase in net performance revenues	6.9	13.4
Increase in principal investment income	1.9	1.8
Increase in equity-based compensation	(1.9)	(2.9)
Increase in fee related earnings	2.9	1.7
Decrease in net interest	0.1	0.4
Total increase	9.9	14.4
Economic income, June 30, 2018	$ 16.9	$ 33.3

Performance Revenues. Performance revenues (realized and unrealized) for the three months and six months ended June 30, 2018 and 2017 are from the following types of funds:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions)			
Private equity fund vehicles	$ 63.8	$ 27.7	$ 112.0	$ 62.7
Real estate fund vehicles	(0.2)	0.7	2.5	1.5
Total performance revenues	$ 63.6	$ 28.4	$ 114.5	$ 64.2

Under our arrangements with the historical owners and management team of AlpInvest, we generally do not retain any carried interest with respect to the historical investments and commitments to our AlpInvest fund vehicles that existed as of July 1, 2011 (including any options to increase any such commitments exercised after such date). We are entitled to 15% of the carried interest with respect to commitments from the historical owners of AlpInvest for the period between 2011 and 2020 and 40% of the carried interest in respect of all other commitments (including all future commitments from third parties).

As funds that have launched since our acquisition of AlpInvest in 2011 begin to accrue performance revenues, an increasing share of net performance revenues are for our benefit. The increase in performance revenues for the three months ended June 30, 2018 as compared to the three months ended June 30, 2017 was primarily due to higher appreciation in our carry funds in 2018. Overall, our carry funds appreciated 8% in the three months ended June 30, 2018 (excluding the impact of foreign currency, appreciation was 5% for the three months ended June 30, 2018) while appreciating 1% in the three months ended June 30, 2017. The increase in performance revenues for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017 was primarily due to higher appreciation in our carry funds in 2018. Overall, our carry funds appreciated 12% in the six months ended June 30, 2018 (excluding the impact of foreign currency, appreciation was 10% for the six months ended June 30, 2018) while appreciating 4% in the six months ended June 30, 2017.

The $63.6 million of performance revenues for the three months ended June 30, 2018 was driven primarily by performance revenues recognized from the following funds:

- APG Co-investment Fund & Secondaries Fund (2014-2015) of $17.6 million,
- APG Co-investment Fund & Secondaries Fund (2012-2013) of $5.8 million,
- PGGM Co-investment Fund & Secondaries Fund (2014-2015) of $3.9 million,
- Partnership Fund (2006) of $3.4 million, and
- APG Partnership Fund (2014) of $2.9 million.

The $28.4 million of performance revenues for the three months ended June 30, 2017 was driven primarily by performance revenues recognized from the following funds:

- Partnership Fund (2008) of $3.0 million,
- ASF V (Onshore) of $2.2 million,
- Co-investment Fund & Secondaries Fund (2014-2015) of $2.1 million,
- APG Partnership Fund (2010) of $1.9 million, and
- APG Partnership Fund (2009) of $1.7 million.

The $114.5 million of performance revenues for the six months ended June 30, 2018 was driven primarily by performance revenues recognized from the following funds:

- APG Co-investment Fund & Secondaries Fund (2014-2015) of $28.8 million,
- ASF V (Onshore) Fund of $6.7 million,
- PGGM Co-investment Fund & Secondaries Fund (2014-2015) of $6.2 million,
- APG Co-investment Fund & Secondaries Fund (2012-2013) of $5.8 million,
- Partnership Fund (2008) of $4.4 million, and
- APG Partnership Fund (2010) of $3.9 million.

The $64.2 million of performance revenues for the six months ended June 30, 2017 was driven primarily by performance revenues recognized from the following funds:

- Co-investment Fund & Secondaries Fund (2009-2010) of $7.1 million,
- Co-investment Fund & Secondaries Fund (2014-2015) of $5.8 million,
- Partnership Fund (2008) of $4.3 million,
- Co-investment Fund & Secondaries Fund (2012-2013) of $4.0 million, and
- ASF V (Onshore) Fund of $3.8 million.

There were approximately $2.5 million of performance revenues reversed for the three months and six months ended June 30, 2018. There were no significant performance revenues reversed for the three months and six months ended June 30, 2017.

The appreciation in remaining value of our Investment Solutions carry funds for this segment are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Carry funds	8%	1%	12%	4%

Note: The appreciation presented is a weighted average blend of the remaining investments in the respective carry funds within Investment Solutions. These carry funds include private equity and real estate investments in primary fund, co-investment and secondary strategies, which have different return profiles. Additionally, appreciation excluding the impact of foreign currency is 5% and 10% for the three months and six months ended June 30, 2018.

Net performance revenues for the three months ended June 30, 2018 were $10.5 million, representing an increase of $6.9 million from $3.6 million in net performance revenues for the three months ended June 30, 2017. Net performance revenues for the six months ended June 30, 2018 were $21.7 million, representing an increase of $13.4 million from $8.3 million in net performance revenues for the six months ended June 30, 2017. The increase in net performance revenues for both periods was due to the higher appreciation of the carry funds in each period.

Equity-based Compensation. Equity-based compensation was $4.0 million for the three months ended June 30, 2018, an increase of $1.9 million from $2.1 million for the three months ended June 30, 2017. Equity-based compensation was $7.0 million for the six months ended June 30, 2018, an increase of $2.9 million from $4.1 million for the six months ended June 30, 2017.

Fee-earning AUM as of and for the Three and Six Months Ended June 30, 2018 and 2017

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

	As of June 30,	
	2018	2017
Investment Solutions	(Dollars in millions)	
Components of Fee-earning AUM (1)		
Fee-earning AUM based on capital commitments	$ 10,869	$ 9,319
Fee-earning AUM based on invested capital (2)	1,661	1,199
Fee-earning AUM based on net asset value	993	783
Fee-earning AUM based on lower of cost or fair market value	16,308	17,167
Total Fee-earning AUM	**$ 29,831**	**$ 28,468**

(1) For additional information concerning the components of Fee-earning AUM, see "—Fee-earning Assets under Management."
(2) Includes amounts committed to or reserved for certain AlpInvest and Metropolitan carry funds.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	**2017**	**2018**	**2017**
Investment Solutions	**(Dollars in millions)**		**(Dollars in millions)**	
Fee-earning AUM Rollforward				
Balance, Beginning of Period	$ 30,514	$ 26,428	$ 30,150	$ 27,054
Inflows, including Fee-paying Commitments (1)	1,604	1,931	2,730	2,932
Outflows, including Distributions (2)	(1,096)	(1,078)	(2,326)	(3,045)
Market Appreciation/(Depreciation) (3)	2	(191)	(90)	(172)
Foreign Exchange and other (4)	(1,193)	1,378	(633)	1,699
Balance, End of Period	**$ 29,831**	**$ 28,468**	**$ 29,831**	**$ 28,468**

(1) Inflows represent mandates where commitment fee period was activated and capital invested by carry fund vehicles outside the commitment fee period or weighted-average investment period.
(2) Outflows represent distributions from carry fund vehicles outside the commitment fee period or weighted-average investment period and changes in fee basis for carry fund vehicles where the commitment fee period or weighted-average investment period has expired.
(3) Market Appreciation/(Depreciation) represents realized and unrealized gains (losses) on our carry fund vehicles based on the lower of cost or fair value.
(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.

Fee-earning AUM was $29.8 billion at June 30, 2018, a decrease of $0.7 billion, or approximately 2%, compared to $30.5 billion at March 31, 2018. This was driven by foreign exchange losses of $1.2 billion from translating our euro-denominated AlpInvest Fee-earning AUM to USD and outflows, including distributions, of $1.1 billion which were primarily attributable to our AlpInvest carry funds. This was partially offset by inflows, including fee-paying commitments, of $1.6 billion due to activation of previously raised mandates and purchases in our AlpInvest vehicles. Distributions from funds still in the commitment or weighted-average investment period do not impact Fee-earning AUM as these funds are based on commitments and not invested capital. Increases in fair value have an impact on Fee-earning AUM for Investment Solutions as fully committed funds are based on the lower of cost or fair value of the underlying investments.

Fee-earning AUM was $29.8 billion at June 30, 2018, a decrease of $0.4 billion, or approximately 1%, compared to $30.2 billion at December 31, 2017. The decrease was driven by outflows, including distributions, of $2.3 billion which were primarily attributable to our AlpInvest carry funds and foreign exchange losses of $0.6 billion from translating our euro-denominated AlpInvest Fee-earning AUM to USD. This was largely offset by inflows, including fee-paying commitments, of $2.7 billion due to activation of previously raised mandates and purchases in our AlpInvest vehicles.

Fee-earning AUM was $29.8 billion at June 30, 2018, an increase of $1.3 billion, or approximately 5%, compared to $28.5 billion at June 30, 2017. The increase was driven by inflows, including fee-paying commitments, of $6.0 billion due to activation of previously raised mandates and purchases in our AlpInvest vehicles, and foreign exchange gains of $0.5 billion from translating our euro-denominated AlpInvest Fee-earning AUM to USD. This was partially offset by outflows, including distributions, of $5.1 billion primarily in our AlpInvest carry funds.

Fee-earning AUM was $28.5 billion at June 30, 2017, an increase of $2.1 billion, or approximately 8%, compared to $26.4 billion at March 31, 2017. This was driven by inflows, including fee-paying commitments of $1.9 billion, due to activation of previously raised mandates in our AlpInvest vehicles, and foreign exchange gains of $1.4 billion from translating our euro-denominated AlpInvest Fee-earning AUM to USD. Partially offsetting this increase were outflows, including distributions, of $1.1 billion which were primarily attributable to our AlpInvest carry funds.

Fee-earning AUM was $28.5 billion at June 30, 2017, an increase of $1.4 billion, or approximately 5%, compared to $27.1 billion at December 31, 2016. The increase was driven by inflows, including fee-paying commitments, of $2.9 billion due to activation of previously raised mandates in our AlpInvest vehicles, and foreign exchange gains of $1.7 billion from translating our euro-denominated AlpInvest Fee-earning AUM to USD. This was partially offset by outflows, including distributions, of $3.0 billion primarily in our AlpInvest carry funds.

Total AUM as of and for the Three and Six Months Ended June 30, 2018

The table below provides the period to period rollforward of Total AUM.

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
	(Dollars in millions)	(Dollars in millions)
Investment Solutions		
Total AUM Rollforward		
Balance, Beginning of Period	$ 48,707	$ 46,291
New Commitments (1)	640	2,306
Outflows (2)	(2,378)	(4,104)
Market Appreciation/(Depreciation) (3)	2,744	4,028
Foreign Exchange Gain/(Loss) (4)	(1,934)	(1,069)
Other (5)	(154)	173
Balance, End of Period	**$ 47,625**	**$ 47,625**

(1) New Commitments reflects the impact of gross fundraising during the period. For funds or vehicles denominated in foreign currencies, this reflects translation at the average quarterly rate, while the separately reported Fundraising metric is translated at the spot rate for each individual closing.
(2) Outflows includes distributions in our carry funds, related co-investment vehicles and separately managed accounts.
(3) Market Appreciation/(Depreciation) generally represents realized and unrealized gains (losses) on portfolio investments in our carry funds and related co-investment vehicles and separately managed accounts. The fair market values for our Investment Solutions carry funds are based on the latest available valuations of the underlying limited partnership interests (in most cases as of March 31, 2018) as provided by their general partners, plus the net cash flows since the latest valuation, up to June 30, 2018.
(4) Represents the impact of foreign exchange rate fluctuations on the translation of our non-U.S. dollar denominated funds. Activity during the period is translated at the average rate for the period. Ending balances are translated at the spot rate as of the period end.
(5) Includes expiring available capital, the impact of capital calls for fees and expenses other changes in AUM.

Total AUM was $47.6 billion at June 30, 2018, a decrease of $1.1 billion or approximately 2%, compared to $48.7 billion at March 31, 2018. The decrease was driven by $2.4 billion of outflows primarily related to distributions in our AlpInvest carry funds and $1.9 billion of foreign exchange losses resulting from the translation of our euro-denominated AlpInvest AUM to USD. This was partially offset by $2.7 billion of market appreciation primarily in our AlpInvest carry funds and $0.6 billion of new commitments raised in our AlpInvest and MRE carry funds.

Total AUM was $47.6 billion at June 30, 2018, an increase of $1.3 billion or approximately 3%, compared to $46.3 billion at December 31, 2017. This increase was driven by $4.0 billion of market appreciation and $2.3 billion of new commitments, both primarily in our AlpInvest carry funds. This was partially offset by $4.1 billion of outflows primarily related to distributions in our AlpInvest carry funds, and $1.1 billion of foreign exchange losses resulting from the translation of our euro-denominated AlpInvest AUM to USD.

Fund Performance Metrics

Fund performance information for our AlpInvest funds that have at least $1.0 billion in capital commitments, cumulative equity invested or total value as of June 30, 2018, which we refer to as our “significant funds” is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. The fund return information reflected in this discussion and analysis is not indicative of the performance of The Carlyle Group L.P. and is also not necessarily indicative of the future performance of any particular fund. An investment in The Carlyle Group L.P. is not an investment in any of our funds. There can be no assurance that any of our funds or our other existing and future funds will achieve similar returns.

The following tables reflect the performance of our significant funds in our Investment Solutions business.

			TOTAL INVESTMENTS				
			As of June 30, 2018				
Investment Solutions (1)	**Vintage Year**	**Fund Size**	**Cumulative Invested Capital (2)(8)**	**Total Fair Value (3)(8)**	**MOIC (4)**	**Gross IRR (6) (10)**	**Net IRR (7) (10)**
			(Reported in Local Currency, in Millions)				
AlpInvest							
Fully Committed Funds (5)							
Main Fund I - Fund Investments	2000	€ 5,174.6	€ 4,233.0	€ 6,969.2	1.6x	12%	11%
Main Fund II - Fund Investments	2003	€ 4,545.0	€ 4,808.7	€ 7,673.2	1.6x	10%	9%
Main Fund III - Fund Investments	2005	€ 11,500.0	€ 12,749.3	€ 20,692.3	1.6x	10%	10%
Main Fund IV - Fund Investments	2009	€ 4,877.3	€ 5,109.2	€ 8,504.4	1.7x	17%	16%
Main Fund V - Fund Investments	2012	€ 5,080.0	€ 4,312.5	€ 5,761.7	1.3x	14%	13%
Main Fund VI - Fund Investments	2015	€ 1,106.4	€ 525.7	€ 597.6	1.1x	NM	NM
Main Fund I - Secondary Investments	2002	€ 519.4	€ 475.3	€ 896.5	1.9x	57%	54%
Main Fund II - Secondary Investments	2003	€ 998.4	€ 1,002.8	€ 1,833.1	1.8x	27%	26%
Main Fund III - Secondary Investments	2006	€ 2,250.0	€ 2,341.3	€ 3,544.6	1.5x	11%	10%
Main Fund IV - Secondary Investments	2010	€ 1,859.1	€ 1,926.9	€ 3,298.0	1.7x	19%	19%
Main Fund V - Secondary Investments	2011	€ 4,272.8	€ 3,892.4	€ 6,408.0	1.6x	24%	22%
Main Fund II - Co-Investments	2003	€ 1,090.0	€ 901.7	€ 2,515.2	2.8x	44%	42%
Main Fund III - Co-Investments	2006	€ 2,760.0	€ 2,760.0	€ 3,858.0	1.4x	5%	5%
Main Fund IV - Co-Investments	2010	€ 1,475.0	€ 1,331.3	€ 3,532.5	2.7x	24%	22%
Main Fund V - Co-Investments	2012	€ 1,122.2	€ 1,020.2	€ 2,440.2	2.4x	31%	29%
Main Fund VI - Co-Investments	2014	€ 1,114.6	€ 919.3	€ 1,698.4	1.8x	30%	27%
Main Fund II - Mezzanine Investments	2004	€ 700.0	€ 753.5	€ 1,039.9	1.4x	8%	7%
Main Fund III - Mezzanine Investments	2006	€ 2,000.0	€ 1,951.7	€ 2,653.0	1.4x	10%	9%
All Other Funds (9)	Various		€ 2,213.5	€ 3,077.1	1.4x	14%	11%
Total Fully Committed Funds			**€ 53,228.1**	**€ 86,993.0**	**1.6x**	**13%**	**12%**
Funds in the Commitment Period (5)							
Main Fund VI - Secondary Investments	2017	€ 5,007.6	€ 986.6	€ 1,127.3	1.1x	NM	NM
Main Fund VII - Co-Investments	2017	€ 2,484.7	€ 426.1	€ 466.0	1.1x	NM	NM
All Other Funds (9)	Various		€ 726.4	€ 953.9	1.3x	22%	19%
Total Funds in the Commitment Period			**€ 2,139.1**	**€ 2,547.2**	**1.2x**	**19%**	**14%**
TOTAL ALPINVEST			**€ 55,367.3**	**€ 89,540.2**	**1.6x**	**13%**	**12%**
TOTAL ALPINVEST (USD) (11)			**$ 64,651.2**	**$ 104,554.1**	**1.6x**		
Metropolitan Real Estate							
Fully Committed Funds (5)	Various		$ 3,003.4	$ 3,911.0	1.3x	7%	4%
Funds in the Commitment Period (5)	Various		$ 127.0	$ 149.3	1.2x	NM	NM
TOTAL METROPOLITAN REAL ESTATE			**$ 3,130.4**	**$ 4,060.3**	**1.3x**	**7%**	**4%**

(1) Includes private equity and mezzanine primary fund investments, secondary fund investments and co-investments originated by the AlpInvest team, as well as real estate primary fund investments, secondary fund investments and co-investments originated by the Metropolitan Real Estate team. Excluded from the performance information shown are a) investments that were not originated by AlpInvest, and b) Direct Investments, which was spun off from AlpInvest in 2005. As of June 30, 2018, these excluded investments represent $0.2 billion of AUM at AlpInvest.
(2) Represents the original cost of investments since inception of the fund.
(3) Represents all realized proceeds combined with remaining fair value, before management fees, expenses and carried interest.
(4) Multiple of invested capital ("MOIC") represents total fair value, before management fees, expenses and carried interest, divided by cumulative invested capital.

(5) Fully Committed funds are past the expiration date of the commitment period as defined in the respective limited partnership agreement.
(6) Gross Internal Rate of Return ("Gross IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on investment contributions, distributions and unrealized value of the underlying investments, before management fees, expenses and carried interest at the AlpInvest/Metropolitan Real Estate level.
(7) Net Internal Rate of Return ("Net IRR") represents the annualized IRR for the period indicated on Limited Partner invested capital based on contributions, distributions and unrealized value after management fees, expenses and carried interest. Fund level IRRs are based on aggregate Limited Partner cash flows, and this blended return may differ from that of individual Limited Partners. As a result, certain funds may generate accrued performance revenues with a blended Net IRR that is below the preferred return hurdle for that fund.
(8) To exclude the impact of FX, all AlpInvest foreign currency cash flows have been converted to Euro at the reporting period spot rate.
(9) Aggregate includes Main Fund VII - Fund Investments, Main Fund VIII - Fund Investments, Main Fund I - Co-Investments, Main Fund I - Mezzanine Investments, Main Fund IV - Mezzanine Investments, Main Fund V - Mezzanine Investments, AlpInvest CleanTech Funds and funds which are not included as part of a main fund.
(10) For funds marked "NM," IRR may be positive or negative, but is not considered meaningful because of the limited time since initial investment and early stage of capital deployment. For funds marked "Neg," IRR is negative as of reporting period end.
(11) Represents the U.S. dollar equivalent balance translated at the spot rate as of period end.

Liquidity and Capital Resources

Historical Liquidity and Capital Resources

We have historically required limited capital resources to support the working capital and operating needs of our business. Our management fees have largely covered our operating costs and all realized performance allocations, after covering the related compensation, are available for distribution to equityholders. Historically, approximately 95% of all capital commitments to our funds have been provided by our fund investors, with the remaining amount typically funded by our senior Carlyle professionals, advisors and other professionals.

Our Sources of Liquidity

We have multiple sources of liquidity to meet our capital needs, including cash on hand, annual cash flows, accumulated earnings and funds from our senior credit facility, including a term loan facility and a revolving credit facility with $750.0 million available as of June 30, 2018. We believe these sources will be sufficient to fund our capital needs for at least the next twelve months. If we determine that market conditions are favorable after taking into account our liquidity requirements, including the amounts available under our senior credit facility, we may seek to issue and sell common units in a registered public offering or a privately negotiated transaction, or we may issue additional senior notes, other debt or preferred equity. In September 2017, we issued 16 million of our 5.875% Series A Preferred Units for net proceeds of $387.5 million.

Cash and cash equivalents. Cash and cash equivalents were approximately $876.8 million at June 30, 2018. However, a portion of this cash is allocated for specific business purposes, including, but not limited to, (i) performance allocations and incentive fee-related cash that has been received but not yet distributed as performance allocations and incentive fee-related compensation and amounts owed to non-controlling interests; (ii) proceeds received from realized investments that are allocable to non-controlling interests; and (iii) regulatory capital.

Corporate Treasury Investments. Corporate treasury investments were approximately $343.5 million at June 30, 2018. These investments represent investments in U.S. Treasury and government agency obligations, commercial paper, certificates of deposit, other investment grade securities and other investments with original maturities of greater than three months when purchased.

After deducting cash amounts allocated to specific requirements mentioned above, the remaining cash and cash equivalents, including corporate treasury investments, is approximately $1.1 billion as of June 30, 2018. This remaining amount will be used towards our primary liquidity needs, as outlined in the next section. This amount does not take into consideration ordinary course of business payables and reserves for specific business purposes.

Senior Credit Facility. The senior credit facility includes $25.0 million in a term loan and $750.0 million in a revolving credit facility. The term loan and revolving credit facility mature on May 5, 2020. Principal amounts outstanding under the amended term loan and revolving credit facility accrue interest, at the option of the borrowers, either (a) at an alternate base rate plus an applicable margin not to exceed 0.75%, or (b) at LIBOR plus an applicable margin not to exceed 1.75% (3.24% at June 30, 2018).

The senior credit facility is unsecured. We are required to maintain management fee earning assets (as defined in the amended senior credit facility) of at least $65.3 billion and a total leverage ratio of less than 3.0 to 1.0, in each case, tested on a quarterly basis. Non-compliance with any of the financial or non-financial covenants without cure or waiver would constitute an event of default under the senior credit facility. An event of default resulting from a breach of certain financial or non-financial covenants may result, at the option of the lenders, in an acceleration of the principal and interest outstanding, and a termination of the revolving credit facility. The senior credit facility also contains other customary events of default, including defaults based on events of bankruptcy and insolvency, nonpayment of principal, interest or fees when due, breach of specified covenants, change in control and material inaccuracy of representations and warranties.

Our balance sheet at June 30, 2018 reflects $25.0 million outstanding under our senior credit facility, comprised of $25.0 million of term loan balance outstanding.

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

Formation Date	**Borrowing Outstanding June 30, 2018**	**Borrowing Outstanding December 31, 2017**	**Maturity Date (1)**	**Interest Rate as of June 30, 2018**	
June 7, 2016	$ 20.6	$ 20.6	July 15, 2027	4.15%	(2)
February 28, 2017	72.1	74.3	September 21, 2029	2.33%	(3)
April 19, 2017	22.8	22.8	April 22, 2031	4.29%	(4) (15)
June 28, 2017	23.1	23.1	July 22, 2031	4.28%	(5) (15)
July 20, 2017	24.4	24.4	April 21, 2027	3.89%	(6) (15)
August 2, 2017	22.8	22.8	July 23, 2029	4.17%	(7) (15)
August 2, 2017	20.2	20.9	August 3, 2022	1.75%	(8)
August 14, 2017	22.6	22.6	August 15, 2030	4.20%	(9) (15)
November 30, 2017	22.7	22.7	January 16, 2030	4.08%	(10) (15)
December 6, 2017	19.1	19.1	October 16, 2030	3.99%	(11) (15)
December 7, 2017	21.2	21.2	January 19, 2029	3.72%	(12) (15)
January 30, 2018	19.2	—	January 22, 2030	3.98%	(13) (15)
March 1, 2018	15.4	—	January 15, 2031	3.9%	(14) (15)
	$ 326.2	$ 294.5			

(1) Maturity date is earlier of date indicated or the date that the CLO is dissolved.
(2) Incurs interest at the weighted average rate of the underlying senior notes. Interest income on the underlying collateral approximated the amount of interest expense and was not significant for the three months and six months ended June 30, 2018 and 2017.
(3) Original borrowing of €61.8 million; incurs interest at EURIBOR plus applicable margins as defined in the agreement.
(4) Incurs interest at LIBOR plus 1.932%.
(5) Incurs interest at LIBOR plus 1.923%.
(6) Incurs interest at LIBOR plus 1.536%.
(7) Incurs interest at LIBOR plus 1.808%.
(8) Original borrowing of €17.4 million; incurs interest at EURIBOR plus 1.75% and has full recourse to the Partnership.
(9) Incurs interest at LIBOR plus 1.848%.
(10) Incurs interest at LIBOR plus 1.7312%.
(11) Incurs interest at LIBOR plus 1.647%.
(12) Incurs interest at LIBOR plus 1.365%.
(13) Incurs interest at LIBOR plus 1.624%.
(14) Incurs interest at LIBOR plus 1.552%.
(15) Term loan issued under master credit agreement.

The CLO term loans are secured by the Partnership's investments in the respective CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and generally do not have recourse to any other Carlyle entity.

European CLO Financing. On February 28, 2017, a subsidiary of the Partnership entered into a financing agreement with several financial institutions under which these financial institutions provided a €61.8 million term loan ($72.1 million at June 30, 2018) to the Partnership. This term loan is secured by the Partnership's investments in the retained notes in certain European CLOs that were formed in 2014 and 2015. This term loan will mature on the earlier of September 21, 2029 or the date that the certain European CLO retained notes have been redeemed. The Partnership may prepay the term loan in whole or in part at any time after the third year of the date of issuance without penalty. Prepayment of the term loan within the first three years will incur a penalty based on the prepayment amount. Interest on this term loan accrues at EURIBOR plus applicable margins (2.33% at June 30, 2018).

Master Credit Agreement - Term Loans. In January 2017, the Partnership entered into a master credit agreement with a financial institution under which the financial institution expects to provide term loans to the Partnership for the Partnership to purchase eligible interests in CLOs. This agreement will terminate in January 2020. Any term loan to be issued under this master credit agreement will be secured by the Partnership's investment in the respective CLO as well as any senior management fee and subordinated management fee payable by each CLO. Any term loan will bear interest at LIBOR plus a weighted average spread and an applicable margin. Interest will be due quarterly.

3.875% Senior Notes. In January 2013, Carlyle Holdings Finance L.L.C., an indirect finance subsidiary of the Partnership, issued $500.0 million of 3.875% senior notes due February 1, 2023 at 99.966% of par. Interest is payable semi-annually on February 1 and August 1, beginning August 1, 2013. The notes are unsecured and unsubordinated obligations of Carlyle Holdings Finance L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Carlyle Group L.P. and each of the Carlyle Holdings partnerships. The indenture governing the notes contains customary covenants that, among other things, limit Carlyle Holdings Finance L.L.C. and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.

5.625% Senior Notes. In March 2013, Carlyle Holdings II Finance L.L.C., an indirect finance subsidiary of the Partnership, issued $400.0 million of 5.625% Senior Notes due March 30, 2043 at 99.583% of par. Interest is payable semi-annually on March 30 and September 30, beginning September 30, 2013. The notes are unsecured and unsubordinated obligations of Carlyle Holdings II Finance L.L.C. and are fully and unconditionally guaranteed, jointly and severally, by The Carlyle Group L.P. and each of the Carlyle Holdings partnerships. The indenture governing the notes contains customary covenants and financial restrictions that, among other things, limit Carlyle Holdings Finance II L.L.C. and the guarantors' ability, subject to certain exceptions, to incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The notes also contain customary events of default. All or a portion of the notes may be redeemed at our option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the notes. If a change of control repurchase event occurs, the notes are subject to repurchase at the repurchase price as set forth in the notes.

In March 2014, Carlyle Holdings II Finance L.L.C. issued $200.0 million of 5.625% Senior Notes due March 30, 2043 at 104.315% of par. These notes were issued as additional 5.625% Senior Notes due March 30, 2043 and are treated as a single class with the already outstanding $400.0 million aggregate principal amount of these senior notes.

Promissory Notes. On January 1, 2016, the Partnership issued a $120.0 million promissory note to BNRI as part of the Partnership's strategic investment in NGP. Interest on the promissory note accrues at the three month LIBOR plus 2.50% (4.83% at June 30, 2018). 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. In December 2016, the Partnership repurchased $11.2 million of the promissory note.

Additionally, in June 2017, as part of the settlement with investors in two commodities investment vehicles managed by an affiliate of the Partnership (discussed in Note 7 to the unaudited condensed consolidated financial statements), the Partnership issued a series of promissory notes, aggregating to $53.9 million, to the investors of these commodities investment vehicles. Interest on these promissory notes accrues at the three month LIBOR plus 2% (4.35% at June 30, 2018). The Partnership may prepay these promissory notes in whole or in part at any time without penalty. Accordingly, as a result of repayments, $33.5 million of these promissory notes are outstanding at June 30, 2018. These promissory notes are scheduled to mature on July 15, 2019.

Obligations of CLOs. Loans payable of the Consolidated Funds represent amounts due to holders of debt securities issued by the CLOs. We are not liable for any loans payable of the CLOs. Several of the CLOs issued preferred shares representing the most subordinated interest, however these tranches are mandatorily redeemable upon the maturity dates of the senior secured loans payable, and as a result have been classified as liabilities under U.S. GAAP, and are included in loans payable of Consolidated Funds in our unaudited condensed consolidated balance sheets.

Loans payable of the CLOs are collateralized by the assets held by the CLOs and the assets of one CLO may not be used to satisfy the liabilities of another. This collateral consists of cash and cash equivalents, corporate loans, corporate bonds and other securities.

Preferred Units. On September 13, 2017, we issued 16 million of our Preferred Units for net proceeds of approximately $387.5 million. We plan to use these proceeds for general corporate purposes, including to fund investments. Distributions on the Preferred Units are discretionary and non-cumulative. The Preferred Units may be redeemed at our option, in whole or in part, at any time on or after September 15, 2022 at a price of $25 per Preferred Unit, plus declared and unpaid distributions. In addition, the Preferred Units may be redeemed at our option prior to September 15, 2022, upon the occurrence of change of control, tax redemption or rating agency events. Holders of the Preferred Units will generally have no voting rights and have none of the voting rights given to holders of our common units, except as otherwise provided in Carlyle's limited partnership agreement. Holders of the Preferred Units have no right to require the redemption of the Preferred Units and the Preferred Units do not have a maturity date. See Note 12 of our unaudited condensed consolidated financial statements for more information on our Preferred Units.

Our accrued performance allocations by segment as of June 30, 2018, gross and net of accrued giveback obligations, are set forth below:

Asset Class	**Accrued Performance Allocations**	**Accrued Giveback Obligation**	**Net Accrued Performance Revenues**
		(Dollars in millions)	
Corporate Private Equity	$ 2,342.4	$ (5.0)	$ 2,337.4
Real Assets	749.5	(58.2)	691.3
Global Credit	62.8	—	62.8
Investment Solutions	745.6	—	745.6
Total	$ 3,900.3	$ (63.2)	$ 3,837.1
Plus: Accrued performance allocations from NGP			195.1
Less: Accrued performance allocation-related compensation			(2,014.1)
Plus: Receivable for giveback obligations from current and former employees			1.1
Less: Deferred taxes on accrued performance allocations			(61.2)
Less: Net accrued performance allocations attributable to non-controlling interests in consolidated entities			10.5
Net accrued performance revenues before timing differences			1,968.5
Less/Plus: Timing differences between the period when accrued performance allocations are realized and the period they are collected/distributed			0.6
Net accrued performance revenues attributable to Carlyle Holdings			$ 1,969.1

As of June 30, 2018, the net accrued performance revenues attributable to Carlyle Holdings, excluding realized amounts, related to our carry funds and our other vehicles by segment were as follows (dollars in millions):

Corporate Private Equity:		
Buyout	$	1,201.3
Growth Capital		67.1
Total Corporate Private Equity		1,268.4
Real Assets:		
Real Estate		331.7
Natural Resources		264.4
Legacy Energy		(16.3)
Total Real Assets		579.8
Global Credit		33.7
Investment Solutions		87.2
Net accrued performance revenues attributable to Carlyle Holdings	$	1,969.1

Realized principal investment income. Another source of liquidity we may use to meet our capital needs is the realized principal investment income generated by our equity method investments and other principal investments. Principal investment income is realized when we redeem all or a portion of our investment or when we receive or are due cash income, such as dividends or distributions. Certain of the investments attributable to Carlyle Holdings (excluding certain general partner interests, strategic investments, and investments in certain CLOs) may be sold at our discretion as a source of liquidity.

Realized performance allocations revenue. Realized performance allocations revenue generated by our investment funds may be used to meet our capital needs. Performance allocations are generally realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the preferred return. For certain funds, performance allocations are realized once all invested capital and expenses have been returned to the fund's investors and the fund's cumulative returns are in excess of the preferred return.

Our Liquidity Needs

We generally use our working capital and cash flows to invest in growth initiatives, service our debt, fund the working capital needs of our business and investment funds and pay distributions to our unitholders.

In the future, we expect that our primary liquidity needs will be to:

- provide capital to facilitate the growth of our existing business lines;
- provide capital to facilitate our expansion into new, complementary business lines, including acquisitions;
- pay operating expenses, including compensation and compliance costs and other obligations as they arise;
- fund costs of litigation and contingencies, including related legal costs;
- fund the capital investments of Carlyle in our funds;
- fund capital expenditures;
- repay borrowings and related interest costs and expenses;
- pay earnouts and contingent cash consideration associated with our acquisitions and strategic investments;
- pay income taxes;
- make distributions to our common and preferred unitholders and the holders of the Carlyle Holdings partnership units in accordance with our distribution policy, and;
- repurchase our units.

Preferred Unit Distributions. With respect to distribution year 2018, the Board of Directors of our general partner has declared a quarterly distribution to preferred unitholders totaling approximately $17.7 million, or $1.101563 per preferred unit, consisting of (i) $0.367188 per preferred unit in respect of the third quarter of 2018 to holders of record at the close of business on September 1, 2018, payable September 17, 2018, (ii) $0.367188 per preferred unit in respect of the second quarter of 2018, which was paid on June 15, 2018, and (iii) $0.367188 per preferred unit in respect of the first quarter of 2018, which was paid on March 15, 2018. Distributions on the preferred units are discretionary and non-cumulative.

Distributions to preferred unitholders paid during the six months ended June 30, 2018 totaled $11.8 million, representing the amount paid in March 2018 of $0.367188 per preferred unit in respect of the first quarter of 2018, and the amount paid in June 2018 of $0.367188 per preferred unit in respect of the second quarter of 2018.

Common Unit Distributions. With respect to distribution year 2018, the Board of Directors of our general partner has declared a distribution to common unitholders totaling approximately $51.2 million, or $0.49 per common unit, consisting of (i) $0.22 per common unit in respect of the second quarter of 2018, which is payable on August 17, 2018 to common unitholders of record on August 13, 2018, and (ii) $0.27 per common unit in respect of the first quarter of 2018, which was paid in May 2018.

With respect to distribution year 2017, through August 2017, we paid a distribution of approximately $49.2 million to common unitholders, consisting of $0.10 per common unit in respect of the first quarter of 2017, which was paid in May 2017, and $0.42 per common unit in respect of the second quarter of 2017, which was paid in August 2017.

Distributions to common unitholders paid during the six months ended June 30, 2018 totaled $61.0 million, representing the amount paid in February 2018 of $0.33 per common unit in respect of the fourth quarter of 2017 and the amount paid in May 2018 of $0.27 per common unit in respect of the first quarter of 2018. Distributions to common unitholders paid during the six months ended June 30, 2017 totaled $22.7 million, representing the amount paid in February 2017 of $0.16 per common unit in respect of the fourth quarter of 2016 and the amount paid in May 2017 of $0.10 per common unit in respect of the first quarter of 2017.

It is Carlyle’s intention to cause Carlyle Holdings to make quarterly distributions to its partners, including The Carlyle Group L.P.’s wholly owned subsidiaries, that will enable The Carlyle Group L.P. to pay a quarterly distribution of approximately 75% of Distributable Earnings Attributable to Common Unitholders for the quarter. “Distributable Earnings Attributable to Common Unitholders” refers to The Carlyle Group L.P.'s share of Distributable Earnings, after an implied provision for current corporate income taxes (other than corporate income taxes attributable to The Carlyle Group L.P.) and preferred unit distributions, net of corporate income taxes attributable to The Carlyle Group L.P. and amounts payable under the tax receivable agreement. Carlyle’s general partner may adjust the distribution for amounts determined to be necessary or appropriate to provide for the conduct of its business, to make appropriate investments in its business and its funds or to comply with applicable law or any of its financing agreements, or to provide for future cash requirements such as tax-related payments, giveback obligations and distributions to unitholders for any ensuing quarter. The amount to be distributed could also be adjusted upward in any one quarter.

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

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

Fund Commitments. Generally, we intend to have Carlyle commit to fund approximately 0.75% to 1% of the capital commitments to our future carry funds, although we may elect to invest additional amounts in funds focused on new investment areas. We may, from time to time, exercise our right to purchase additional interests in our investment funds that become available in the ordinary course of their operations. We expect our senior Carlyle professionals and employees to continue to make significant capital contributions to our funds based on their existing commitments, and to make capital commitments to future funds consistent with the level of their historical commitments. We also intend to make investments in our open-end funds and our CLO vehicles. Our investments in our U.S. and European CLO vehicles will comply with the risk retention rules as discussed in "Risk Retention Rules" later in this section.

Since our inception through June 30, 2018, we and our senior Carlyle professionals, operating executives and other professionals have invested or committed to invest in or alongside our funds. Approximately 3% to 5% of all capital commitments to our funds are funded collectively by us and our senior Carlyle professionals, operating executives and other professionals. The current unfunded commitment of Carlyle and our senior Carlyle professionals, operating executives and other professionals to our investment funds as of June 30, 2018, consisted of the following:

Asset Class		Unfunded Commitment
		(Dollars in millions)
Corporate Private Equity	$	2,606.3
Real Assets		830.9
Global Credit		458.7
Investment Solutions		151.0
Total	$	4,046.9

A substantial majority of the remaining commitments are expected to be funded by senior Carlyle professionals, operating executives and other professionals through our internal co-investment program. Of the $4.0 billion of unfunded commitments, approximately $3.5 billion is subscribed individually by senior Carlyle professionals, operating executives and other professionals, with the balance funded directly by the Partnership.

Investments as of June 30, 2018 consist of the following (dollars in millions):

Investments, excluding accrued performance allocations	$	1,747.3
Less: Amounts attributable to non-controlling interests in consolidated entities		(352.8)
Less: Strategic equity method investments in NGP Management		(394.0)
Less: Investment in NGP accrued performance allocations		(195.1)
Investments excluding non-controlling interests and NGP		805.4
Plus: investments in Consolidated Funds, eliminated in consolidation		250.0
Total investments attributable to Carlyle Holdings, exclusive of NGP Management	$	1,055.4

Of the $1,055.4 million of total investments attributable to Carlyle Holdings, approximately $307.6 million are financed with loans attributable to Carlyle Holdings (see *Sources of Liquidity* earlier in this section). The financing of our CLO investments within the last year has caused our total investments to increase at a faster rate than in prior periods. We expect this trend to continue in the near term.

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. No units will be repurchased from our 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. For the six months ended June 30, 2018, we have paid an aggregate of $51.0 million to repurchase and retire approximately 2.3 million units with all of the repurchases done via open market transactions. Since inception of the program, we have paid an aggregate of $110.2 million to repurchase and retire approximately 6.0 million units.

Cash Flows

The significant captions and amounts from our consolidated statements of cash flows which include the effects of our Consolidated Funds and CLOs in accordance with U.S. GAAP are summarized below.

	Six Months Ended June 30,	
	2018	2017
	(Dollars in millions)	
Statements of Cash Flows Data		
Net cash (used in) provided by operating activities	$ (538.2)	$ 373.1
Net cash used in investing activities	(12.5)	(16.7)
Net cash provided by (used in) financing activities	412.1	(277.0)
Effect of foreign exchange rate changes	(11.7)	35.9
Net change in cash, cash equivalents and restricted cash	$ (150.3)	$ 115.3

Net Cash (Used in) Provided by Operating Activities. Net cash (used in) provided by operating activities was primarily driven by our earnings in the respective periods after adjusting for significant non-cash activity, including non-cash performance allocations and incentive fees, the related non-cash performance allocations and incentive fee related compensation, non-cash equity-based compensation, and depreciation, amortization and impairments, all of which are included in earnings.

Operating cash inflows primarily include the receipt of management fees, realized performance allocations and incentive fees, while operating cash outflows primarily include payments for operating expenses, including compensation and general, administrative, and other expenses. During the six months ended June 30, 2018 and 2017, net cash provided by operating activities primarily included the receipt of management fees and realized performance allocations and incentive fees, totaling approximately $0.9 billion in each period. These inflows were offset by payments for compensation and general, administrative and other expenses of approximately $0.9 billion for each of the six months ended June 30, 2018 and 2017, respectively.

Cash used to purchase investments as well as the proceeds from the sale of such investments are also reflected in our operating activities as investments are a normal part of our operating activities. During the six months ended June 30, 2018, investment proceeds were $379.8 million while investment purchases were $228.9 million. During the six months ended June 30, 2017, investment proceeds were $306.9 million as compared to purchases of $204.3 million.

The net cash provided by operating activities for the six months ended June 30, 2018 and 2017 also reflects the investment activity of our Consolidated Funds. For the six months ended June 30, 2018, purchases of investments by the Consolidated Funds were $2,137.0 million, while proceeds from the sales and settlements of investments by the Consolidated Funds were $1,261.2 million. For the six months ended June 30, 2017, purchases of investments by the Consolidated Funds were $1,514.9 million, while proceeds from the sales and settlements of investments by the Consolidated Funds were $1,746.8 million.

Net Cash Used In Investing Activities. Our investing activities generally reflect cash used for acquisitions, fixed assets and software for internal use. For the six months ended June 30, 2018, cash used in investing activities principally reflects purchases of fixed assets. Purchases of fixed assets were $12.5 million and $16.7 million for the six months ended June 30, 2018 and 2017, respectively.

Net Cash Provided by (Used in) Financing Activities. Financing activities are a net source of cash in the six months ended June 30, 2018 and a net use of cash in the six months ended June 30, 2017.

For the six months ended June 30, 2018, the Partnership received net proceeds of $34.5 million from the issuance of various CLO term loans, while $112.1 million was received for the six months ended June 30, 2017. See Note 5 to the unaudited condensed consolidated financial statements for more information on these term loans.

Distributions to our common unitholders were $61.0 million and $22.7 million for the six months ended June 30, 2018 and 2017, respectively. Distributions to the non-controlling interest holders in Carlyle Holdings were $140.4 million and $63.1 million for the six months ended June 30, 2018 and 2017, respectively. Distributions to our preferred unitholders were $11.8 million for the six months ended June 30, 2018.

The net borrowings (payments) on loans payable by our Consolidated Funds during the six months ended June 30, 2018 and 2017 were $694.5 million and $(310.4) million, respectively. Contributions from non-controlling interest holders were $8.9 million and $25.8 million for the six months ended June 30, 2018 and 2017, respectively, which relate primarily to contributions from the non-controlling interest holders in Consolidated Funds. For the six months ended June 30, 2018 and 2017, distributions to non-controlling interest holders were $51.8 million and $53.0 million, respectively, which relate primarily to distributions to the non-Carlyle interests in majority-owned subsidiaries.

Our Balance Sheet

Total assets were $13.3 billion at June 30, 2018, an increase of $1.0 billion from December 31, 2017. The increase in total assets was primarily attributable to increases in investments of Consolidated Funds and investments, including accrued performance allocations, of $714.0 million, and $359.0 million, respectively. Cash and cash equivalents, including corporate treasury investments, were approximately $1.2 billion and $1.4 billion at June 30, 2018 and December 31, 2017, respectively.

Total liabilities were $10.2 billion at June 30, 2018, an increase of $0.8 billion from December 31, 2017. The increase in liabilities was primarily attributable to increases in loans payable of Consolidated Funds other liabilities of Consolidated Funds of $531.3 million and $244.7 million, respectively, from December 31, 2017 to June 30, 2018.

The assets and liabilities of the Consolidated Funds are generally held within separate legal entities and, as a result, the assets of the Consolidated Funds are not available to meet our liquidity requirements and similarly the liabilities of the Consolidated Funds are non-recourse to us. For example, as previously discussed, the CLO term loans generally are secured by the Partnership's investment in the CLO, have a general unsecured interest in the Carlyle entity that manages the CLO, and do not have recourse to any other Carlyle entity.

Our balance sheet without the effect of the Consolidated Funds can be seen in Note 15 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q. At June 30, 2018, our total assets were $7.8 billion, including cash and cash equivalents, including corporate treasury investments, of $1.2 billion and net accrued performance revenues of $2.0 billion.

Unconsolidated Entities

Our corporate private equity funds and certain of our real estate funds have entered into lines of credit secured by their investors' unpaid capital commitments or by a pledge of the equity of the underlying investment. These lines of credit are used primarily to reduce the overall number of capital calls to investors or for working capital needs. In certain instances, however, they may be used for other investment related activities, including serving as bridge financing for investments. The degree of leverage employed varies among our funds.

Off-balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements including sponsoring and owning limited or general partner interests in consolidated and non-consolidated funds, entering into derivative transactions, entering into operating leases and entering into guarantee arrangements. We also have ongoing capital commitment arrangements with certain of our consolidated and non-consolidated funds. We do not have any other off-balance sheet arrangements that would require us to fund losses or guarantee target returns to investors in any of our other investment funds.

For further information regarding our off-balance sheet arrangements, see Note 2 and Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Contractual Obligations

The following table sets forth information relating to our contractual obligations as of June 30, 2018 on a consolidated basis and on a basis excluding the obligations of the Consolidated Funds:

	July 1, 2018 to December 31, 2018	2019-2020	2021-2022	Thereafter	Total
	(Dollars in millions)				
Debt obligations (including senior notes)[(a)]	$ 10.1	$ 45.2	$ 108.8	$ 1,100.0	$ 1,264.1
Interest payable[(b)]	36.2	143.0	131.1	693.4	1,003.7
Contingent cash and other consideration[(c)]	35.0	11.6	—	—	46.6
Operating lease obligations[(d)]	24.3	103.8	90.3	352.3	570.7
Capital commitments to Carlyle funds[(e)]	4,046.9	—	—	—	4,046.9
Tax receivable agreement payments[(f)]	—	—	22.2	73.5	95.7
Loans payable of Consolidated Funds[(g)]	81.2	194.5	194.2	5,471.1	5,941.0
Unfunded commitments of the CLOs[(h)]	16.5	—	—	—	16.5
Consolidated contractual obligations	4,250.2	498.1	546.6	7,690.3	12,985.2
Loans payable of Consolidated Funds[(g)]	(81.2)	(194.5)	(194.2)	(5,471.1)	(5,941.0)
Capital commitments to Carlyle funds[(e)]	(3,538.9)	—	—	—	(3,538.9)
Unfunded commitments of the CLOs[(h)]	(16.5)	—	—	—	(16.5)
Carlyle Operating Entities contractual obligations	$ 613.6	$ 303.6	$ 352.4	$ 2,219.2	$ 3,488.8

(a) The table above assumes that no prepayments are made on the CLO term loans, promissory notes or senior notes and that the outstanding balance on the revolving credit facility term loan is repaid on the maturity date of the senior credit facility, which is May 5, 2020. See Note 5 to the unaudited condensed consolidated financial statements for the various maturity dates of the CLO term loans, promissory notes and senior notes.

(b) The interest rate on the debt obligations as of June 30, 2018 consist of: 3.875% on $500.0 million of senior notes, 5.625% on $600.0 million of senior notes, approximately 3.24% on $25.0 million remaining term loan under our senior credit facility, a range of approximately 1.75% to 4.29% for our CLO term loans, approximately 4.83% on $108.8 million of our NGP promissory note and approximately 4.35% on $33.5 million of our outstanding settlement promissory notes. Interest payments assume that no prepayments are made and loans are held until maturity.

(c) These obligations represent our estimate of amounts to be paid on the contingent cash and other consideration obligations associated with our business acquisitions, payments related to the acquisition of secondary interests in Carlyle funds and other obligations.

(d) We lease office space in various countries around the world and maintain our headquarters in Washington, D.C., where in June 2018, we entered into an amended non-cancelable lease agreement expiring on March 31, 2030. Our office leases in other locations expire in various years from 2018 through 2032. The amounts in this table represent the minimum lease payments required over the term of the lease.

(e) These obligations generally represent commitments by us to fund a portion of the purchase price paid for each investment made by our funds. These amounts are generally due on demand and are therefore presented in the less than one year category. A substantial majority of these investments is expected to be funded by senior Carlyle professionals and other professionals through our internal co-investment program. Of the $4.0 billion of unfunded commitments, approximately $3.5 billion is subscribed individually by senior Carlyle professionals, advisors and other professionals, with the balance funded directly by the Partnership.

(f) Represents obligations by the Partnership's corporate taxpayers to make payments under the tax receivable agreement. Holders of partnership units in Carlyle Holdings may exchange their Carlyle Holdings partnership units for common units in The Carlyle Group L.P. on a one-for-one basis. These exchanges may reduce the amount of tax that the corporate taxpayers would be required to pay in the future. The corporate taxpayers will pay to the limited partner of Carlyle Holdings making the exchange 85% of the amount of cash savings that the corporate taxpayers realize upon an exchange. See "Tax Receivable Agreement" below. Further, the amount and timing of payments is subject to change as we continue to analyze the 2017 Tax Reform Act.

(g) These obligations represent amounts due to holders of debt securities issued by the consolidated CLO vehicles. These obligations include interest to be paid on debt securities issued by the consolidated CLO vehicles. Interest payments assume that no prepayments are made and loans are held until maturity. For debt securities with rights only to the residual value of the CLO and no stated interest, no interest payments were included in this calculation. Interest payments on variable-rate debt securities are based on interest rates in effect as of June 30, 2018, at spreads to market rates pursuant to the debt agreements, and range from 0.40% to 9.96%.

(h) These obligations represent commitments of the CLOs to fund certain investments. These amounts are generally due on demand and are therefore presented in the less than one year category.

Excluded from the table above are liabilities for uncertain tax positions of $13.0 million at June 30, 2018 as we are unable to estimate when such amounts may be paid.

Risk Retention Rules

The Dodd-Frank Act requires sponsors of asset-backed securities, including CLOs, to retain at least 5% of the credit risk related to the assets that underlie asset-backed securities (referred to herein as the U.S. Risk Retention Rules). As a sponsor of CLOs issued in Europe, we currently comply with similar risk retention rules that have been in place since 2014. The U.S. Risk Retention Rules became effective on December 24, 2016 and applied to sponsors of CLOs issued thereafter. On February 9, 2018, the U.S. Court of Appeals for the District of Columbia ruled that the U.S. Risk Retention Rules do not apply to managers of open-market CLOs - CLOs for which the underlying assets are not transferred by the manager to the CLO issuer via a sale. This ruling officially went into effect on April 5, 2018, effectively ending the need for managers of open-market CLOs to comply with the U.S. Risk Retention Rules. The deadline for the federal agencies responsible for creating the U.S. Risk Retention Rules to appeal the decision of the U.S. Court of Appeals for the District of Columbia to the United States Supreme Court expired on May 10, 2018. As a result, going forward, we do not expect the manager of our U.S. open-market CLOs to obtain or hold 5% of the credit risk that previously would have been necessary to satisfy the U.S. Risk Retention Rules. We will continue to comply with the risk retention rules governing CLOs issued in Europe, which require a combination of capital from our balance sheet, commitments from senior Carlyle professionals, and/or third party financing.

For additional information related to the U.S. Risk Retention Rules, see "—Regulatory changes in the United States could adversely affect our business and the possibility of increased regulatory focus could result in additional burdens and expenses on our business" within Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017.

Guarantees

See Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for information related to our material guarantees.

Indemnifications

In many of our service contracts, we agree to indemnify the third-party service provider under certain circumstances. The terms of the indemnities vary from contract to contract, and the amount of indemnification liability, if any, cannot be determined and has not been included in the table above or recorded in our consolidated financial statements as of June 30, 2018.

Tax Receivable Agreement

Holders of partnership units in Carlyle Holdings (other than The Carlyle Group L.P.'s wholly-owned subsidiaries), subject to the vesting and minimum retained ownership requirements and transfer restrictions applicable to such holders as set forth in the partnership agreements of the Carlyle Holdings partnerships, may (subject to the terms of the exchange agreement) exchange their Carlyle Holdings partnership units for The Carlyle Group L.P. common units on a one-for-one basis. A Carlyle Holdings limited partner must exchange one partnership unit in each of the three Carlyle Holdings partnerships to effect an exchange for a common unit. The exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Carlyle Holdings. These increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that Carlyle Holdings I GP Inc. and any other corporate taxpayers would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with the limited partners of the Carlyle Holdings partnerships that will provide for the payment by the corporate taxpayers to such parties of 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that the corporate taxpayers realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. This payment obligation is an obligation of the corporate taxpayers and not of Carlyle Holdings. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of Carlyle Holdings, the payments that we may make under the tax receivable agreement will be substantial.

See Note 2 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information related to our tax receivable agreement.

Contingent Obligations (Giveback)

Carried interest is ultimately realized when: (1) an underlying investment is profitably disposed of, (2) certain costs borne by the limited partner investors have been reimbursed, (3) the fund's cumulative returns are in excess of the preferred return, and (4) we have decided to collect carry rather than return additional capital to limited partner investors. Realized carried interest may be required to be returned by us 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 allocations are reversed.

See Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information related to our contingent obligations (giveback).

Other Contingencies

In the ordinary course of business, we are a party to litigation, investigations, inquiries, employment-related matters, disputes and other potential claims. We discuss certain of these matters in Note 7 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Carlyle Common Units and Carlyle Holdings Partnership Units

A rollforward of the outstanding Carlyle Group L.P. common units and Carlyle Holdings partnership units from December 31, 2017 through June 30, 2018 is as follows:

	Units as of December 31, 2017	Units Issued - DRUs	Units Forfeited	Units Exchanged	Units Repurchased / Retired	Units as of June 30, 2018
The Carlyle Group L.P. common units	100,100,650	2,702,361	—	1,657,730	(2,340,923)	102,119,818
Carlyle Holdings partnership units	234,813,858	—	—	(1,657,730)	—	233,156,128
Total	334,914,508	2,702,361	—	—	(2,340,923)	335,275,946

The Carlyle Group L.P. common units issued during the period from December 31, 2017 through June 30, 2018 relate to the vesting of the Partnership’s deferred restricted common units during the six months ended June 30, 2018.

The Carlyle Holdings partnership units exchanged relate to the exchange of Carlyle Holdings partnership units held by NGP and certain limited partners for common units on a one-for-one basis. Senior Carlyle professionals can exchange their Carlyle Holdings partnership units for common units on a quarterly basis, subject to the terms of the Exchange Agreement and the Carlyle Holdings partnership agreements. We intend to facilitate an orderly exchange process to seek to minimize the impact on the trading price of our common units. During the three months and six months ended June 30, 2018, senior Carlyle professionals exchanged approximately 0.7 million and 1.7 million of their Carlyle Holdings partnership units for common units.

The total units as of June 30, 2018 as shown above exclude approximately 4.2 million common units in connection with the vesting of deferred restricted common units subsequent to June 30, 2018 that will participate in the common unitholder distribution that will be paid in August 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our primary exposure to market risk is related to our role as general partner or investment advisor to our investment funds and the sensitivities to movements in the fair value of their investments, including the effect on management fees, incentive fees and investment income, including performance allocations. Although our investment funds share many common themes, each of our alternative asset management asset classes runs its own investment and risk management processes, subject to our overall risk tolerance and philosophy. The investment process of our investment funds involves a comprehensive due diligence approach, including review of reputation of shareholders and management, company size and sensitivity of cash flow generation, business sector and competitive risks, portfolio fit, exit risks and other key factors highlighted by the deal team. Key investment decisions are subject to approval by both the fund-level managing directors, as well as the investment committee, which is generally comprised of one or more of the three founding partners, one "sector" head, one or more operating executives and senior investment professionals associated with that particular fund. Once an investment in a portfolio company has been made, our fund teams closely monitor the performance of the portfolio company, generally through frequent contact with management and the receipt of financial and management reports.

There was no material change in our market risks during the three months ended June 30, 2018. For additional information, refer to our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our co-principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives.

Our management, with the participation of our co-principal executive officers and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, our co-principal executive officers and principal financial officer concluded that, as of the end of the period covered by this report, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2018 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required with respect to this item can be found under "Legal Matters" in Note 7, Commitments and Contingencies, of the notes to the Partnership's unaudited condensed consolidated financial statements contained in this quarterly report, and such information is incorporated by reference into this Item 1.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, see the information under Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017, which is accessible on the SEC's website at sec.gov.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table sets forth repurchases of our common units during the three months ended June 30, 2018 for the periods indicated:

Period	(a) Total number of units purchased	(b) Average price paid per unit	(c) Total number of units purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of units that may yet be purchased under the plans or programs
	(Dollars in millions, except unit and per unit data)			
April 1, 2018 to April 30, 2018 (1)(2)	—	$ —	—	$ 140.9
May 1, 2018 to May 31, 2018 (1)(2)	1,518,849	$ 21.43	1,518,849	$ 108.3
June 1, 2018 to June 30, 2018 (1)(2)(3)	822,074	22.48	822,074	$ 89.8
Total	2,340,923		2,340,923	

(1) 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 our 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.

(2) For the periods from May 1, 2018 to May 31, 2018 and from June 1, 2018 to June 30, 2018, all of the units purchased were common units purchased in open market and brokered transactions. All units purchased during these periods were subsequently retired.

(3) The total number of units purchased, shown in columns (a) and (c) in the table above, excludes 134,424 common units that were pending settlement at June 30, 2018.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit No.	Description
3.1	Certificate of Limited Partnership of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-176685) filed with the SEC on September 6, 2011).
3.2	Second Amended and Restated Limited Partnership Agreement of The Carlyle Group L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-35538) filed with the SEC on September 13, 2017).
10.1	Amended and Restated Non-Exclusive Aircraft Lease Agreement, dated as of April 12, 2018 by and between Kewsong Lee as Lessor and Carlyle Investment Management L.L.C. as Lessee (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-35538) filed with the SEC on May 1, 2018).
10.2 *	Amended and Restated Office Lease by and between Teachers Insurance and Annuity Association of America and Carlyle Investment Management L.L.C., dated as of June 14, 2018.
31.1 *	Certification of the co-principal executive officer pursuant to Rule 13a – 14(a).
31.2 *	Certification of the co-principal executive officer pursuant to Rule 13a – 14(a).
31.3 *	Certification of the principal financial officer pursuant to Rule 13a – 14(a).
32.1 *	Certification of the co-principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 *	Certification of the co-principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3 *	Certification of the principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

\+ Management contract or compensatory plan or arrangement in which directors and/or executive officers are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Carlyle Group L.P.

	By:	Carlyle Group Management L.L.C., its general partner
Date: August 1, 2018	By:	/s/ Curtis L. Buser
	Name:	Curtis L. Buser
	Title:	Chief Financial Officer *(Principal Financial Officer and Authorized Officer)*

Exhibit 10.2

AMENDED AND RESTATED OFFICE LEASE

by and between

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA
for the benefit of its Real Estate Account

(“Landlord”)

and

CARLYLE INVESTMENT MANAGEMENT L.L.C.

(“Tenant”)

Dated as of

June 14th, 2018

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LIST OF EXHIBITS

AMENDED AND RESTATED OFFICE LEASE

THIS AMENDED AND RESTATED OFFICE LEASE (this "Lease") is made as of June 14th, 2018 ("Effective Date") between **TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA**, a New York corporation, for the benefit of its Real Estate Account ("Landlord"), and the **CARLYLE INVESTMENT MANAGEMENT L.L.C.**, a Delaware limited liability company ("Tenant"). Tenant and Landlord may be referred to herein each individually as a "Party" and together, as the "Parties".

RECITALS:

WHEREAS, Landlord owns that certain real property known as 1001 Pennsylvania Avenue, N.W., Washington, D.C., the legal description of which is attached hereto as Exhibit A-3 (the "Building");

WHEREAS, Landlord and Tenant entered into that certain Lease dated April 16, 2010 (the "Existing Lease") whereby Landlord leased to Tenant and Tenant leased from Landlord the entirety of the 2nd and 3rd floors of the Building, containing approximately 129,724 square feet of Rentable Area (hereinafter defined), consisting of approximately 58,236 square feet of Rentable Area on the second (2^{nd}) floor of the Building, and approximately 71,488 square feet of Rentable Area on the third (3^{rd}) floor of the Building (the "Existing Premises");

WHEREAS, the Existing Lease expires on July 31, 2026 ("Existing Lease Expiration Date");

WHEREAS, Landlord and Tenant desire to extend the term of the Existing Lease and Tenant desires to expand the Existing Premises by approximately 69,784 square feet on the South Towers of the 4th and 5th floors of the Building (collectively, the "Expansion Premises"); and

WHEREAS, Landlord and Tenant now desire to amend and restate the Existing Lease to incorporate the extension of the term of the Existing Lease and to incorporate the expansion of the Existing Premises to include the Expansion Premises (together with the Existing Premises (the "Premises").

WITNESSETH

NOW THEREFORE, for the premises set forth above (which are hereby incorporated into, and made a part of, this Lease) and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant agree as follows:

LEASE OF PREMISES

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, subject to all of the terms and conditions set forth herein, those certain premises (the "Premises") described in *Item 3* of the Basic Lease Provisions and as shown in the drawing attached hereto as *Exhibit A-1*. The Premises are located in the Building described in *Item 2* of the Basic Lease Provisions. The Building is located on that certain land (the "Land") more particularly described on *Exhibit A-3* attached hereto, which is also improved with landscaping, parking facilities and other improvements, fixtures and common areas and appurtenances now or hereafter placed, constructed or erected on the Land (sometimes referred to herein as the "Project").

AMENDMENT AND RESTATEMENT

This Lease amends and restates the Existing Lease in its entirety, except Tenant shall continue to occupy and lease the Existing Premises pursuant to the terms of the Existing Lease until the Commencement Date (as defined in this Lease).

BASIC LEASE PROVISIONS

1.	**Tenant:**	Carlyle Investment Management L.L.C., a Delaware limited liability company ("Tenant")
2.	**Building:**	1001 Pennsylvania Avenue, N.W. Washington, D.C. ("Building")
3.	**Description of Premises:**	• Existing Premises: The entirety of the 2nd and 3rd floors of the Building as shown on Exhibit A-1 attached hereto • Expansion Premises: That certain portion of the 4th and 5th floors of the South Tower of the Building as shown on Exhibit A-1 attached hereto
	Rentable Area:	• Premises: approximately 199,508 square feet of Rentable Area consisting of: o Existing Premises: approximately 129,724 square feet of Rentable Area, consisting of approximately 58,236 square feet of Rentable Area on the second (2nd) floor of the Building, and approximately 71,488 square feet of Rentable Area on the third (3rd) floor of the Building. o Expansion Premises: approximately 69,784 square feet of Rentable Area, consisting of approximately 34,593 square feet of Rentable Area on the fourth (4th) floor of the South Tower of Building, and approximately 35,191 square feet of Rentable Area on the fifth (5th) floor of the South Towers Building.
	Building Size:	WDCAR methodology of measurement: Approximately 756,499 total square feet of Rentable Area (subject to Paragraph 18) consisting of approximately 713,574 square feet of Rentable Area of office space and approximately 42,925 square feet of rentable area of retail space. BOMA ANSI-Z 65.1-1996 standard method of measurement: Approximately 805,337 total square feet of Rentable Area (subject to Paragraph 18) consisting of approximately 764,949 square feet of Rentable Area of office space and approximately 40,388 square feet of rentable area of retail space.

4. **Tenant's Proportionate Share:**

- Existing Premises: Tenant's Proportionate Share Building: approximately 17.15% (129,724 rsf / 756,499 rsf) (See Paragraph 3)
- Existing Premises: Tenant's Proportionate Share Office: approximately 18.18% (129,724 rsf / 713,574 rsf) (See Paragraph 3)
- Expansion Premises: Tenant's Proportionate Share Building: approximately 8.67% (69,784 rsf / 805,337 rsf) (See Paragraph 3)
- Expansion Premises: Tenant's Proportionate Share Office: approximately 9.12% (69,784 rsf / 764,949 rsf) (See Paragraph 3)

5. **Base Rent:** (See Paragraph 2)

A. EXISTING PREMISES BASE RENT

Commencement Date to July 31, 2019, inclusive:	Existing Premises: ($51.91/square foot of Rentable Area/annum* - subject to abatement set forth in Paragraph 2(a))
Monthly Installment:	$561,164.40
Each Lease Year:	$6,733,972.84
August 1, 2019 to July 31, 2020, inclusive:	Existing Premises: ($53.21/square foot of Rentable Area/annum)
Monthly Installment:	$575,217.84
Each Lease Year:	$6,902,614.04
August 1, 2020 to July 31, 2021, inclusive:	Existing Premises: ($54.54/square foot of Rentable Area/annum)
Monthly Installment:	$589,595.58
Each Lease Year:	$7,075,146.96
August 1, 2021 to July 31, 2022, inclusive:	Existing Premises: ($57.04/square foot of Rentable Area/annum)
Monthly Installment:	$616,621.41
Each Lease Year:	$7,399,456.96
August 1, 2022 to July 31, 2023, inclusive:	Existing Premises: ($58.47/square foot of Rentable Area/annum)
Monthly Installment:	$632,080.19
Each Lease Year:	$7,584,962.28
August 1, 2023 to July 31, 2024, inclusive:	Existing Premises: ($59.93/square foot of Rentable Area/annum)
Monthly Installment:	$647,863.28
Each Lease Year:	$7,774,359.32
August 1, 2024 to July 31, 2025, inclusive:	Existing Premises: ($61.43/square foot of Rentable Area/annum)
Monthly Installment:	$664,078.78
Each Lease Year:	$7,968,945.32

August 1, 2025 to July 31, 2026, inclusive:	Existing Premises: ($62.96/square foot of Rentable Area/annum)
Monthly Installment:	$680,618.59
Each Lease Year:	$8,167,423.08
August 1, 2026 to July 31, 2027, inclusive:	Existing Premises: ($64.53/square foot of Rentable Area/annum)
Monthly Installment:	$697,590.81
Each Lease Year:	$8,371,089.72
August 1, 2027 to July 31, 2028, inclusive:	Existing Premises: ($66.14/square foot of Rentable Area/annum)
Monthly Installment:	$714,995.45
Each Lease Year:	$8,579,945.36
August 1, 2028 to July 31, 2029, inclusive:	Existing Premises: ($67.80/square foot of Rentable Area/annum)
Monthly Installment:	$732,870.34
Each Lease Year:	$8,795,287.20
August 1, 2029 to March 31, 2030, inclusive:	Existing Premises: ($69.50/square foot of Rentable Area/annum)
Monthly Installment:	$751,257.57
Each Lease Year:	$9,015,306.83

B. EXPANSION PREMISES BASE RENT

Commencement Date to March 31, 2020, inclusive:	Expansion Premises: ($45.00/square foot of Rentable Area/annum)
Monthly Installment:	$261,690.00
Each Lease Year:	$3,140,280.00
April 1, 2020 to March 31, 2021, inclusive:	Expansion Premises: ($46.13/square foot of Rentable Area/annum)
Monthly Installment:	$268,261.33
Each Lease Year:	$3,219,135.92
April 1, 2021 to March 31, 2022, inclusive:	Expansion Premises: ($47.28/square foot of Rentable Area/annum)
Monthly Installment:	$274,948.96
Each Lease Year:	$3,299,387.52
April 1, 2022 to March 31, 2023, inclusive:	Expansion Premises: ($48.46/square foot of Rentable Area/annum)
Monthly Installment:	$281,811.05
Each Lease Year:	$3,381,732.64
April 1, 2023 to March 31, 2024, inclusive:	Expansion Premises: ($49.67/square foot of Rentable Area/annum)
Monthly Installment:	$288,847.61
Each Lease Year:	$3,466,171.28
April 1, 2024 to March 31, 2025, inclusive:	Expansion Premises: ($50.91/square foot of Rentable Area/annum)
Monthly Installment:	$296,058.62
Each Lease Year:	$3,552,703.44

	April 1, 2025 to March 31, 2026, inclusive: Monthly Installment: Each Lease Year:	Expansion Premises: ($52.18/square foot of Rentable Area/annum) $303,444.09 $3,641,329.12
	April 1, 2026 to March 31, 2027, inclusive: Monthly Installment: Each Lease Year:	Expansion Premises: ($53.49/square foot of Rentable Area/annum) $311,062.18 $3,732,746.16
	April 1, 2027 to March 31, 2028, inclusive: Monthly Installment: Each Lease Year:	Expansion Premises: ($54.83/square foot of Rentable Area/annum) $318,854.73 $3,826,256.72
	April 1, 2028 to March 31, 2029, inclusive: Monthly Installment: Each Lease Year:	Expansion Premises: ($56.20/square foot of Rentable Area/annum) $326,821.73 $3,921,860.80
	April 1, 2029 to March 31, 2030, inclusive: Monthly Installment: Each Lease Year:	Expansion Premises: ($57.61/square foot of Rentable Area/annum) $335,021.35 $4,020,256.24
	* If the Rent Commencement Date is after April 1, 2019, because of a Landlord Delay, then all time periods in the above Base Monthly Chart shall be adjusted based on the actual Rent Commencement Date.	
6.	**Installment Payable Upon Execution:**	N/A
7.	**Security Deposit:**	None
8.	**Initial Estimated Amount of Tenant's Proportionate Share of Operating Expenses for the Project:**	N/A
9.	**Initial Term:**	Eleven (11) Lease Years, commencing on the Commencement Date and ending on the last day of the eleventh (11th) Lease Year (See Paragraph 1)
10.	**Commencement Date:**	April 1, 2019; provided, the Expansion Premises are in Expansion Premises Required Condition (hereinafter defined) by August 1, 2018 and subject to extension for a Landlord Delay as provided for in Paragraph 4(b)(iv)(I)(b).
11.	**Expiration Date:**	March 31, 2030; provided, if the Commencement Date does not occur on April 1, 2019 because of a Landlord Delay, then the Expiration Date shall be extended by the same number of days that the Commencement Date is extended because of such Landlord Delay

12.	**Tenant's Broker** (See Paragraph 28(l)):	Jones Lang LaSalle 2020 K Street, NW Suite 1100 Washington, DC 20006
13.	**Number of Parking Permits:**	Tenant shall have the right to contract for a total of two hundred and ten (210) parking permits consisting of: (i) one hundred sixty (160) parking permits for the Premises which is equal to one monthly parking permit per 1,250 square feet of Rentable Area of the Premises leased by Tenant, and (ii) an additional fifty (50) parking permits (the "Additional Permits"), pursuant to Section 18(a). Each such parking permit shall be for unreserved parking in the Project's garage at the prevailing market rate, pursuant to the provisions of Paragraph 18(a) below. In the event that Tenant exercise the Expansion Space Option (as defined in Section 24), Tenant shall have the right to contract for one (1) parking permit per 1,250 square feet of Rentable Area of the Expansion Space leased by Tenant (as defined in Section 24). In the event that Tenant desires additional spaces on the P-3 level of the parking garage, Landlord and Tenant shall enter into a separate agreement in connection therewith.
14.	**Addresses for Notices:** **To: TENANT:** Carlyle Investment Management, L.L.C. 1001 Pennsylvania Avenue, NW Suite 220 South Washington, DC 20004 Attn: Property Management and Chief Administrative Officer and to: Carlyle Investment Management, L.L.C. 1001 Pennsylvania Avenue, NW Suite 220 Washington, DC 20004 Attn: General Counsel **With a copy to:** DLA Piper LLP (US) 500 Eighth Street, NW Washington, DC 20004 Attn: Frederick L. Klein, Esq.	**To: LANDLORD:** **Property Management Office:** Teachers Insurance and Annuity Association of America c/o Hines Interests Limited Partnership 1001 Pennsylvania Avenue, NW Suite 100 Washington, DC 20004 Attn: Property Manager **With a copy to:** Teachers Insurance and Annuity Association of America 730 Third Avenue New York, NY 10017-3206 Attn: Managing Director-Real Estate Portfolio, Investment Management-Mortgage and Real Estate and to: Teachers Insurance and Annuity Association of America 8500 Andrew Carnegie Blvd. Charlotte, NC 28262 Attn: Vice-President and General Counsel-Investment Management Law

		and to: Teachers Insurance and Annuity Association of America TH Real Estate 730 Third Avenue New York, NY 10017-3206 Attn: Vadim Goland, Senior Director, Mid-Atlantic Region and to: Perkins Coie, LLP 700 13th Street, NW Suite 600 Washington, DC 20005 Attn: Tara K. Gorman, Esq.
15.	**Address for Payment of Rent:**	All payments payable under this Lease shall be sent to Landlord at: TIAA-CREF, Hines Property Management 1001 Pennsylvania Avenue PO Box 405352 Atlanta, GA 30384-5302 or to such other address as Landlord hereafter may designate in a written notice to Tenant given at least twenty (20) days prior to the date such payment is due.
16.	**Guarantor:**	TC Group, L.L.C., a Delaware limited liability company
17.	**Effective Date:**	The effective date of this Lease shall be the date set forth in the introductory paragraph above.
18.	**Tenant Improvement Allowance:**	$15,957,136.00 (which is equal to (i) $9,211,488.00 (based upon One Hundred Thirty-Two Dollars ($132.00) per square foot of Rentable Area of the Expansion Premises) together with (ii) $6,745,648.00 (based upon Fifty-Two Dollars ($52.00) per square foot of Rentable Area of the Existing Premises). See Paragraph 4(b).
19.	**The "State" is the state, commonwealth, district or jurisdiction in which the Building is located.**	Washington, D.C.
20.	**Storage Space:**	See Paragraph 19. Note: Storage Space rent is payable monthly in addition to Base Rent.
21.	**Option to Extend:**	Two (2) five (5)-year options. See Paragraph 20.
22.	**Right of First Offer:**	See Paragraph 21.
23.	**Telecommunications Equipment:**	See Paragraph 22.
24.	**Lease Year:**	The 12-month period beginning on the first day of the month in which the Commencement Date falls and each anniversary thereof.
25.	**Additional Expansion Option:**	See Paragraph 24.
26.	**Former Landlord Termination Payment:**	See Paragraph 25.

27. **Carlyle Elevator Bank:** See Paragraph 26.

28. **Dispute Resolution** See Paragraph 27.

This Lease consists of the foregoing introductory paragraphs and Basic Lease Provisions, the provisions of the Standard Lease Provisions (the "Standard Lease Provisions") (consisting of Paragraph 1 through Paragraph 28 which follow) and *Exhibits A-1* through *Exhibit I*, all of which are incorporated herein by this reference. In the event of any conflict between the provisions of the Basic Lease Provisions and the provisions of the Standard Lease Provisions, the Standard Lease Provisions shall control.

STANDARD LEASE PROVISIONS

1. TERM

(a) The Initial Term of this Lease and the Rent (defined below) shall commence on April 1, 2019 (the "Commencement Date"); provided that, the Expansion Premises are in Expansion Premises Required Condition in accordance with Section 1(b) and subject to extension for a Landlord Delay. Unless earlier terminated in accordance with the provisions hereof, the Initial Term of this Lease shall be the period shown in *Item 9* of the Basic Lease Provisions. As used herein, "Lease Term" shall mean the Initial Term referred to in *Item 9* of the Basic Lease Provisions, subject to any extension of the Initial Term hereof exercised in accordance with the terms and conditions expressly set forth herein, the Initial Term shall end on March 31, 2030, provided such date shall be extended by the number of days the Commencement Date is delayed because of a Landlord Delay (the "Expiration Date"). Unless Landlord is terminating this Lease prior to the Expiration Date in accordance with the provisions hereof, Landlord shall not be required to provide notice to Tenant of the Expiration Date. This Lease shall be a binding contractual obligation effective upon execution hereof by Landlord and Tenant, notwithstanding the later commencement of the Initial Term of this Lease.

(b) Expansion Premises Required Condition Date.

(i) Existing Premises. Landlord and Tenant acknowledge and agree that the Tenant is currently occupying the Existing Premises. For the purposes of this Lease the Existing Premises shall be delivered on the Commencement Date.

(ii) Expansion Premises. The Expansion Premises will be in the condition required pursuant to Exhibit B-1 ("Expansion Premises Required Condition") on or before August 1, 2018 ("Expansion Premises Required Condition Date"). On the Expansion Premises Required Condition Date Landlord shall have full access to the Expansion Premises for the purposes of constructing the Expansion Premises Improvements (as defined in Section 4(b)(iv)(A)), and Tenant shall have access to the Expansion Premises to the extent provided herein.

(c) Tenant Access. After the Expansion Premises Required Condition Date and until the Commencement Date with the permission of the Landlord (and such permission shall not to be unreasonably withheld), Tenant shall have the right, to move its furniture and personal property into the Expansion Premises and to install cabling in the Expansion Premises, but shall not be allowed to conduct business operations within the Premises and, for the avoidance of doubt, Landlord shall retain control of the physical use of the Expansion Premises for construction of the Expansion Premises Improvements until the Commencement Date. Tenant's exercise of its rights under this Paragraph 1(c) shall not constitute commencing business operations for purposes of determining the Commencement Date hereunder. Tenant will not be charged for any loading dock usage, elevator or hoisting charges, electrical services, water, use of freight elevators, security services, restroom facilities for construction personnel, HVAC, Building management supervision fees, Building engineer oversight or review, staging area costs, loading dock fees, access to Building risers and connection points, etc. during the move-in period; provided, however, Landlord shall charge Tenant a reasonable Third Party Review Costs (as defined in Section 4(b)(vii)), as well as the Project Management Fee (as defined in Section 4(b)(vi)) and the Construction Administration Fee (as defined in Section 4(b)(vii)). Landlord will not restrict the hours of operation of these services for Tenant's use. In case of any conflicts in schedules, to the extent practicable, Tenant's requests shall have priority.

(d) Commencement Letter. Following the Commencement Date and the Rent Commencement Date, Landlord shall prepare and deliver to Tenant, Tenant's Commencement Letter in the form of Exhibit I attached hereto (the "Commencement Letter") which Tenant shall acknowledge by executing a copy and returning it to Landlord. If Tenant fails to sign and return the Commencement Letter to Landlord or provide Tenant's reasonable comments on the Commencement Letter within fifteen (15) days of its receipt from Landlord, the Commencement Letter as sent by Landlord shall be deemed to have correctly set forth the Commencement Date and the other matters addressed in the Commencement Letter. Failure of Landlord to send the Commencement Letter shall have no effect on the Commencement Date or the Rent Commencement Date.

2. BASE RENT

(a) Base Rent. Tenant agrees to pay during each month of the Lease Term as Base Rent ("Base Rent") for the Premises the sums shown for such periods in *Item 5* of the Basic Lease Provisions.

(i) Existing Premises Rental Abatement. Notwithstanding the foregoing, as to the Existing Premises, Landlord shall abate all Base Rent, Operating Expenses, including Taxes, solely for the Existing Premises, for that period of time commencing on the Commencement Date and expiring six (6) months thereafter ("Existing Premises Rental Abatement Amount"). Tenant, in its sole discretion, may elect, by written notice to Landlord given at least thirty (30) days prior to the Commencement Date, to apply all, or any portion of, the Existing Premises Rental Abatement toward the Tenant Improvement Allowance and thereby increasing the Tenant Improvement Allowance for the Existing Premises by Forty Dollars ($40.00) per square foot of Rentable Area, (for a total Improvement Allowance for the Existing Premises of Ninety Two Dollars ($92.00) per square foot of Rentable Area of the Existing Premises).

(ii) Expansion Premises Rental Abatement. Notwithstanding the foregoing, as to the Expansion Premises, Landlord shall abate all Base Rent, Operating Expenses, including Taxes, solely for the Existing Premises, for that period of time commencing on April 1, 2019, subject to day for day extension for any Landlord Delay ("Rent Commencement Date") and expiring twelve (12) months thereafter ("Expansion Premises Rental Abatement Amount"). Tenant, in its sole discretion, may elect, by written notice to Landlord given at least thirty (30) days prior to the Rent Commencement Date, to apply all or any portion of, the Expansion Premises Rental Abatement toward the Tenant Improvement Allowance and thereby increasing the Tenant Improvement Allowance for the Expansion Premises by Seventy Dollars ($75.00) per square foot of Rentable Area, (for a total Improvement Allowance for the Expansion Premises of Two Hundred Seven Dollars ($207.00) per square foot of Rentable Area of the Expansion Premises).

(b) Except as expressly provided to the contrary herein, Base Rent shall be payable in consecutive monthly installments, in advance, without demand, deduction or offset, commencing on the Rent Commencement Date and continuing on the first day of each calendar month thereafter until the expiration of the Lease Term. The first full monthly installment of Base Rent and of Tenant's Proportionate Share Office (as defined below) and Tenant's Proportionate Share Building (as defined below) of applicable estimated Operating Expenses due pursuant to Paragraph 3(e) shall be payable upon the Rent Commencement Date of this Lease. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. If the commencement date for any Expansion Space (as defined in Paragraph 21(a) hereof) is a day other than the first day of a calendar month, or the Lease Term expires on a day other than the last day of a calendar month, then the Rent for such partial month shall be calculated on a per diem basis. In the event Landlord delivers to Tenant and Tenant accepts possession of any Expansion Space pursuant to Paragraph 21, prior to the commencement date therefor, Tenant agrees it shall be bound by and subject to all terms, covenants, conditions and obligations of this Lease during the period between the date possession is accepted by Tenant and the Rent Commencement Date, other than the payment of Base Rent, in the same manner as if delivery had occurred on the Rent Commencement Date.

(c) Measurement of Premises.

(i) Existing Premises. The parties agree that for all purposes hereunder the Existing Premises shall be stipulated to contain the number of square feet of Rentable Area described in *Item 3* of the Basic Lease Provisions. As to the Existing Premises as used herein, "Rentable Area" shall mean the rentable area of space in the Building calculated generally in accordance with the WDCAR methodology.

(ii) Expansion Premises. The parties agree that for all purposes hereunder the Expansion Premises shall be stipulated to contain the number of square feet of Rentable Area described in *Item 3* of the Basic Lease Provisions. As to the Expansion Premises as used herein, "Rentable Area" shall mean the rentable area of space in the Building calculated generally in accordance with the BOMA ANSI-Z 65.1-1996 standard method of measurement.

(iii) No Re-measurement of the Premises.

(A) Existing Premises. After the Commencement Date and throughout the remainder of the Initial Term, Landlord shall have no right to re-measure the Existing Premises or the Building and consequently increase Tenant's Base Rent, except in the event that Landlord physically expands the Building. Landlord shall have the right to re-measure the Existing Premises during any Extension Period.

(B) Expansion Premises. After the Commencement Date and throughout the remainder of the Term, including all Extension Periods (as defined in Section 20), Landlord shall have no right to remeasure the Expansion Premises or the Building and consequently increase Tenant's Base Rent, except in the event that Landlord physically expands the Building.

(d) Base Rent shall be paid to Landlord absolutely net of all costs and expenses, except as otherwise provided in Paragraph 3. The provisions for payment of Operating Expenses by means of periodic payment of Tenant's Proportionate Share Office of estimated applicable Operating Expenses, Tenant's Proportionate Share Building of estimated applicable Operating Expenses and the year-end adjustment of such payments are intended to pass on to Tenant and reimburse Landlord for Tenant's Proportionate Share Office and Tenant's Proportionate Share Building of all costs and expenses described in Paragraph 3 of this Lease.

3. ADDITIONAL RENT

(a) Tenant shall pay to Landlord each month as additional rent ("Additional Rent") an amount equal to Tenant's Proportionate Share Office or Tenant's Proportionate Share Building of applicable Operating Expenses (defined below).

(b) "Tenant's Proportionate Share Office" is, subject to the provisions of Paragraph 18, the percentage number described in *Item 4* of the Basic Lease Provisions. Tenant's Proportionate Share Office represents, subject to the provisions of Paragraph 18, a fraction, the numerator of which is the number of square feet of Rentable Area in the Premises and the denominator of which is the number of square feet of Rentable Area for lease to third parties leasing office space in the Building, subject to the provisions of Paragraph 18. "Tenant's Proportionate Share Building" is, subject to the provisions of Paragraph 18, the percentage number described in *Item 4* of the Basic Lease Provisions. Tenant's Proportionate Share Building represents, subject to the provisions of Paragraph 18, a fraction, the numerator of which is the number of square feet of Rentable Area in the Premises and the denominator of which is the number of square feet of Rentable Area for lease to all third parties leasing office space in the Building, plus the number of square feet of rentable area for lease to all third parties leasing retail space in the Building, subject to the provisions of Paragraph 18. For purposes hereof, Tenant's Proportionate Share Building shall be applicable to Paragraphs 3(c)(i) and 3(c)(ii), and Tenant's Proportionate Share Office shall be applicable to Paragraph 3(c)(iii).

(c) "Operating Expenses" means all reasonable and customary costs, expenses and obligations incurred by Landlord, consistently applied on a consistent basis, in connection with the operation, management, repair or maintenance of the Building and the Project during or allocable to the Lease Term, including without limitation, the following:

(i) Any form of assessment, license fee, license tax, business license fee, commercial rental tax, levy, charge, improvement bond, tax, water and sewer rents and charges, or similar or dissimilar imposition imposed by any authority having the direct power to tax, including any city, county, state or federal government, or any school, or any improvement or special assessment district thereof, or any other governmental charge, general and special, ordinary and extraordinary, foreseen and unforeseen, which are assessed against the legal or equitable interest of Landlord in the Premises, Building, Common Areas or Project during the Lease Term (collectively, "Taxes"). Taxes shall also include, without limitation:

(A) any mandatory assessment, tax, fee, levy or charge by any governmental agency related to any transportation plan, fund or system (including assessment districts) instituted within the geographic area of which the Project is a part; and/or

(B) any reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Landlord in protesting, reducing or minimizing Taxes.

Any Taxes which may be paid in a lump sum or paid in installments shall be passed through as Operating Expenses in installments. Notwithstanding anything contained herein to the contrary, "Taxes" shall not include: any inheritance, estate, gift, franchise, corporation, income, excise, capital stock, succession, transfer, recordation, net or excess profits taxes; taxes on any over standard tenant improvements or tenant improvements valued in excess of those in the Premises; taxes for which Tenant is charged directly (i.e., personal property); Landlord's gross receipts taxes or any other similar tax which may be assessed against Landlord and/or the Building; or any interest or penalties for late payment by Landlord. Landlord shall use commercially reasonable efforts to keep Taxes as low as possible. If Landlord initiates efforts to obtain a reduction or elimination of taxes, Landlord shall diligently pursue such reduction and/or elimination of taxes. If Landlord secures an abatement or refund of any Taxes, Tenant shall be notified by Landlord and receive Tenant's Proportionate Share Building of the amount of such abatement or refund (net of reasonable costs incurred not passed through as Operating Expenses) as a credit to be applied by Landlord against the next monthly rental payment(s) (unless no further Rent is due by Tenant hereunder and then Landlord shall pay Tenant's Proportionate Share Building of the amount of any abatement or refund to Tenant within thirty (30) days of Landlord's receipt of any such abatement or refund), and any expenses incurred by Landlord in connection with obtaining such reduction shall be included in Operating Expenses. In the event that the Landlord receives any real estate tax benefits associated with Tenant's occupancy within the Building, 100% of such tax abatement shall be passed on to Tenant who shall receive the entire benefit.

(ii) Insurance for the Building and Landlord's ownership thereof, including, but not limited to, public liability, fire, property damage, wind, hurricane, earthquake, terrorism, flood, rental loss, rent continuation, boiler machinery, business interruption, contractual indemnification and All Risk or Causes of Loss - Special Form coverage insurance for up to the full replacement cost of the Project and such other insurance for the Building and Landlord's ownership thereof as is customarily carried by operators of other similar class office buildings in the city in which the Project is located, to the extent carried by Landlord in its reasonable discretion, and the deductible portion of any insured loss at the Project otherwise covered by such insurance; provided, however, that to the extent Landlord obtains any such insurance as part of a blanket policy covering other property of Landlord or Landlord Affiliates (as defined in Paragraph 6(g)(iv)) as well as the Building, only the portion of premium therefor reasonably allocated to the Building shall be included as part of Operating Expenses.

(iii) The cost of reasonable and customary services and utilities (including taxes and other charges incurred in connection therewith) provided to the Premises, the Building or the Project, including, without limitation, water, power, gas, sewer, waste disposal, telephone and cable television facilities, fuel, supplies, equipment, tools, materials, service contracts, janitorial services, waste and refuse disposal, window cleaning, maintenance and repair of sidewalks and Building exterior and services areas, gardening and landscaping; vault rentals and charges; employees' wages, salaries, welfare and social security taxes, paid vacation days, and disability, pension, medical and other fringe benefits of all persons (including independent contractors) who perform services connected with the operation, maintenance, repair or replacement of the Building and Common Areas (wages, salaries and related expenses of any agents or employees not exclusively engaged in the operation, maintenance, security and management of the Building shall be reasonably apportioned); any association assessments, costs, dues and/or expenses relating to the Project; personal property taxes on and maintenance and repair of equipment and other personal property used in connection with the operation, maintenance or repair of the Project**;** repair and replacement (to the extent that an individual window coverings cannot be repaired) of Building standard window coverings provided by Landlord in the premises of tenants in the Project which replacement coverings shall be of comparable quality; such reasonable auditors' fees and legal fees as are incurred in connection with the direct operation, maintenance or repair of the Project; a property management fee equal to three percent (3%) of gross receipts of the office portion of the Building; if at any time in the future Owner should no longer provide such services the property management fee will be equal to the actual property management fee paid to the on-site property management company, however at no time will such fee exceed 3% of the gross receipts of the office portion of the Building, all reasonable costs associated with maintaining and operating the fitness center in the Building (less any revenues received by Landlord for operating of the fitness center), license, permit and inspection fees directly relating to the Building; all costs and expenses required by any governmental or quasi-governmental authority or by applicable Law for any reason, provided that such expense is not caused by Landlord's negligence, illegal acts or willful misconduct or by governmental or quasi-governmental tenants in the Building acting as tenants in the Building; the cost of air conditioning, heating, ventilating, plumbing, elevator maintenance and repair (to include the replacement of components) and other mechanical and electrical systems repair and maintenance; sign maintenance; and Common Area (defined below) repair, operation and maintenance; the reasonable cost for temporary lobby displays and events commensurate with the operation of a similar class building (not to exceed two (2) events per calendar year), and the cost of providing security services, if any, deemed reasonably appropriate (it being understood, however, that any increased security put in place solely for another tenant of the Building or solely because of the sensitivity of another tenant or which do not contribute to the overall security of the tenants in the Building shall not be an Operating Expense). Notwithstanding the foregoing, at no time shall the rental charges for the on-site property management office passed through as an Operating Expense exceed the fair market rental rate for interior, windowless space. As of the Effective Date, the on-site property management office is in windowless space. If Landlord makes an expenditure for any capital improvements made to the Project by Landlord that reduce Operating Expenses, or to comply with any law, ordinance or regulation pertaining to the Land or the Building enacted after the Commencement Date, and if, under generally accepted accounting principles as applied to real estate, such expenditure is not a current expense, then the pass-through amount allocated to each calendar year during the Term will be equal to the lesser of (i) the amount of the actual reduction (if applicable) or (ii) the actual amount of such capital expenditures as amortized over the maximum allowable useful life of the improvements for which the capital expenditures were made, determined in accordance with generally accepted accounting principles, together with an imputed interest amount calculated on the unamortized portion thereof using an interest rate equal to the prime rate as announced by Bank America, N.A., plus one percent (1%) (the "Amortization Rate"), and such cost shall be deemed to be a "Permitted Capital Expenditure" and shall be treated as an Operating Expense. Tenant will not permit the pass-through of Permitted Capital Expenditures unless they can be demonstrated to quantifiably reduce directly applicable Operating Expenses or are necessary to comply with legal requirements not in effect on the Commencement Date. Notwithstanding the foregoing provisions of Paragraph 3(c)(i), the following shall be excluded or deducted from Operating Costs: (i) the costs related to the garage portion of the Project (except that no separate allocation to the garage portion shall be made for insurance and taxes, as identified in Paragraph 3(c)(i) and Operating Costs shall include the Rentable Area of office space within the Building of the total tax and insurance costs for the entire Project), and (ii) the costs and expenses of all utilities for and inspection, maintenance, service and repair of the Rentable Area of the commercial (retail) space in the Project. Notwithstanding the foregoing, Operating Expenses shall not include that portion, if any, of Operating Expenses of the Building that are allocated to, and to be paid by, specific tenants of the Building.

Notwithstanding anything to the contrary in the forgoing, the following items shall also be excluded or deducted from Operating Expenses:

(A) the costs and expenses related to the commercial (retail) space in the Project, including, without limitation, the costs and expenses of all utilities for and inspection, maintenance, service and repair of the Rentable Area of the commercial (retail) space in the Project;

(B) the cost of any improvements which under generally accepted accounting principles, consistently applied, are properly classified as capital improvements, except for Permitted Capital Expenditures;

(C) costs associated with any improvement installed or work performed or any other cost or expense incurred by Landlord in order to comply with the requirements for the obtaining of a certificate of occupancy for the Building or any space therein;

(D) expenses for repairs, replacements or improvements arising from the initial construction and fit-up of the Building, or subsequent repairs or replacements, to the extent such expenses are reimbursed to Landlord by virtue of warranties or service contracts from contractors or suppliers;

(E) leasing commissions, attorneys' fees, costs and disbursements and other expenses incurred in connection with leasing, renovating or improving space in the Project for tenants of the Project (including prospective tenants);

(F) leasing commissions, consultant's commissions, legal expenses, advertising costs, marketing fees, accounting fees, promotional expenses, space planning costs, architectural expenses, construction expenses, rent concessions, tenant improvement expenses and credits, tenant lease assumption costs, moving expenses, recovery of possession costs, and any and all other expenses incurred in connection with the leasing of space (including, without limitation, any extensions, modifications and terminations thereof and any negotiations, disputes and enforcement in connection therewith) in the Project to tenants, including, without limitation, any costs in connection with the foregoing involving tenants, prospective tenants, brokers, prospective purchasers or mortgagees of the Building;

(G) the cost of any additions, alterations, changes, replacements and other items which are made in preparing, completing, fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space in any tenant's premises specifically for a tenant's occupancy or specifically for a tenant thereafter or any vacant space;

(H) Landlord's costs of any services sold to tenants for which Landlord is entitled to be reimbursed by such tenants as an additional charge or rental over and above the Base Rent and Operating Expenses payable under the lease with such tenant or other occupant;

(I) premiums and other costs for insurance carried by Landlord to the extent such insurance coverage is not reasonably comparable to that carried by landlords for comparable first class office buildings in the Washington, D.C., metropolitan area;

(J) any depreciation or amortization of the Project, the Building, or any equipment, machinery or improvements therein, except with respect to Permitted Capital Expenditures;

(K) for any costs as a direct result of the negligence of Landlord (provided that such repairs would not have been required but for such negligence);

(L) costs incurred due to or required to cure a violation of Law (defined below) by Landlord relating to the Project;

(M) interest on debt or amortization payments on any mortgages or deeds of trust or any other debt for borrowed money;

(N) costs of purchasing or leasing sculpture, paintings or other art objects;

(O) ground rent payable with respect to ground leases, underlying leases, easements or amounts payable pursuant to other recorded documents;

(P) principal or interest and amortization of funds borrowed by Landlord and any related financing or refinancing expenses (including, but not limited to, points, fees and other expenses associated with debt encumbering any portion of the Building), whether secured or unsecured;

(Q) interest, penalties, fees, fines or any other cost arising by reason of Landlord's failure to timely pay any Operating Expenses;

(R) interest paid on amounts by which any tenant's estimated payments exceed such tenant's pro rata share of operating expense and tax pass-throughs;

(S) all costs incurred by Landlord to refinance, encumber or transfer the Building, the Land, Building equipment and/or Building improvements, or to pledge, encumber or sell any interest of Landlord therein, including, but not limited to, any closing costs, title insurance premiums, transfer and all other recordation taxes and charges incurred in connection with same, sales commissions, advertising and promotional expenses;

(T) all items and services for which Tenant or other tenants reimburse Landlord outside of Operating Expenses;

(U) repairs or other work occasioned by fire, windstorm or other work paid for or payable through insurance or condemnation proceeds (excluding any deductible);

(V) legal expenses incurred for (i) negotiating lease terms for prospective tenants, (ii) negotiating termination or extension of leases with existing tenants, (iii) proceedings against any other specific tenant relating solely to the collection of rent or other sums due to Landlord from such tenant;

(W) any costs relating to the acquisition, development and/or construction of the Project;

(X) repairs resulting from any defect in the design or construction of any portion of the Project;

(Y) salaries and all other compensation (including fringe benefits and other direct and indirect personnel costs) of partners, officers and executives of Landlord or such parties who are not otherwise engaged full-time in working at the Building (in the event any employee at or below the level of partners, officers and executives of Landlord works less than full-time at the Building, such employee's salary, wages and other compensation shall be equitably apportioned based upon the time spent at the Building and such equitably apportioned amount shall be included as an Operating Expense);

(Z) utilities and other similar expenses incurred directly by or on behalf of retail tenants of the Building or which are directly metered or submetered to other tenants of the Building, and the costs of overtime heating, ventilating and air conditioning service provided to any tenant (including Tenant) or occupant of the Building;

(AA) advertising and promotional expenses intended to attract new tenants to the Building;

(BB) the costs and expenses related to the garage portion of the Project, including, without limitation, all operating or maintenance costs, including compensation and utility charges applicable to the parking garage under the Building; provided, however, there will be no separate allocation for Taxes and insurance; provided, however, in the event that the operation of the garage is no longer open to the public and is solely open to tenants of the Building and their invitees, then the costs associated with maintenance and operation of the garage and parking facilities shall be passed through to Tenant as an Operating Expense;

(CC) cost of signage identifying Landlord, any tenant, or other related entity, other than the Building's office tenant lobby directory(ies) and operational signage;

(DD) collection costs incurred by Landlord on Landlord's behalf, and bad debt losses or reserves;

(EE) any costs and expenses incurred, and compensation paid to clerks, attendants or other persons, in any commercial concessions or vending machines operated by Landlord in the Common Areas;

(FF) costs incurred (including, but not limited to, attorneys' fees) in connection with the negotiation and documentation of lease transactions (including subleases and assignments);

(GG) any costs or expenses (including, but not limited to, penalties, fees, fines or punitive damages) incurred by Landlord resulting from Landlord's violation of any agreement to which Landlord is a party or of any applicable laws, ordinances, rules, regulations or orders (including, but not limited to, building, zoning, fire, life safety and disability);

(HH) costs or fees relating to the defense of Landlord's title or interest in the real estate containing the Building or any part thereof;

(II) costs of defending any lawsuits with any mortgagee;

(JJ) costs of Landlord incurred in connection with any audit performed for a tenant by a third-party accountant;

(KK) amounts paid to any partner, shareholder, officer, executive or director of Landlord for salary or other compensation;

(LL) costs of any other service or other benefits to Tenant or any other tenant or occupant in the Building which either (i) is in excess of that furnished to Tenant, (ii) is supplied or furnished to Tenant pursuant to the terms of this Lease with a separate or additional charge or (iii) is payable separately by tenants of the Building;

(MM) costs arising from the presence of Hazardous Materials or costs incurred to remove, remediate or clean up any Hazardous Materials from either the Building or the Land (including, but not limited to, any governmental investigation, order, proceeding or report with respect thereto);

(NN) costs and expenses relating to administering the affairs of the ownership entity which are unrelated to the maintenance, management or operation of the Building, including, but not limited to, maintaining Landlord's existence, either as a corporation, partnership or other entity;

(OO) any other costs or expenses for which Landlord actually receives reimbursement from any tenant, the proceeds of any insurance policy, or any other source, other than Additional Rent or a similar rental reimbursement by another tenant for its share of Operating Expenses;

(PP) the cost of repairs incurred by reason of fire or other casualty or condemnation to the extent that either (1) Landlord is compensated therefor through proceeds of insurance or condemnation awards; (2) Landlord would have been compensated therefor had Landlord obtained the insurance coverage against such fire or casualty required hereunder to be carried by Landlord; or (3) Landlord is not fully compensated therefor due to the coinsurance provisions of its insurance policies on account of Landlord's failure to obtain the insurance required hereunder to be carried by Landlord;

(QQ) wages, salaries, fees and any and all other amounts constituting Operating Expenses hereunder paid to any Affiliate of either Landlord or the Building managing agent, or to any officer or director of Landlord in the event and to the extent such wages, salaries, fees and/or other amounts exceed prevailing market rates that would be paid to unrelated third parties;

(RR) costs occasioned by a Landlord default under this Lease;

(SS) costs associated with any concessions or inducements granted to tenants in the Building (such as moving expense allowances, rent abatements or reimbursements);

(TT) takeover expenses of any kind or nature incurred by Landlord with respect to space located in another building in connection with the leasing of space in the Building;

(UU) costs arising from Landlord's charitable or political contributions;

(VV) costs incurred for leasing systems or equipment which Landlord is leasing in lieu of purchasing to the extent that the purchase thereof would not be an Operating Expense;

(WW) costs of telephone, telegraph, telecopy (or other telecommunication) incurred by tenants and occupants of the Building;

(XX) any amounts payable by Landlord to another tenant or to Landlord's lender by way of indemnity or for damages;

(YY) costs of additional insurance premiums for the Building due to any tenant's operations within such tenant's demised premises which exceed usual and customary office purposes;

(ZZ) "In-house" legal and/or accounting fees;

(AAA) reserves for future Operating Expenses;

(BBB) insurance deductibles and co-insurance payments in excess of One Hundred Thousand Dollars ($100,000) per occurrence;

(CCC) costs for which Landlord has been compensated by a management fee;

(DDD) costs incurred in connection with upgrading the Building to comply with any law, ordinance or regulation pertaining to the Landlord or Building prior to the Commencement Date; and

(EEE) The cost of any types of services or amenities at the Building shall only be included in Operating Expenses, if such types of services or amenities can be provided at a reasonable cost and are necessary to maintain the status of the Building as a first-class office building in the Washington, D.C. area. Operating Expenses shall be calculated in accordance with sound accounting principles consistently applied, and to the extent any Operating Expenses are on an accrual basis, they should be in compliance with Generally Accepted Accounting Principles as consistently applied to real estate. To the extent any Operating Expenses are paid for in advance, such expenses shall be charged to tenants during the period for which such expense is applicable. Landlord shall at all times use reasonable efforts to operate the Building in an efficient and cost-effective manner consistent with the operation of first-class office buildings in Washington, D.C.

(d) Operating Expenses for any calendar year during which actual occupancy of the Building is less than ninety five percent (95%) of the Rentable Area of the Building shall be appropriately adjusted to reflect ninety five percent (95%) occupancy of the existing Rentable Area of the Building during such period. In determining Operating Expenses, if any services or utilities are separately charged to tenants of the Building or others, Operating Expenses shall be adjusted by Landlord to reflect the amount of expense which would have been incurred for such services or utilities on a full-time basis for normal Building operating hours. In the event Tenant elects to separately meter its HVAC, water or electric consumption (which is currently contemplated by Tenant and Landlord), then Tenant at its own costs and expense shall install and remove such meters and (i) such separately metered charges shall be deducted from Tenant's pro rata share the Building's utility costs in a manner equitably determined by Landlord and Tenant, and (ii) Tenant shall be permitted to benefit from the lower rate per KWH that Landlord has negotiated in its power purchase agreement with PEPCO as provided in more detail in Paragraph 7(g) below. In the event (i) the Rent Commencement Date and/or the commencement date for any Additional Expansion Space shall be a date other than January 1, (ii) the date fixed for the expiration of the Lease Term shall be a date other than December 31, (iii) of any early termination of this Lease, or (iv) of any increase or decrease in the size of the Premises, then in each such event, an appropriate adjustment in the application of this Paragraph 3 shall, subject to the provisions of this Lease, be made to reflect such event on a basis determined by Landlord to be consistent with the principles underlying the provisions of this Paragraph 3. In no event shall this paragraph operate to enable Landlord to collect and retain from all tenants in the Building more than one hundred percent (100%) of the actual amount incurred by Landlord for Operating Expenses, nor shall any adjustment be made pursuant to this paragraph with respect to any costs or expenses which do not vary with the occupancy level of the Building.

(e) At least fifteen (15) days prior to the Rent Commencement Date and then at least fifteen (15) days prior to the prior to commencement of each calendar year of the Lease Term following the Commencement Date, Landlord shall give to Tenant a reasonable good-faith written estimate of Tenant's Proportionate Share Office and Tenant's Proportionate Share Building of the applicable Operating Expenses for the Building for the ensuing calendar year. Upon request, Landlord shall review with Tenant a copy of Landlord's approved operating and capital budgets for such calendar year including a line-item comparison of same to the applicable then projected expenses including a line-items comparison of the same to the applicable then actual expenses incurred by Landlord in the prior calendar year, to the extent available with an update provided upon determination of actual costs. Tenant will have the right to provide input to Landlord in connection with any future contemplated capital expenditures (scope, timing and cost) that occur after the Commencement Date and are not directly related to the maintenance, repair or replacement of any structural, mechanical or Building system. In any event, there will be no pass-through of capital expenditures arising from breakage or ordinary wear and tear, unless such capital expenditure can be demonstrated to reduce directly applicable Operating Expenses or are necessary to comply with legal requirements not in effect on the Commencement Date. Tenant shall pay such estimated amount to Landlord in equal monthly installments, in advance on the first day of each month. Within one hundred twenty (120) days after the end of each calendar year, Landlord shall furnish Tenant an independent CPA audited statement indicating in reasonable detail the Operating Expenses for such period, and the parties shall, within thirty (30) days thereafter, make any payment or allowance necessary to adjust Tenant's estimated payments to Tenant's actual share of such Operating Expenses as indicated by such annual statement. Any payment due Landlord shall be payable by Tenant within thirty (30) days of demand from Landlord. Any amount due Tenant shall be credited against installments next becoming due under this Paragraph 3(e) or refunded to Tenant, if requested by Tenant.

(f) Notwithstanding anything to the contrary, Tenant shall have thirty (30) days after receipt of an invoice from Landlord with respect to pay any non-scheduled Rent that is due and payable under this Lease.

(g) Tenant shall pay ten (10) days before delinquency, all taxes and assessments (i) levied against any personal property, Alterations, any over standard tenant improvements or trade fixtures of Tenant in or about the Premises, (ii) based upon this Lease or any document to which Tenant is a party creating or transferring an interest in this Lease or an estate in all or any portion of the Premises, and (iii) levied for any business, professional, or occupational license fees of Tenant. If any such taxes or assessments are levied against Landlord or Landlord's property or if the assessed value of the Project is increased by the inclusion therein of a value placed upon such personal property or trade fixtures, Tenant shall upon written demand reimburse Landlord for the taxes and assessments so levied against Landlord, or such taxes, levies and assessments resulting from such increase in assessed value. To the extent that any such taxes are not separately assessed or billed to Tenant, Tenant shall pay the amount thereof as invoiced to Tenant by Landlord.

(h) Any delay or failure of Landlord in (i) delivering any estimate or statement described in this Paragraph 3, or (ii) computing or billing Tenant's Proportionate Share of Operating Expenses shall not constitute a waiver of its right to require an increase in Rent, or in any way impair the continuing obligations of Tenant under this Paragraph 3. Notwithstanding the foregoing, Tenant shall have no obligation to pay any amount invoiced more than one hundred eighty (180) days after the end of the calendar year. In the event of any dispute as to any Additional Rent due under this Paragraph 3, Tenant, an officer of Tenant or a certified public accountant retained by Tenant (but in no event shall Tenant hire or employ an accounting firm or any other person to audit Landlord as set forth under this Paragraph who is compensated or paid for such audit on a contingency basis) shall have the right after reasonable notice and at reasonable times to inspect Landlord's accounting records at Landlord's on-site management office. If, after such inspection, Tenant still disputes such Additional Rent, upon Tenant's written request therefor, a certification as to the proper amount of Operating Expenses and the amount due to or payable by Tenant shall be made by an independent certified public accountant mutually agreed to by Landlord and Tenant; provided, however, such certified public accountant shall not be the accountant who conducted Landlord's initial calculation of Operating Expenses to which Tenant is now objecting. Such certification shall be final and conclusive as to all parties. If the certification reflects that Tenant has overpaid Tenant's Proportionate Share Office and/or Tenant's Proportionate Share Building of Operating Expenses for the period in question, then Landlord shall credit such excess to Tenant's next payment of Operating Expenses or, at the request of Tenant, promptly refund such excess to Tenant and conversely, if Tenant has underpaid Tenant's Proportionate Share Office and/or Tenant's Proportionate Share Building of Operating Expenses, Tenant shall promptly pay such additional Operating Expenses to Landlord. Tenant agrees to pay the cost of such certification and the investigation with respect thereto unless it is determined that Landlord's original statement was in error in Landlord's favor by more than three percent (3%) in which case, Landlord shall reimburse Tenant for reasonable cost of such certification and investigation. Tenant waives the right to dispute any matter relating to the calculation of Operating Expenses or Additional Rent under this Paragraph 3 if any claim or dispute is not asserted in writing to Landlord within two (2) years from when the original reconciliation of Operating Expenses or Additional Rent statement with respect thereto was delivered to Tenant, except that if an error in excess of three percent (3%) is found to exist, then with regard to such error Tenant shall also have the ability to look back to, and dispute, the statements issued for the two (2) preceding calendar years. Notwithstanding the foregoing, Tenant shall maintain strict confidentiality of all of Landlord's accounting records and shall not disclose the same to any other person or entity except for Tenant's professional advisory representatives (such as Tenant's employees, accountants, advisors, attorneys and consultants) with a need to know such accounting information, who agree to similarly maintain the confidentiality of such financial information.

(i) Even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of Tenant's Proportionate Share Office and/or Tenant's Proportionate Share Building of Operating Expenses for the year in which this Lease terminates, Tenant shall, within thirty (30) days, pay any increase due over the estimated Operating Expenses paid, and conversely, any overpayment made by Tenant shall, within thirty (30) days, be refunded to Tenant by Landlord.

(j) The Base Rent, Additional Rent, late fees, and other amounts required to be paid by Tenant to Landlord hereunder are sometimes collectively referred to as, and shall constitute, "Rent".

4. IMPROVEMENTS AND ALTERATIONS

(a) Delivery of Premises. Landlord shall deliver the Premises to Tenant in accordance with Section 1(b), and Tenant agrees to accept the Premises from Landlord in its existing "AS-IS", "WHERE-IS" condition subject to Landlord's performing its ongoing janitorial and maintenance obligations and Landlord's obligations to complete the Expansion Premises Improvements (hereinafter defined), the Tenant Improvements, Landlord's Work and Building Enhancements as each term is identified on *Exhibit B-2* attached hereto. Notwithstanding the forgoing, Landlord represents that to the best of its knowledge, as of the Effective Date, the Building complies with applicable local, state and federal regulations, including compliance with the Americans with Disabilities Act with respect to all Common Areas.

(b) Tenant Improvements.

(i) Tenant Improvement Allowance. Commencing on the Effective Date, Landlord shall provide Tenant an allowance (the "Initial Tenant Improvement Allowance") equal to Fifteen Million Nine Hundred Fifty Seven Thousand One Hundred Thirty Six and 00/100 Dollars ($15,957,136.00) (which amount is based on the sum of (1) the product of (A) Fifty Two and 00/100 Dollars ($52.00) multiplied by (B) the number of square feet of Rentable Area in the Existing Premises and (2) the product of (A) One Hundred Thirty Two and 00/100 Dollars ($132.00) multiplied by (B) the number of square feet of Rentable Area in the Expansion Premises). The Tenant Improvement Allowance (hereinafter defined) is provided in order to help Tenant finance all costs associated with Tenant's construction of the physical tenant improvements actually installed in the Premises (the Existing Premises Improvements, together with the Expansion Premises Improvements (hereinafter defined), the "Tenant Improvements"). To the extent that Tenant elects to contribute all or any portion of the Existing Premises Abatement Amount and/or the Expansion Premises Abatement Amount to the Tenant Improvement Allowance, the term "Tenant Improvement Allowance" shall be inclusive of such amounts. The term "Maximum Tenant Improvement Allowance" shall mean the Initial Tenant Improvement Allowance, together with the Existing Premises Abatement Amount and/or the Expansion Premises Abatement Amount.

(ii) If the cost of the Tenant Improvements exceeds the Initial Tenant Improvement Allowance, then Tenant shall be deemed to have elected to contribute the Expansion Premises Abatement Amount and/or the Existing Premises Abatement Amount until the earlier of (1) to the extent necessary to cover the costs of the Tenant Improvements, or (2) until Tenant has contributed the Maximum Tenant Improvement Allowance. To the extent the cost of the Tenant Improvements and related items covered by the Tenant Improvement Allowance exceed the amount of the Maximum Tenant Improvement Allowance, then the excess cost shall be referred to as "Excess Costs." In the event of Excess Costs, then any disbursements from the Tenant Improvement Allowance shall be made first to cover the costs of the Expansion Premises Improvements, until the Expansion Premises Improvements are substantially complete and the costs of the Expansion Premises Improvements are fully covered by the Maximum Tenant Improvement Allowance. To the extent that the costs of the Tenant Improvements are not fully covered by the Maximum Tenant Improvement Allowance, Tenant shall be fully responsible for the Excess Costs associated with the Existing Premises Improvements (as defined in Section 4(b)(v)). Tenant shall be solely responsible for Excess Costs necessary for the completion of the Existing Premises Improvements, and shall make all related payments directly to Tenant's general contractor, subcontractors or other vendors to construct the Tenant Improvements. Landlord shall not be liable for Excess Costs, and Tenant shall indemnify and hold Landlord harmless with respect to any claims against Landlord for Excess Costs. To the extent that any portion of the Tenant Improvement Allowance to be contributed by Landlord under this paragraph is not requested within one (1) year after substantial completion of the Tenant Improvements, the remaining funds shall be retained by Landlord. It is hereby agreed that all Tenant Improvements shall immediately become the property of Landlord upon completion unless otherwise agreed to in writing.

(iii) Test Fit Allowance. In addition to the Tenant Improvement Allowance, Tenant shall receive a test fit allowance equal to 15/100 Dollars ($.15) per square foot of Rentable Area of the Expansion Premises to be paid to HYL for its review of a space program and layout for the Expansion Premises.

(iv) Expansion Premises Improvements.

(A) Landlord shall deliver the Expansion Premises to Tenant in its "as is" condition; provided, however, that Landlord shall construct the Tenant Improvements in the Expansion Premises (the "Expansion Premises Improvements"), at Tenant's sole cost and expense subject, however, to the application of the Tenant Improvement Allowance, in accordance with the terms of this Lease.

(B) The schedule of documentation, delivery, approvals, and construction items with respect to the build-out of the Expansion Premises Improvements is attached hereto as Exhibit B-2 (the "Construction Schedule"). Tenant expressly acknowledges that Landlord has no obligation to undertake or perform any improvements in and to the Premises other than the Tenant Improvements and the Landlord Work as described in Exhibit B-1.

(C) Tenant's architect (the "Architect") shall provide Tenant and Landlord with a schematic design plan of the Expansion Premises Improvements ("Tenant's Plans"), showing schematic space planning, perimeter offices and special location items. Upon receipt of the Tenant's Plans, Landlord shall use commercially reasonable efforts to promptly review Tenant's Plans. If, in its reasonable discretion, Landlord deems Tenant's Plans to be unacceptable, Landlord shall give Tenant written notice within five (5) business days of Tenant's receipt of Tenant's Plans, stating reasons the Tenant's Plans are unacceptable. Tenant shall have five (5) business days from the receipt of such notice to correct the deficiencies and deliver the corrected version to Landlord. Landlord shall then have three (3) business days from its receipt of the corrected Tenant's Plans to evaluate Tenant's Plans.

(D) Landlord shall perform the Expansion Premises Improvements in accordance with the Tenant's Plans, Tenant's Plan Requirements and the Construction Documents (defined below). Construction Documents shall mean all necessary construction drawings and specifications required for the construction of the Expansion Premises Improvements prepared by the Architect, as shown on Tenant's Plans, which documents are one hundred percent (100%) complete to Landlord's reasonable satisfaction (the "Construction Documents"). A copy of the Construction Documents shall be sent to Landlord. Landlord shall diligently complete the Expansion Premises Improvements within the time frame provided in the Construction Schedule. The Expansion Premises Improvements shall be completed by Landlord in a good and workmanlike manner using new materials and in accordance with all applicable laws and codes governing the same, including, but not limited to, the ADA.

(E) Tenant shall not be required to have Landlord use building stocked materials; however, to the extent that Tenant authorizes Landlord to utilize building stocked materials, the cost for the Tenant Improvements will include the lower of actual or market cost for such building cost materials.

(F) Landlord shall contract with a general contractor from one of the following general contractors as agreed upon by Landlord and Tenant, Hitt Contracting Inc., Rand* Construction, DPR Construction, James G. Davis Construction Corporation, Harvey Cleary, Coakley Williams or Whiting-Turner (such chosen general contractor, the "General Contractor"), to complete the Expansion Premises Improvements in accordance with this Lease, Tenant's Plans and the Construction Documents. Landlord is solely and absolutely responsible for (i) the selection of the General Contractor and any and all subcontractors, and (ii) ensuring the lien free completion of the Tenant Improvements. Tenant's Plans, the Construction Documents and any additional plans, specifications and or drawings necessary for the Tenant Improvements must be approved by Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, in writing prior to the commencement of any work in connection with the Tenant Improvements. The General Contractor, contractor(s) and professional(s) so engaged by Landlord to construct the Tenant Improvements, and the respective contracts between such parties and Landlord, shall be subject to Tenant's prior written approval , which shall not be unreasonably withheld, conditioned or delayed. Upon Landlord's approval of Tenant's Plans, Landlord shall install all Expansion Premises Improvements set forth in Tenant's Plans. Landlord represents that Tenant Improvements shall (i) conform with all applicable laws, rules, regulations, and ordinances, including, but not limited to the Americans With Disabilities Act ("ADA"); (ii) conform with all Building specifications and plans; and (iii) not adversely affect any Building system. Tenant agrees that it shall not effect change orders without the prior written approval of Landlord.

(G) Landlord shall competitively bid the Expansion Premises Improvements to at least three (3) of the Landlord approved general contractors, and Landlord shall award the contract to the lowest qualified and responsive bidder unless Landlord and Tenant determine that there is a legitimate reason to award the contract to a bidder who is not the lowest qualified and responsive bidder (which determination shall be subject to Tenant's reasonable concurrence). The bids submitted by the contractors shall be broken down on a trade-by-trade basis, and Landlord shall permit Tenant to review all of the bids received.

(H) Landlord shall be in physical control of the Expansion Premises while it is undertaking the Expansion Premises Improvements. Notwithstanding the foregoing, Tenant and its consultants shall have the ability to observe and monitor the construction of the Expansion Premises Improvements to ensure quality and standards as per the Tenant's Plans and participate in any budget or value engineering activities associated with the Expansion Premises Improvements. Landlord shall provide Tenant and its representatives access to the Expansion Premises prior to completion of the Expansion Premises Improvements for coordination of furniture, fixtures and equipment, installing cabling and other coordination as reasonable necessary. In no event shall Tenant occupy the Expansion Premises for the conduct of its business until Landlord has substantially completed Expansion Premises Improvements and the Commencement Date has occurred.

(I) Substantial Completion and Occupancy.

a. Landlord shall give Tenant at least fifteen (15) days' prior written notice of its estimated date on which the Expansion Premises will be substantially complete and ready for occupancy by Tenant ("Substantial Completion Notice"). In the event that Substantial Completion (hereinafter defined) is delayed for any reason, other than a Landlord Delay (hereinafter defined) this Lease shall remain in full force and effect and Tenant shall have no claim against Landlord by reason of any such delay. If such delay in Substantial Completion of the Expansion Premises Improvements results from a cause other than Tenant Delay (hereinafter defined), the Commencement Date shall be extended to the date on which Landlord substantially completes the Expansion Premises Improvements, provided, however, that if such delay in substantial completion results in whole or in part because of a Tenant Delay, the Commencement Date shall be the date on which Landlord would have substantially completed the Expansion Premises but for any such Tenant Delay. As used herein, the terms "Substantial Completion" and "Substantially Complete" mean that date on which (i) all Expansion Premises Improvements have been completed, subject only to minor punch-list items of work which do not materially interfere with Tenant's use of the Expansion Premises, and (ii) when all governmental or quasi-governmental requirements applicable to the construction and occupancy of the Expansion Premises have been satisfied, which may include the issuance of a certificate of occupancy if the issuance of a certificate of occupancy is a governmental or quasi-governmental requirement applicable to Tenants occupancy of the Expansion Premises and/or when the District of Columbia field inspector or fire marshal grants its final approval. As used herein, the term "Tenant Delay" means any delay in the construction of the Expansion Premises Improvements which is caused by Tenant such as failure to timely respond to a request for approval or disapproval in connection with the construction of the Expansion Premises Improvements; provided, however, notwithstanding anything to the contrary herein, no Tenant Delay shall have occurred unless and until Landlord has provided Tenant with email notice to the email addresses peter.lambis@am.jll.com specifying that Tenant is causing such a delay and Tenant does not cure such delay event within two (2) business days of such notice. As used herein, the term "Landlord Delay" means any delay in the construction of the Expansion Premises Improvements which is caused by Landlord (except as expressly provided in this sentence, Landlord shall not be responsible for any delays caused by the General Contractor or any subcontractors) such as (i) the Expansion Premises are not in the Expansion Premises Required Condition on or before August 1, 2018, (ii) Landlord's failure to timely respond to a request for approval or disapproval in connection with the Construction Documents, (iii) Landlord's failure to pay the General Contractor in a timely manner in accordance with Landlord's construction contract with the General Contractor and such failure causes a delay in the construction of the Tenant Improvements, (iv) any delay caused by Landlord's Work or the Building Enhancements interfering with the Expansion Premises Improvements after the Expansion Premises Required Condition Date, (v) any failure of Landlord to provide the General Contractor and the subcontractors access to the Expansion Premises or such electrical and power needs required to construct the Expansion Premises Improvements after the Expansion Premises Required Condition Date; provided, that such request for access is in compliance with Landlord's reasonable security procedures; provided, however, notwithstanding anything to the contrary herein, no Landlord Delay shall have occurred unless and until Tenant has provided Landlord with email notice to the email address Vince.McCullough@hines.com and to erin.kuhn@hines.com, specifying that Landlord is causing such a delay and Landlord does not cure such delay event within two (2) business days of such notice.

b. The taking of possession of the Expansion Premises by Tenant for the conduct of its ordinary business shall constitute an acknowledgement by Tenant that the Expansion Premises are in good condition, that Landlord has provided or constructed all improvements to be provided or constructed by Landlord in the Expansion Premises in accordance with the applicable terms of this Article 4 and Exhibit B, and that all materials and labor provided by Landlord are satisfactory, except with respect to latent defects for a period of one hundred twenty (120) days after the taking of possession of the Expansion Premises by Tenant for the conduct of its ordinary business and punch-list items that are specified on the punch-list delivered to Landlord by Tenant, which shall be mutually agreed upon by the parties' architects. Landlord shall complete as soon as conditions practically permit, but in any event within sixty (60) days after Substantial Completion, all such punch-list items. Landlord shall obtain a minimum of a one (1) year warranty from the General Contractor for all of the Tenant Improvements.

(J) Landlord acknowledges and agrees that it is imperative that Tenant have the ability to conduct it its business in the Existing Premises during the renovation of the Existing Premises and the construction of Expansion Premises Improvements. In furtherance thereof, Landlord and Tenant shall cooperate to ensure that Tenant, which perhaps inconvenienced, shall not experience material and adverse interference during this construction and renovation period.

(K) Subject to Landlord's reasonable security, indemnification and insurance requirements, Tenant, its design team and construction manager shall have complete and unrestricted access to the Expansion Premises prior to the Commencement Date for the purpose of reviewing the condition of the Expansion Premises, taking field measurements and to determine whether the Expansion Premises is ready for the construction of the Expansion Premises Improvements, and during the construction of the Expansion Premises Improvements.

(L) Subject to Landlord's reasonable security, indemnification and insurance requirements Tenant and its design and construction consultants will assist in the design, bidding and construction process, and should be afforded complete (and free of charge) access to the Premises prior to and during construction of the Tenant Improvements. Carlyle requests the right, subject to Landlord's review of its plans and specifications to:

a. Use existing (as available) or install communication conduit within the Building;

b. Specify, purchase and utilize its own cosmetic and / or decorative materials including, but not limited to, floor coverings, paint and wall coverings; and

c. Install Tenant's own security card access system within the Premises. Tenant's security system shall be compatible with the Building system.

(v) Existing Premises Improvements. If any Excess Costs are incurred in connection with the Expansion Premises Improvements, Tenant shall pay all such Excess Costs incurred in connection with such Tenant Improvements to the Existing Premises ("Existing Premises Improvements"). Tenant shall be responsible for paying the General Contractor for all Existing Premises Improvements in accordance with Tenant's construction contract with the General Contractor. Tenant shall pay all of its costs and expenses incurred in connection with such Tenant Improvements to the Existing Premises. Within thirty (30) days after receipt of a written request from Tenant, but in no event more than one (1) time during any calendar month, Landlord shall reimburse Tenant for (or, at Tenant's request, pay directly to any contractor of Tenant pursuant to approved invoices received from Tenant) the expenses incurred by Tenant in constructing such Existing Premises Improvements to the extent of the Tenant Improvement Allowance not previously funded or applied by Landlord under this Paragraph 4(b), provided: (1) such request is accompanied by reasonably acceptable supporting documentation indicating that such expenses have been incurred and paid (or are currently payable) by Tenant; (2) the work and materials for which payment is requested shall be performed pursuant to all applicable provisions of the Lease; (3) Tenant is not in default under the Lease; and (4) such request is accompanied by lien waivers from the party under contract with Tenant for such Existing Premises Improvements, which lien waivers must cover all Existing Premises Improvements as of the date of such request for which payment is then being requested, but may be conditioned on such payment being received.

(vi) Project Management Fee. Landlord shall hire Jones Lang LaSalle ("JLL") to be the project manager for the Expansion Premises Improvements. Landlord and Tenant acknowledge that JLL shall charge a construction supervisory fee ("Project Management Fee") in connection with the performance of the Expansion Premises Improvements, which Project Management Fee shall be equal to Three and 10/100 Dollars ($3.10) per square foot of Rentable Area of the Expansion Premises. The Project Management Fee shall be paid to JLL by Landlord as a deduction from the Tenant Improvement Allowance.

(vii) Construction Administration Fee. Landlord shall monitor construction of the Expansion Premises Improvements. Tenant shall reimburse Landlord for such supervision and any reasonable third-party costs incurred by Landlord in monitoring the construction of the Expansion Premises Improvements. Tenant will pay Landlord one percent (1%) of hard construction costs of the Expansion Premises Improvements ("Construction Administration Fee"), which Construction Administration Fee shall not exceed One and 50/100 Dollars ($1.50) per square foot of Rentable Area of the Expansion Premises ("Construction Administration Fee Cap"). The Construction Administration Fee shall be paid to Landlord as a deduction from the Tenant Improvement Allowance. No Construction Administration Fee shall be required for the Existing Premises Improvements.

(viii) Third Party Review. Landlord shall have the right to apply portions of the Tenant Improvement Allowance against reasonable and actual out of pocket costs and expenses incurred by Landlord in reviewing, approving and inspecting any specialty improvements included in the Tenant Improvements to the extent that any such specialty improvements require third party review (such as a structural engineer) ("Third Party Review Costs"); provided, however, Landlord shall notify Tenant prior to engaging such third party to conduct such review, and at such time Tenant shall have the right to request that Tenant reimburse Landlord for such Third Party Review Cost rather than Landlord applying the Tenant Improvement Allowance against such Third Party Review Costs. Furthermore, the parties hereby acknowledge and agree that Third Party Review Costs shall not be incurred for painting, carpeting or other such cosmetic aspects of the Tenant Improvements or for non-structural or other Tenant Improvements that do not materially affect the Building Systems.

(ix) Mechanics' and Other Liens

(A) With respect to any work performed by Tenant in furnishing or equipping the Premises hereunder, and with respect to any alterations performed pursuant to Section 4(d), Tenant will not permit to be created and has no authority to permit to be created or to remain undischarged any lien, encumbrance or charge (arising out of any work done or materials or supplies furnished by an contractor, subcontractor, mechanic, laborer or materialman, or any mortgage, security agreement or otherwise by or for Tenant), which might be or become a lien or encumbrance or charge upon the Premises, or Tenant's leasehold estate therein, the Building or any portion thereof, or any income therefrom. Tenant will not suffer any other matter or thing whereby the estate, rights and interests of Landlord in the Building or any portion thereof might be encumbered or impaired.

(x) If any mechanics' lien on account of any alleged debt of Tenant, or any person acting on Tenant's behalf (other than Landlord in connection with the Tenant Improvements), shall be filed against the Premises, the Building or any portion thereof or any income therefrom, Tenant shall take and diligently prosecute appropriate action to have the same discharged or bonded and released of record at Tenant's sole expense within thirty (30) days after Tenant is given notice of the filing of such lien. Upon Tenant's failure so to do, Tenant shall be deemed in default hereof, and Landlord, at its sole option, in addition to any other right or remedy that it may have, may cause said lien to be discharged or bonded and take such other action as may be reasonably necessary to protect its interest, and Tenant shall pay any amounts paid by Landlord in connection with such action, and all reasonable legal and other costs and expenses incurred by Landlord in connection therewith (including reasonable attorneys' fees, court costs (if awarded post-judgment) and other necessary disbursements). Any such amounts paid by Landlord and the amount of any such expenses or costs incurred by Landlord, if not paid by Tenant to Landlord within thirty (30) days after the date Tenant receives written notice from Landlord of the amount thereof and demand for payment of the same, shall, together with interest thereon at the Default Rate (as defined in Section 12(f)) from the date of the receipt by Tenant of the aforesaid written notice to the date of payment thereof by Tenant, be treated as Additional Rent, and shall be payable by Tenant to Landlord not later than thirty (30) days after the giving of such written notice and demand. Nothing herein contained shall obligate Tenant to pay or discharge any lien created by Landlord.

(xi) Tenant's Property

(A) All trade fixtures, furniture, equipment and apparatus (as distinguished from Tenant Improvements) owned by Tenant and installed in the Premises ("Tenant's Property") shall be and remain the property of Tenant and shall be removable at any time, unless paid for by the Allowance, including upon the expiration of the Term, provided, in the event of damage to the Premises caused by the removal of any of Tenant's Property, Tenant shall repair the Premises to its condition as of the Commencement Date, normal wear and tear excepted.

(B) If Tenant's Property, or any portion thereof, is not removed from the Premises upon the expiration of the Term or any earlier termination of this Lease in accordance with the foregoing ("Tenant's Abandoned Property"), Tenant's Abandoned Property shall, at the election of Landlord, become the personal property of Landlord, if Tenant fails to remove it within five (5) business days of Landlord's notice to Tenant of Tenant's Abandoned Property, and Tenant's rights therein shall cease upon the exercise of such election by Landlord. At Landlord's option, Landlord may (i) retain Tenant's Abandoned Property in accordance with the preceding sentence, or (ii) have Tenant's Abandoned Property removed from the Building at the sole cost and expense of Tenant.

(xii) Planned Capital Project. Landlord is in the process of renovating and modifying the Building lobbies, elevator system, the fitness center, bike storage area, as more particularly defined on Exhibit B-2 (collectively, the "Building Enhancements"). The current plans and timeline for the completion of the Building Enhancements are attached hereto as Exhibit B-4 ("Plans and Renderings"). Landlord, in its reasonable discretion, shall be permitted to change and amend the Plans and Renderings without reducing the scope or quality of the Building Enhancements, and such modifications shall be provided to Tenant from time to time upon request therefor. Landlord shall provide Tenant with ongoing progress updates and construction schedules as to the status of the Building Enhancements upon Tenant's request. The construction and installation of the Building Enhancements shall be at Landlord's sole cost and expense and the cost therefor shall not be included in Operating Expenses. In performing the construction and installation of the Building Enhancements, Landlord shall use commercially reasonable efforts to minimize interference with Tenant's business in and access to the Premises, and to ensure that materials used for the lobby glass mediates and controls the heat load in the lobby area in order to create a commercially reasonable and comfortable atmosphere. Landlord shall use commercially reasonable efforts to substantially complete the construction and installation of (i) the fitness center, (ii) south tower elevator cab interiors, (iii) ground floor south tower elevator lobby and corridor, (iv) Pennsylvania Avenue main entry lobby, (v) a security turn-style system to restrict access to the elevator banks in the South Tower lobby, and (vi) a Distributed Antenna System (DAS) or similar technology that will allow for consistent cellular and data service in the garage, elevators and other common areas within the Building (collectively, the "First Phase Building Enhancements") on or before the Anticipated First Phase Anticipated Completion Date (as defined on Exhibit B-2) . Landlord shall use commercially reasonable efforts to substantially complete the construction and installation of (i) the bike storage area, (ii) elevator expansion to P3, (iii) parking level elevator lobbies, (iv) parking garage upgrades, (v) North Tower elevator cab interiors (vi) 10th Street entrance and lobby, (vi) E Street entrance and lobby, and (vii) 11th Street entrance (collectively, the "Second Phase Building Enhancements") on or before the Anticipated Second Phase Anticipated Completion Date (as defined on Exhibit B-2). In the event that (i) the First Phase Building Enhancements are not substantially complete on or before six (6) months after the Anticipated First Phase Anticipated Completion Date , as such date may be extended for any delays caused by Force Majeure, , and/or (ii) (i) the Second Phase Building Enhancements are not substantially complete on or before six (6) months after the Anticipated Second Phase Anticipated Completion Date, as such date may be extended for any delays caused by Force Majeure, Tenant shall be entitled to an abatement against Base Rent for the Premises of Three Thousand and 00/100 Dollars ($3,000.00) per business day until such time as the First Phase Building Enhancements and/or Second

Phase Building Enhancements, as applicable, are substantially complete. Upon Landlord obtaining actual knowledge of any Force Majeure event that causes delay in the completion of either the First Phase Building Enhancements or the Second Phase Building Enhancements, Landlord shall provide Tenant with written notice of such Force Majeure event within ten (10) business days of Landlord obtaining actual knowledge of such Force Majeure event.

(c) Alterations.

All alterations, additions, or improvements (except for the Tenant Improvements and Landlord's Work) made by or on behalf of Tenant to the Premises excluding cosmetic alterations, additions or improvements ("Alterations") shall be subject to Landlord's prior written consent, which consent shall not be unreasonably delayed, conditioned or denied, unless such Alterations, adversely affect the structure of the Building or operating systems of the Building, in which case Landlord may withhold, condition or delay its consent in its sole discretion. Landlord's consent shall not be unreasonably withheld with respect to proposed Alterations that (i) comply with all applicable laws, ordinances, rules and regulations; (ii) are compatible with the Building's mechanical, electrical, HVAC and life safety systems; (iii) will not interfere in a material manner with the use and occupancy of any other portion of the Building by any other tenant or their invitees; (iv) do not affect the structural portions of the Building; and, (v) do not and will not, whether alone or taken together with other improvements, require the construction of any other improvements or alterations within the Building. To the extent Tenant requires access to riser space and telephone communications closets, Landlord shall provide such access as necessary in connection with the Alterations. Tenant shall cause, at its sole cost and expense, all Alterations to comply with insurance requirements and with Laws and shall construct, at its sole cost and expense, any alteration or modification required by Laws as a result of any Alterations. All Alterations shall be constructed at Tenant's sole cost and expense, in a first class and good and workmanlike manner by contractors reasonably acceptable to Landlord and only good grades of materials shall be used. All plans and specifications for any Alterations requiring Landlord's approval shall be submitted to Landlord for its approval, which approval shall not be unreasonably delayed, conditioned or denied. Landlord shall approve or disapprove the proposed Alterations in writing within thirty (30) days after receipt of a description of the proposed Alterations from Tenant. If Landlord fails to approve or request modifications to the proposed Alterations within said thirty (30) day period, Tenant may send an additional notice to Landlord, which notice and the envelope containing same shall be marked "URGENT" and shall include a warning thereon in bold faced 16 point type that: LANDLORD'S FAILURE TO RESPOND WITHIN 10 BUSINESS DAYS OF LANDLORD'S RECEIPT OF THIS SECOND NOTICE WILL RESULT IN THE REQUESTED CONSENT OR APPROVAL BEING DEEMED TO HAVE BEEN GRANTED. If Landlord shall fail to reply within ten (10) business days following Landlord's receipt of this second notice, Landlord's approval shall be deemed to have been given. Notwithstanding the foregoing, any second notice which fails to follow the foregoing requirements with respect to such warning shall not be deemed to have been properly given for the purposes of triggering a deemed approval. Landlord may monitor construction of the Alterations, and Tenant shall reimburse Landlord for any reasonable third-party costs incurred by Landlord in monitoring such construction (which supervision and monitoring costs must be reasonable and may not exceed one percent (1%) of hard construction costs); except Landlord shall not receive any reimbursement if Landlord elects to monitor cosmetic Alterations that do not require Landlord's consent. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to see that such plans and specifications or construction comply with applicable laws, codes, rules and regulations. Landlord may also require that all life safety related work and all mechanical, electrical, plumbing and roof related work be performed by contractors designated by Landlord. Landlord shall have the right, in its sole discretion, to instruct Tenant to remove those Alterations from the Premises which (i) were not approved in advance by Landlord and for which Landlord's approval is required, (ii) were not built in conformance with the plans and specifications approved by Landlord, or (iii) Landlord specified during its review of plans and specifications that the Alterations would need to be removed by Tenant upon the expiration of this Lease. Except as set forth in the proceeding sentence, Tenant shall not be obligated to remove the Alterations at the expiration of this Lease. If upon the termination of this Lease Landlord requires Tenant to remove any or all of the Alterations from the Premises, then Tenant, at Tenant's sole cost and expense, shall promptly remove such Alterations and improvements and Tenant shall repair and restore the Premises to its original condition as of the Commencement Date, reasonable wear and tear excepted. The parties hereby acknowledge and agree that in no event shall Tenant be required to remove any improvements which are existing as of August l, 2011, including, without limitation, the internal staircase in the Existing Premises. Notwithstanding anything to the contrary herein, at Landlord's discretion, upon termination or earlier expiration of this Lease Tenant shall be required to restore the internal stairs installed within the Premises after the Effective Date. Any Alterations remaining in the Premises following the expiration of the Lease Term or following the surrender of the Premises from Tenant to Landlord, shall become the property of Landlord unless otherwise agreed to by Landlord and Tenant at the time of Landlord's approval of the Alterations. Tenant shall provide Landlord with the identities and mailing addresses of all persons performing work or supplying materials, prior to beginning such construction, and Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall assure payment for the completion of all work free and clear of liens and shall provide certificates of insurance for worker's compensation and other typical construction related coverage in amounts and from an insurance company reasonably satisfactory to Landlord protecting Landlord against liability for bodily injury or property damage during construction. Upon completion of any Alterations and upon Landlord's reasonable request, Tenant shall deliver to Landlord sworn statements setting forth the names of all contractors and major subcontractors who did work on the Alterations and final lien waivers from all such contractors and subcontractors. Additionally, upon completion of any Alterations, Tenant shall provide Landlord, at Tenant's expense, with a complete set of plans in reproducible form and specifications reflecting the actual conditions of the Alterations, together with a copy of such plans on diskette in the AutoCAD format or such other format as may then be in common use for computer assisted design purposes.

(i) Tenant shall have the right to use and upgrade the external stairs, also known as the fire stairs, between the second and third floors (and any other floors occupied by Tenant, provided, however, that if Tenant occupies less than an entire floor, Tenant shall only be entitled to use and upgrade on a non-exclusive basis, the fire stairs which a located closest to Tenant's space on that floor) of the Building for Tenants use during the Term (the "<u>Premises External Stairs</u>"); provided, that, any and all Alterations in connection with the Premises External Stairs are in compliance with Laws and any incremental increases in costs resulting from such use of the Premises External Stairs shall be borne solely by Tenant.

(ii) Tenant shall keep the Premises, the Building and the Project free from any and all liens arising out of any Alterations, work performed, materials furnished, or obligations incurred by or for Tenant. In the event that Tenant shall not, within thirty (30) days following the imposition of any such lien, cause the same to be released of record by payment or posting of a bond or insurance coverage in a form and issued by a surety reasonably acceptable to Landlord, Landlord shall have the right, but not the obligation, to cause such lien to be released by such means as it shall deem proper (including payment of or defense against the claim giving rise to such lien); in such case, Tenant shall reimburse Landlord for all reasonable amounts so paid by Landlord in connection therewith, together with all of Landlord's reasonable out-of-pocket costs and expenses, with interest thereon at the Default Rate (defined below). This Paragraph shall survive the expiration or earlier termination of this Lease. Such rights of Landlord shall be in addition to all other remedies provided herein or by law.

(iii) NOTICE IS HEREBY GIVEN THAT LANDLORD SHALL NOT BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO TENANT, OR TO ANYONE HOLDING THE PREMISES THROUGH OR UNDER TENANT, AND THAT NO MECHANICS' OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF LANDLORD IN THE PREMISES.

5. REPAIRS

(a) Landlord's obligation with respect to repair and maintenance (which shall be conducted in a first class manner and otherwise comparable to other first class office buildings similar in size and tenant mix in Washington, D.C.) as part of Basic Services shall be limited to (i) the structural portions of the Building, including the parking garage, (ii) the exterior walls of the Building, including, without limitation, glass and glazing, (iii) the roof, (iv) mechanical, electrical, plumbing, HVAC, utility, life safety and security systems, pipes, risers and conduits (except for any lavatory, shower, toilet, wash basin and kitchen facilities that serve Tenant exclusively and are not part of the core on each floor, and any supplemental heating and air conditioning systems (including all plumbing connected to said facilities or systems), (v) all Building standard lavatories, and (vi) Common Areas. Landlord shall not be deemed to have breached any obligation with respect to the condition of any part of the Project unless Tenant has given to Landlord written notice of any required repair and Landlord has not made such repair within a reasonable time (but in any event

Landlord shall initiate repairs within seven (7) days of the earlier of Landlord's receipt of such notice or Landlord obtaining actual knowledge of the need for such repair) following the receipt by Landlord of such notice. The foregoing notwithstanding: (i) Landlord shall not be required to repair damage to any of the foregoing to the extent caused by the acts or omissions of Tenant or it agents, employees or contractors, except to the extent covered by insurance carried by Landlord; and (ii) the obligations of Landlord pertaining to damage or destruction by casualty shall be governed by the provisions of Paragraph 9. Except as expressly provided in Paragraph 9 of this Lease, there shall be no abatement of Rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements in or to any portion of the Premises, the Building or the Project except to the extent all or a portion of Tenant's office is inaccessible or unusable or there is an interruption of services for greater than three (3) consecutive business days after the Landlord has knowledge of the interruption of services, and Tenant is unable to conduct its business in the affected portion of the Premises due to the interruption of services.

(b) Tenant, at its expense, (i) shall keep the Premises and all fixtures contained therein in a safe, clean and neat condition, except for ordinary wear and tear, and (ii) shall bear the cost of maintenance and repair of all facilities which are not expressly required to be maintained or repaired by Landlord and which are located in the Premises, including, without limitation, lavatory, shower, toilet, wash basin and kitchen facilities that serve Tenant exclusively and are not part of the core on each floor, and supplemental heating and air conditioning systems (including all plumbing connected to said facilities or systems installed by or on behalf of Tenant or existing in the Premises at the time of Landlord's delivery of the Premises to Tenant). Tenant shall make all repairs to the Premises not required to be made by Landlord under subparagraph (a) above with replacements of any materials to be made by use of materials of equal or better quality. If Tenant fails to make such repairs or replacements within thirty (30) days after written notice from Landlord, Landlord may at its option make such repairs or replacements, and Tenant shall upon demand pay Landlord for the reasonable out-of-pocket cost thereof.

(c) Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises in a safe, clean and neat condition, normal wear and tear excepted, except as provided in Paragraph 9. Subject to Paragraph 4(c) of this Lease, Tenant shall remove from the Premises all trade fixtures, furnishings and other personal property of Tenant and shall repair all damage caused by such removal, and shall restore the Premises to its original condition, reasonable wear and tear excepted. In addition to all other rights Landlord may have, in the event Tenant does not so remove any such fixtures, furnishings or personal property at the end of the Lease Term (or within thirty (30) days after Tenant's receipt of notice of an Event of Default and Landlord's notification to Tenant of its election to retake possession of the Premises), Tenant shall be deemed to have abandoned the same, in which case Landlord may appropriate the same for itself, dispose of the same, and/or sell the same in its discretion.

6. USE OF PREMISES

(a) Tenant shall use the Premises only for general office uses and shall not use the Premises or permit the Premises to be used for any other purpose. Landlord shall have the right to deny its consent to any change in the permitted use of the Premises in its sole and absolute discretion. Incidental food preparation and service shall be permitted in the Premises provided Tenant maintains proper ventilation and such preparation and service is performed in a safe, pest-free and odor-free manner.

(b) Tenant shall not at any time use or occupy the Premises, or permit any act or omission in or about the Premises in violation of any applicable law, statute, ordinance or any governmental rule, regulation or order (collectively, "Law" or "Laws") and Tenant shall, upon written notice from Landlord, discontinue any use of the Premises which is declared by any governmental authority to be a violation of Law. If any Law shall, by reason of the nature of Tenant's use or occupancy of the Premises for purposes other than general office uses, impose any duty upon Tenant or Landlord with respect to (i) modification or other maintenance of the Premises, the Building or the Project, or (ii) the use, Alteration or occupancy thereof, Tenant shall comply with such Law at Tenant's sole cost and expense; provided, however, Tenant shall not be required to make structural changes or structural repairs as a result of any Laws provided such structural changes or repairs are not imposed as a result of Tenant's specific use of the Premises for other than routine office use. Tenant shall have the right to contest the requirements of any Laws provided the same will not result in any material damage to Landlord; and Tenant agrees to indemnify and hold Landlord harmless from and against any claims, liabilities or damages Landlord may suffer as a result of Tenant's contesting any such Laws.

(c) Tenant and Tenant's Architect shall be responsible for assuring that the plans and specifications for the Tenant Improvements are in compliance with all applicable Laws, including, but not limited to, the ADA. Landlord shall be responsible for assuring that the plans and specifications for Landlord's Work and the Building Enhancements are in compliance with all applicable Laws, including, but not limited to, the ADA. Landlord shall, at its sole cost and expense, cause the Common Areas, the Building and the Land to comply with all present and future laws, ordinances, orders, rules and requirements relating to the use, condition, access and occupancy of the Building, the Land and the Common Areas, including the requirements of the ADA. Each party hereto shall indemnify and hold harmless the other party from any and all liability, loss, cost or expense arising as a result of a party not fulfilling its obligations as to compliance with the ADA as set forth in this Paragraph.

(d) Tenant shall not do or permit to be done anything which may invalidate or increase the cost of any fire, All Risk, Causes of Loss - Special Form or other insurance policy covering the Building, the Project and/or property located therein and shall comply with all rules, orders, regulations and requirements of the appropriate fire codes and ordinances or any other organization performing a similar function to the extent relating solely to the Premises and Tenant's obligations hereunder. In addition to all other remedies of Landlord, Landlord may require Tenant, promptly upon demand, to reimburse Landlord for the full amount of any additional premiums charged for such policy or policies by reason of Tenant's failure to comply with the provisions of this Paragraph 6.

(e) Tenant shall not in any way unreasonably interfere with the rights or quiet enjoyment of other tenants or occupants of the Premises, the Building or the Project. Tenant shall not use or allow the Premises to be used for any immoral or unlawful purpose, nor shall Landlord or Tenant cause, maintain, or permit any nuisance in, on or about the Premises, the Building or the Project. Tenant shall not knowingly place weight upon any portion of the Premises exceeding the structural floor load (per square foot of area) which such area was designated (and is permitted by Law) to carry or otherwise use any Building system in excess of its capacity or in any other manner which may damage such system or the Building, and Tenant shall work with Landlord to locate all heavy objects in the Premises so as to not exceed the structural floor load in any area of the Premises. Tenant shall not create within the Premises a working environment with a density of greater than the maximum density permitted by Law. Business machines and mechanical equipment shall be placed and maintained by Tenant, at Tenant's expense, in locations and in settings sufficient in Landlord's reasonable judgment to absorb and prevent vibration, noise and annoyance. Tenant shall not commit any waste in, on, upon or about the Premises, the Building or the Project, and Landlord shall not commit or suffer to be committed any waste in, on, upon or about the Common Areas, the Building or the Project by anyone other than Tenant.

(f) Tenant shall take all reasonable steps necessary to adequately secure the Premises from unlawful intrusion, theft, fire and other hazards, and shall keep and maintain any and all security devices in or on the Premises in good working order, including, but not limited to, exterior door locks for the Premises and smoke detectors and burglar alarms located within the Premises and shall cooperate with Landlord and other tenants in the Project with respect to access control and other safety matters for the Building. Landlord shall take all reasonable steps necessary to adequately secure the Building and all unrented areas therein from unlawful intrusion, theft, fire and other hazards, and shall keep and maintain any and all security devices in or on the unrented areas of the Building in good working order, including, but not limited to, exterior door locks for the Building and smoke detectors and audible alarms located within the unrented areas of the Building and shall cooperate with Tenant with respect to access control and other safety matters for the Premises.

(g) As used herein, the term "Hazardous Material" means any (a) oil or any other petroleum-based substance, flammable substances, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Laws; (b) asbestos in any form, urea formaldehyde foam insulation, transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) chemical, material or substance defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "extremely hazardous waste", "restricted hazardous waste", or "toxic substances" or words of similar import under any applicable local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §9601, et seq.; the Hazardous Materials Transportation Act, as amended, 49 U.S.C. §1801, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251, et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901, et seq.; the Safe Drinking Water Act, as amended, 42 U.S.C. §300, et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. §2601, et seq.; the Federal Hazardous Substances Control Act, as amended, 15 U.S.C. §1261, et seq.; and the Occupational Safety and Health Act, as amended, 29 U.S.C. §651, et seq.; (d) other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other Person coming upon the Project or adjacent property; and (e) other chemicals, materials or substances which may or could pose a hazard to the environment. The term "Permitted Hazardous Materials" shall mean Hazardous Materials which are contained in ordinary office supplies and equipment of a type and in quantities typically used in the ordinary course of business within executive offices of similar size in comparable office buildings, but only if and to the extent that such supplies are transported, stored and used in full compliance with all applicable laws, ordinances, orders, rules and regulations and otherwise in a safe and prudent manner. Hazardous Materials which are contained in ordinary office supplies but which are transported, stored and used in a manner which are not in full compliance with all applicable laws, ordinances, orders, rules and regulations or which is not in any respect safe and prudent shall not be deemed to be "Permitted Hazardous Materials" for the purposes of this Lease.

(i) Tenant, its assignees, subtenants, and their respective agents, servants, employees, representatives and contractors (collectively referred to herein as "Tenant Affiliates") shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Premises by Tenant or by Tenant Affiliates without the prior written consent of Landlord (which may be granted, conditioned or denied in the sole discretion of Landlord), save and except only for Permitted Hazardous Materials, which Tenant or Tenant Affiliates may bring, store and use in reasonable quantities for their intended use in the Premises, but only in full compliance with all applicable laws, ordinances, orders, rules and regulations. On or before the expiration or earlier termination of this Lease, Tenant shall remove from the Premises all Hazardous Materials (including, without limitation, Permitted Hazardous Materials), regardless of whether such Hazardous Materials are present in concentrations which require removal under applicable laws, except to the extent that such Hazardous Materials were present in the Premises as of the Commencement Date and were not brought onto the Premises by Tenant or Tenant Affiliates.

(ii) Tenant agrees to indemnify, defend and hold Landlord and Landlord Affiliates (defined below) harmless for, from and against any and all claims, actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, liabilities, interest or losses, including reasonable attorneys' fees and expenses, court costs, consultant fees, and expert fees, together with all other costs and expenses of any kind or nature that arise during or after the Lease Term directly or indirectly from or in connection with the presence, suspected presence, or release of any Hazardous Material in or into the air, soil, surface water or groundwater at, on, about, under or within the Premises, or any portion thereof caused by Tenant or Tenant Affiliates.

(iii) In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or other remedial work (collectively, the "Remedial Work") is required under any applicable federal, state or local Law, by any judicial order, or by any governmental entity as the result of operations or activities upon any portion of the Premises by Tenant or Tenant Affiliates, Landlord shall perform or cause to be performed the Remedial Work in compliance with such Law or order at Tenant's sole cost and expense. All Remedial Work shall be performed by one or more contractors, selected and approved by Landlord, and under the supervision of a consulting engineer, selected by Tenant and approved in advance in writing by Landlord. All costs and expenses of such Remedial Work shall be paid by Tenant, including, without limitation, the charges of such contractor(s), the consulting engineer, and Landlord's reasonable attorneys' fees and costs incurred in connection with monitoring or review of such Remedial Work.

(iv) Each of the covenants and agreements of Tenant set forth in this Paragraph 6(g) shall survive the expiration or earlier termination of this Lease.

(v) Landlord, its assignees, subtenants, and their respective agents, servants, employees, representatives and contractors (collectively referred to herein as "Landlord Affiliates") shall not cause or permit any Hazardous Material to be brought upon, kept or used in or about the Project by any person other than Tenant or Tenant Affiliates, save and except only for Permitted Hazardous Materials in full compliance with all applicable laws, ordinances, orders, rules and regulations.

(vi) All handling, transportation, storage, treatment and usage of Hazardous Materials by Landlord at the Building shall throughout the Term be in compliance with all Environmental Laws. Landlord shall be responsible for all costs, expenses, damages or liabilities (including, but not limited to those incurred by Tenant) which may occur from the use, storage, disposal, release, spill, discharge or emissions of Hazardous Materials by Landlord. Landlord agrees to indemnify, defend and hold Tenant and its officers, partners, employees and agents harmless from any claims, demands, administrative orders, judicial orders, penalties, fines, liabilities, settlements, damages, costs or expenses (including, without limitation, reasonable attorney and consultant fees, court costs and litigation expenses) in connection with the presence or suspected presence of Hazardous Materials brought into the Building by Landlord, unless such Hazardous Materials are present as the result of Tenant, its officers, partners, employees or agents. The foregoing indemnification shall survive any assignment, transfer or termination of this Lease.

(vii) In the event any Remedial Work is required under any applicable federal, state or local Law, by any judicial order, or by any governmental entity as the result of operations or activities upon any portion of the Premises or the Common Areas by any person other than Tenant or Tenant Affiliates, Landlord shall perform or cause to be performed the Remedial Work in compliance with such Law or order at Landlord's sole cost and expense.

7. UTILITIES AND SERVICES

(a) Landlord shall furnish, or cause to be furnished to the Premises, the utilities and services described in this Paragraph 7(a) (collectively the "Basic Services"):

(i) Hot and cold water at existing points of supply provided for the general use of other tenants in the Project;

(ii) Central heat and air conditioning in season, at such temperatures in accordance with and in such amounts as outlined in *Exhibit G*;

(iii) Routine maintenance, repairs, structural and exterior maintenance (including, without limitation, exterior glass and glazing), painting and electric lighting service for all Common Areas of the Project in the manner and to the extent deemed by Landlord to be standard, subject to the limitation contained in Paragraph 5(a) above;

(iv) Janitorial and cleaning service on a five (5) day week basis, excluding holidays, in accordance with the cleaning specifications set forth in *Exhibit E* attached hereto and the standards of a first-class office building in the District of Columbia;

(v) An electrical system to convey power delivered by public utility providers selected by Landlord in amounts sufficient for normal office operations as provided in similar office buildings, but not to exceed a total allowance of five and (5) watts per square foot of Rentable Area during normal office hours (which includes an allowance for lighting of the Premises at the maximum wattage per square foot of Rentable Area permitted under applicable laws, ordinances, orders, rules and regulations), provided that no single item of electrical equipment consumes more than 0.5 kilowatts at rated capacity or requires a voltage other than 120/480 volts, single phase;

(vi) Light bulbs for the Building standard fluorescent and LED fixtures only (bulbs for special fixtures located within the Premises shall be installed by Tenant at Tenant's expense); and

(vii) Public elevator service and a freight elevator serving the floors on which the Premises are situated, during hours designated by Landlord; provided, however, Tenant shall have use of the Carlyle Elevator Bank (as defined in Section 26) twenty-four (24) hours a day, seven (7) days a week, pursuant to Section 26.

(b) Landlord shall provide to Tenant at Tenant's sole cost and expense (and subject to the limitations hereinafter set forth) the following extra services (collectively the "Extra Services"):

(i) Such extra cleaning and janitorial services requested by Tenant, and agreed to by Landlord, for special improvements or Alterations;

(ii) Subject to Paragraph 7(d) below, additional air conditioning and ventilating capacity required by reason of any electrical, data processing or other equipment or facilities located within the Premises or services required to support the same, in excess of that typically provided by the Building;

(iii) Heating, ventilation, air conditioning or extra electrical service provided by Landlord to Tenant (i) during hours other than Business Hours, (ii) on Saturdays (after Business Hours), Sundays, or Holidays, said heating, ventilation and air conditioning or extra service to be furnished solely upon the prior request of Tenant given with such advance notice as Landlord may reasonably require. Subject to Paragraph 7(g) below, Tenant shall pay for any such services requested by Tenant and furnished by Landlord at the rate Landlord is then charging therefor, which rate shall be published in advance, shall be uniform for all tenants in the Building, and shall be designed solely to cover Landlord's actual costs, including a reasonable allowance for wear and tear. If more than one tenant requests such services during the same time such services are to be provided to Tenant, Tenant shall pay that portion of Landlord's rate for such services that equals Landlord's rate multiplied by the quotient of (i) the Rentable Area of the Premises to which such services are supplied divided by (ii) the Rentable Area to which such services are supplied (including the Premises) of all tenants requesting such services during the time Tenant requested such services.

(iv) Any Basic Service requested by Tenant in amounts determined by Landlord to exceed the amounts required to be provided above, but only if Landlord elects to provide such additional or excess service. Tenant shall pay Landlord Landlord's actual cost of providing such additional services (or an amount equal to Landlord's reasonable estimate of such cost, if the actual cost is not readily ascertainable) and a reasonable administrative fee not to exceed fifteen percent (15%) of actual costs, within ten (10) days following presentation of an invoice therefore by Landlord to Tenant. The cost chargeable to Tenant for all extra services shall constitute Additional Rent.

(c) Tenant agrees to cooperate fully at all times with Landlord and to comply with all regulations and requirements which Landlord may reasonably from time to time prescribe to all tenants for the use of the utilities and Basic Services described herein. Landlord shall not be liable to Tenant for the failure of any other tenant, or its assignees, subtenants, employees, or their respective invitees, licensees, agents or other representatives to comply with such regulations and requirements; provided, however, that Landlord agrees to enforce such regulations and requirements against all tenants to the extent such tenants' non-compliance have an adverse effect on Tenant's use and enjoyment of the Premises or Common Areas. The term "Business Hours" shall be deemed to be Monday through Friday from 8:00 A.M. to 8:00 P.M. and Saturday from 9:00 A.M. to 4:00 P.M., excepting Holidays. The term "Holidays" shall be deemed to mean and include New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

(d) Subject to the last sentence of this Paragraph 7(d), if Tenant requires utilities or services in quantities greater than or at times other than that generally furnished by Landlord as set forth above, Tenant shall pay to Landlord, upon receipt of a written statement therefor, Landlord's charge for such use in accordance with the foregoing. In the event that Tenant shall require additional electric current, water or gas for use in the Premises and if, in Landlord's judgment, such excess requirements cannot be furnished unless additional risers, conduits, feeders, switchboards and/or appurtenances are installed in the Building, subject to the conditions stated below, Landlord shall proceed to install the same at the sole cost of Tenant, payable upon demand in advance. The installation of such facilities shall be conditioned upon Landlord's consent, and a determination that the installation and use thereof (i) shall be permitted by applicable Law and insurance regulations, (ii) shall not cause permanent damage or injury to the Building or adversely affect the value of the Building or the Project, and (iii) shall not cause or create a dangerous or hazardous condition or unreasonably interfere with or disturb other tenants in the Building. Subject to the foregoing, Landlord shall, upon reasonable prior notice by Tenant, furnish to the Premises additional elevator, heating, air conditioning and/or cleaning services upon such reasonable terms and conditions as shall be determined by Landlord, including payment of Landlord's charge therefor. In the case of any additional utilities or services to be provided hereunder, Landlord may require a switch and metering system to be installed so as to measure the amount of such additional utilities or services. The cost of installation, maintenance and repair thereof shall be paid by Tenant upon demand. Notwithstanding the foregoing, Landlord shall have the right to contract with any utility provider it deems appropriate to provide utilities to the Project. Whenever machines or equipment that generate abnormal heat or otherwise affect the air conditioning system are used in the Premises by Tenant which affect the temperature or humidity otherwise maintained by the air conditioning system, Landlord will have the right to require Tenant to promptly install supplemental air conditioning units in the Premises, and the full cost thereof, including the cost of operation, use, and maintenance, will be paid by Tenant to Landlord on demand.

(e) Subject to the last sentence of this Paragraph, Landlord shall not be liable for, and Tenant shall not be entitled to, any damages, abatement or reduction of Rent, or other liability by reason of any failure to furnish any services or utilities described herein (it being understood that Landlord shall use commercially reasonable efforts to keep any disruption of services and utilities to a minimum) for any reason (other than Landlord's or Landlord's agents, contractors, or employees (collectively, "Landlord's Agents") negligence, willful misconduct, breach of contract or illegal acts), including, without limitation, when caused by accident, breakage, water leakage, flooding, repairs, Alterations or other improvements to the Project, strikes, lockouts or other labor disturbances or labor disputes of any character, governmental regulation, moratorium or other governmental action, inability to obtain electricity, water or fuel, or any other cause beyond Landlord's control. Landlord shall be entitled to cooperate with the reasonable (which will not be considered reasonable if they negatively impact Tenant's operations within the Premises) or mandatory energy conservation efforts of governmental agencies or utility suppliers. No such failure, stoppage or interruption of any such utility or service shall be construed as an eviction of Tenant, nor shall the same relieve Tenant from any obligation to perform any covenant or agreement under this Lease. In the event of any failure, stoppage or interruption thereof, Landlord shall use reasonable efforts to attempt to restore all services promptly. No representation is made by Landlord with respect to the adequacy or fitness of the Building's ventilating, air conditioning or other systems to maintain temperatures as may be required for the operation of any computer, data processing or other special equipment of Tenant. Tenant hereby waives any right which Tenant may have under existing or future law, ordinance or governmental regulation permitting the termination of this Lease due to an interruption, failure or inability to provide any services. Notwithstanding anything to the contrary in this Lease, if the Basic Services described in Paragraphs 7(a)(i), (ii) and (v), above (collectively, the "Utilities") and in Paragraph 7(a)(vii), serving the Premises are disrupted due to the negligence or acts of Landlord or Landlord's Agents (Tenant hereby acknowledging that public utilities are not Landlord's Agents), Landlord shall promptly restore the affected Utilities and the Basic Services described in Paragraph 7(a)(vii) at Landlord's sole cost and expense. In the event the Utilities or the Basic Services described in Paragraph 7(a)(vii) serving the Premises are disrupted due to the acts of third parties, Landlord shall use commercially reasonable efforts to promptly restore the affected Utilities or the Basic Services described in Paragraph 7(a)(vii), as applicable. If the Utilities or the Basic Services described in Paragraph 7(a)(vii) serving the Premises are disrupted due to the negligence or acts of Landlord or Landlord's Agents and are not restored by Landlord within three (3) consecutive business days after the Landlord has knowledge of the disruption, and Tenant is unable to conduct its business in all or a portion of the Premises due to the disruption of the Utilities or the Basic Services described in Paragraph 7(a)(vii), the Base Rent shall be proportionately abated during the period commencing on the expiration of the aforementioned three (3) business day period and ending on the date Tenant is able to resume conducting its business in the affected portions of the Premises.

(f) Landlord reserves the right from time to time to make reasonable and nondiscriminatory modifications to the above standards for Basic Services and Extra Services; provided such modifications do not materially negatively impact Tenant's use and enjoyment of the Premises or Common Areas.

(g) Notwithstanding the foregoing, Tenant shall have the option, at Tenant's sole cost, to install one or more submeters in the Premises, including any Expansion Space (as defined in Paragraph 21) which shall calculate the amount of electricity being consumed by Tenant for Tenant's lighting and all receptacles in the Premises during the Term with any such installation subject to Landlord's approval. Landlord shall read the submeter each month to determine the amount of electricity consumed by Tenant during such month. Landlord shall thereafter render a bill to Tenant for electricity usage which bill Tenant shall pay within fifteen (15) days after receipt thereof, unless Tenant is paying for such utilities directly to the utility company (it being understood and agreed that Tenant may, at its option, enter into a contract directly with a utility provider at any time in its sole discretion and Landlord shall give such utility provider reasonable access to the Building and the Premises at no charge in order for such services to be provided to Tenant, provided that Landlord does not incur any additional costs). Landlord shall bill Tenant for such usage based on the rates Landlord has negotiated with the utility company, without markup. Any payments made by Tenant pursuant to this subparagraph (g) shall be deducted from Tenant's Proportionate Share Office of Operating Expenses in a manner equitably determined by Landlord and Tenant, when Landlord performs its annual reconciliation pursuant to Paragraph 3(e), above.

8. NON-LIABILITY AND INDEMNIFICATION; INSURANCE

(a) Except to the extent of the negligence or willful misconduct of Landlord or Landlord's Agents or as otherwise expressly provided for in this Lease, Landlord and its agents, officers, directors and employees assume no liability or responsibility whatsoever with respect to the conduct or operation of the business to be conducted in the Premises and shall have no liability for any claim of loss of business or interruption of operations (or any claim related thereto). Except to the extent of the gross negligence or willful misconduct of Landlord or Landlord's Agents, Landlord and its agents, officers, directors and employees shall not be liable for any accident to or injury to any person or persons or property in or about the Premises from any cause including, but not limited to, arising from the conduct and operation of said business or by virtue of equipment or property of the Tenant in said Premises. Subject to and without limiting the foregoing and Paragraph 8(b) below and Paragraphs 5(a), 7(e) and 17(b) hereof, neither Landlord nor any partner, officer, trustee, Affiliate, agent, director or employee of Landlord, nor their respective partners, members, affiliates and subsidiaries, and all of their respective officers, directors, and employees (each individually and collectively, "Protected Affiliates") shall be liable for and there shall be no abatement of Rent (except as otherwise expressly provided for in this Lease, including, but not limited to Paragraph 5(a), Paragraph 7(e), in the event of a casualty loss or a condemnation as set forth in Paragraph 9, and Paragraph 10 of this Lease or an uncured breach of this Lease by Landlord as set forth in Paragraph 17(b) of this Lease) for (i) any damage to Tenant's property stored with or entrusted to Landlord or its Protected Affiliates, (ii) loss of or damage to any property by theft or any other wrongful or illegal act, or (iii) any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak from any part of the Building or the Project or from the pipes, appliances, appurtenances or plumbing works therein or from the roof, street or sub-surface or from any other place or resulting from dampness or any other cause whatsoever or from the acts or omissions of other tenants, occupants or other visitors to the Building or the Project, except to the extent of the gross negligence or willful misconduct of Landlord or Landlord's Agents, or (iv) any diminution or shutting off of light, air or view by any structure which may be erected on lands adjacent to the Building outside of the Project. Tenant shall give prompt notice to Landlord in the event of (i) the occurrence of a fire or accident in the Premises or in the Building, or (ii) the discovery of a defect therein or in the fixtures or equipment thereof. This Paragraph 8(a) shall survive the expiration or earlier termination of this Lease.

(b) Indemnification.

(i) To the greatest extent permitted by Law and except to the extent caused by Landlord's, any Landlord's Agents or any of Landlord's Protected Affiliate's negligence or willful misconduct or covered within Landlord's indemnity under Paragraph 8(b)(ii) below and subject to Paragraphs 8(d), 8(e), 8(f), 8(i), 8(j) and 9 below, Tenant hereby agrees to indemnify, protect, defend and hold harmless Landlord and its Protected Affiliates (collectively, "Landlord Indemnitees") for, from and against all liabilities, claims, fines, penalties, costs, damages or injuries to persons, damages to property, losses, liens, causes of action, suits, judgments and reasonable expenses (including court costs, reasonable attorneys' fees, reasonable expert witness fees and costs of investigation), of any nature, kind or description of any person or entity, arising out of, caused by, or resulting from (in whole or part) (1) Tenant's construction of, or use, occupancy or enjoyment of, the Premises, (2) any activity, work or other things done or permitted by Tenant and its agents and employees in or about the Premises, (3) any breach or default in the performance of any of Tenant's obligations under this Lease, (4) any act, omission, negligence or willful misconduct of Tenant or any of its agents, contractors, employees, business invitees or licensees occurring in, on or about the Project, or (5) any damage to Tenant's property, or the property of Tenant's agents, employees, contractors, business invitees or licensees, located in or about the Premises. This Paragraph 8(b)(i) shall survive the expiration or earlier termination of this Lease.

(ii) To the greatest extent permitted by Law and except to the extent caused by Tenant's or any of Tenant's Protected Affiliate's negligence or willful misconduct and subject to Paragraphs 8(d), 8(e), 8(f), 8(i), 8(j) and 9 below, Landlord hereby agrees to indemnify, protect, defend and hold harmless Tenant and its Protected Affiliates (collectively, "Tenant Indemnitees") for, from and against all liabilities, claims, fines, penalties, costs, damages or injuries to persons, damages to property, losses, liens, causes of action, suits, judgments and reasonable expenses (including court costs, reasonable attorneys' fees, reasonable expert witness fees and costs of investigation), of any nature, kind or description of any person or entity, arising out of, caused by, or resulting from (in whole or part) (1) injuries or death or damage to property occurring in the Common Areas or any other portion of the Building owned and controlled by Landlord outside the Premises, (2) any breach or default in the performance of any of Landlord's obligations under this Lease, and (3) any act, omission, negligence or willful misconduct of Landlord or any of its agents, contractors, employees, business invitees or licensees occurring in, on or about the Project. This Paragraph 8(b)(ii) shall survive the expiration or earlier termination of this Lease.

(c) Each party shall promptly advise the other party in writing of any action, administrative or legal proceeding or investigation as to which this indemnification may apply, and the indemnifying party, at the indemnifying party's expense, shall assume on behalf of each and every Landlord Indemnitee or Tenant Indemnitee, as applicable, and conduct with due diligence and in good faith the defense thereof with counsel reasonably satisfactory to the indemnified party; provided, however, that any Landlord Indemnitee or Tenant Indemnitee, as applicable, shall have the right, at its option, to be represented therein by advisory counsel of its own selection and at its own expense. In the event of failure by the indemnifying party to fully perform in accordance with this Paragraph, the indemnified party, at its option, and without relieving the indemnifying party of its obligations hereunder, may so perform, but all costs and expenses so incurred by the indemnified party in that event shall be reimbursed by the indemnifying party to the indemnified party, together with interest on the same from the date any such expense was paid by indemnified party until reimbursed by the indemnifying party, at the rate of interest provided to be paid on judgments, by the law of the jurisdiction to which the interpretation of this Lease is subject. Notwithstanding anything contained in this Lease to the contrary, the indemnification provided in Paragraphs 8(b)(i) and 8(b)(ii) shall be limited to actual damages only and neither party shall be liable for any indirect or consequential losses or damages or any punitive damages.

(d) Insurance.

(i) Tenant at all times during the Lease Term shall, at its own expense, keep in full force and effect (A) commercial general liability insurance providing coverage against bodily injury and disease, including death resulting therefrom and property damage to a combined single limit of $1,000,000 to one or more than one person as the result of any one accident or occurrence, which shall include provision for contractual liability coverage insuring Tenant for the performance of its indemnity obligations set forth in this Paragraph 8 and in Paragraph 6(g)(ii) of this Lease, with an Excess Limits (Umbrella) Policy in the amount of $5,000,000, (B) worker's compensation insurance to the statutory limit, if any, and employer's liability insurance to the limit of $500,000 per occurrence, and (C) All Risk or Causes of Loss - Special Form property insurance, including fire and extended coverage, sprinkler leakage, vandalism, malicious mischief, and wind and/or hurricane coverage, covering full replacement value of all of Tenant's personal property, trade fixtures and improvements in the Premises. Landlord and its designated property management firm shall be named an additional insured on each of said policies (excluding the worker's compensation policy) and said policies shall be issued by an insurance company or companies authorized to do business in the State and which have policyholder ratings not lower than "A-" and financial ratings not lower than "VII" in Best's Insurance Guide (latest edition in effect as of the Effective Date and subsequently in effect as of the date of renewal of the required policies). EACH OF SAID POLICIES SHALL ALSO INCLUDE A WAIVER OF SUBROGATION PROVISION OR ENDORSEMENT IN FAVOR OF LANDLORD, AND TENANT SHALL USE GOOD FAITH EFFORT TO OBTAIN AN ENDORSEMENT PROVIDING THAT LANDLORD SHALL RECEIVE

THIRTY (30) DAYS PRIOR WRITTEN NOTICE OF ANY CANCELLATION OF, NONRENEWAL OF, REDUCTION OF COVERAGE OR MATERIAL CHANGE IN COVERAGE ON SAID POLICIES. IF DESPITE USING GOOD FAITH EFFORTS TENANT IS UNABLE TO OBTAIN AN ENDORSEMENT PROVIDING THAT LANDLORD SHALL RECEIVE THIRTY (30) DAYS PRIOR WRITTEN NOTICE OF ANY CANCELLATION OF, NONRENEWAL OF, REDUCTION OF COVERAGE OR MATERIAL CHANGE IN COVERAGE ON SAID POLICIES, TENANT SHALL PROVIDE LANDLORD WITH SUCH THIRTY (30) DAYS PRIOR WRITTEN NOTICE OF ANY CANCELLATION OF, NONRENEWAL OF, REDUCTION OF COVERAGE OR MATERIAL CHANGE IN COVERAGE ON SAID POLICIES. Tenant hereby waives its right of recovery against any Landlord Indemnitee of any amounts paid by Tenant or on Tenant's behalf to satisfy applicable worker's compensation laws. The policies or duly executed certificates showing the material terms for the same, together with satisfactory evidence of the payment of the premiums therefor, shall be deposited with Landlord on the date Tenant first occupies the Premises and upon renewals of such policies not less than fifteen (15) days prior to the expiration of the term of such coverage. If certificates are supplied rather than the policies themselves, Tenant shall allow Landlord, at all reasonable times, to inspect the policies of insurance required herein.

(ii) It is expressly understood and agreed that the coverages required represent Landlord's minimum requirements and such are not to be construed to void or limit Tenant's obligations contained in this Lease, including without limitation Tenant's indemnity obligations hereunder. Neither shall (A) the insolvency, bankruptcy or failure of any insurance company carrying Tenant, (B) the failure of any insurance company to pay claims occurring nor (C) any exclusion from or insufficiency of coverage be held to affect, negate or waive any of Tenant's indemnity obligations under this Paragraph 8 and Paragraph 6(g)(ii) or any other provision of this Lease. With respect to insurance coverages, except worker's compensation, maintained hereunder by Tenant and insurance coverages separately obtained by Landlord, all insurance coverages afforded by policies of insurance maintained by Tenant shall be primary insurance to the extent such coverages apply to Landlord, and such insurance coverages separately maintained by Landlord shall be excess, and Tenant shall have its insurance policies so endorsed. The amount of liability insurance under insurance policies maintained by Tenant shall not be reduced by the existence of insurance coverage under policies separately maintained by Landlord. Tenant shall be solely responsible for any premiums, assessments, penalties, deductible assumptions, retentions, audits, retrospective adjustments or any other kind of payment due under its policies. Tenant shall increase the amounts of insurance or the insurance coverages as Landlord may reasonably request from time to time, but not in excess of the requirements of prudent landlords or lenders for similar tenants occupying similar premises in the Washington, D.C. metropolitan area.

(iii) Tenant's occupancy of the Premises without delivering the certificates of insurance shall not constitute a waiver of Tenant's obligations to provide the required coverages. If Tenant provides to Landlord a certificate that does not evidence the coverages required herein, or that is faulty in any respect, such shall not constitute a waiver of Tenant's obligations to provide the proper insurance

(iv) Throughout the Lease Term, Landlord agrees to maintain (i) "all risk" fire and extended coverage insurance, and, at Landlord's option, earthquake damage coverage, terrorism coverage, wind and hurricane coverage, and such additional property insurance coverage as Landlord deems appropriate, on the insurable portions of Building and the remainder of the Project in an amount not less than the fair replacement value thereof, subject to reasonable deductibles (ii) boiler and machinery insurance amounts and with deductibles that would be considered standard for similar class office building in the metropolitan area in which the Premises is located, and (iii) commercial general and excess liability insurance with a combined single limit coverage of at least $10,000,000.00 per occurrence. All such insurance issued by an insurance company or companies authorized to do business in the State and which have policyholder ratings not lower than "A-" and financial ratings not lower than "VII" in Best's Insurance Guide (latest edition in effect as of the Effective Date and subsequently in effect as of the date of renewal of the required policies). Upon Tenant's request, Landlord shall provide Tenant with evidence that it has complied with the terms of this Paragraph 8(d)(iv) and Paragraph 8(e) below. If certificates are supplied rather than the policies themselves, Landlord shall allow Tenant, at all reasonable times, to inspect the policies of insurance required herein. The premiums for any such insurance shall be a part of Operating Expenses.

(e) Mutual Waivers of Recovery. Landlord, Tenant, and all parties claiming under them, each mutually release and discharge each other from responsibility for that portion of any loss or damage paid or reimbursed by an insurer of Landlord or Tenant under any fire, extended coverage or other property insurance policy maintained by Tenant with respect to its Premises or by Landlord with respect to the Building or the Project (or which would have been paid had the insurance required to be maintained hereunder been in full force and effect), no matter how caused, including negligence, and each waives any right of recovery from the other including, but not limited to, claims for contribution or indemnity, which might otherwise exist on account thereof. Any fire, extended coverage or property insurance policy maintained by Tenant with respect to the Premises, or Landlord with respect to the Building or the Project, shall contain, in the case of Tenant's policies, a waiver of subrogation provision or endorsement in favor of Landlord, and in the case of Landlord's policies, a waiver of subrogation provision or endorsement in favor of Tenant, or, in the event that such insurers cannot or shall not include or attach such waiver of subrogation provision or endorsement, Tenant and Landlord shall obtain the approval and consent of their respective insurers, in writing, to the terms of this Lease. Tenant and Landlord each agree to indemnify, protect, defend and hold harmless the other and each of the Landlord Indemnitees and Tenant Indemnitees, as applicable, from and against any claim, suit or cause of action asserted or brought by Tenant's or Landlord's insurers for, on behalf of, or in the name of Tenant or Landlord, as applicable, including, but not limited to, claims for contribution, indemnity or subrogation, brought in contravention of this paragraph. The mutual releases, discharges and waivers contained in this provision shall apply EVEN IF THE LOSS OR DAMAGE TO WHICH THIS PROVISION APPLIES IS CAUSED SOLELY OR IN PART BY THE NEGLIGENCE OF LANDLORD OR TENANT.

(f) Business Interruption. Landlord and Tenant shall not be responsible for, and each party releases and discharges the other from, and each party further waives any right of recovery from the other for, any loss for or from business interruption or loss of use of all or any portion of the Building, the Project or the Premises suffered by such party, EVEN IF SUCH LOSS IS CAUSED SOLELY OR IN PART BY THE NEGLIGENCE OF THE OTHER PARTY.

(g) Adjustment of Claims. Tenant shall cooperate with Landlord and Landlord's insurers in the adjustment of any insurance claim pertaining to the Building or the Project or Landlord's use thereof.

(h) Increase in Landlord's Insurance Costs. Tenant agrees to pay to Landlord any increase in premiums for Landlord's insurance policies resulting from Tenant's use or occupancy of the Premises for anything other than general office use.

(i) Failure to Maintain Insurance. Any failure of Tenant to meet any of the insurance requirements of this Lease in all material respects shall constitute an Event of Default hereunder if Tenant does not cure such breach within ten (10) business days after Tenant's receipt of written notice of such breach from Landlord (provided, however, that no notice or cure period shall exist in connection with any failure by Tenant to obtain and maintain in all material respects the insurance policies and coverages required hereunder), and such failure shall entitle Landlord to pursue, exercise or obtain any of the remedies provided for in Paragraph 12(b), and Tenant shall be solely responsible for any loss suffered by Landlord as a result of such failure. In the event of failure by Tenant to maintain the insurance policies and coverages required by this Lease or to meet any of the insurance requirements of this Lease, Landlord, at its option, and without relieving Tenant of its obligations hereunder, may obtain said insurance policies and coverages or perform any other insurance obligation of Tenant, but all costs and expenses incurred by Landlord in obtaining such insurance or performing Tenant's insurance obligations shall be reimbursed by Tenant to Landlord, together with interest on same from the date any such cost or expense was paid by Landlord until reimbursed by Tenant, at the rate of interest provided to be paid on judgments, by the law of the jurisdiction to which the interpretation of this Lease is subject.

(j) Risk of Loss. By this Paragraph 8, Landlord and Tenant intend that the risk of loss or damage as described above be borne by responsible insurance carriers to the extent above provided, and Landlord and Tenant hereby agree to look solely to, and to seek recovery only from, their respective insurance carriers in the event of a loss of a type described above to the extent that such coverage is required to be provided hereunder. For this purpose, any applicable deductible amount shall be treated as though it were recoverable under such policies. Landlord and Tenant agree that applicable portions of all monies collected from such insurance shall be used toward the full compliance with the obligations of Landlord and Tenant, respectively, under this Lease in connection with damage resulting from fire or other casualty or other event giving rise to a claim under such policies of insurance.

9. FIRE OR CASUALTY

(a) Subject to the provisions of this Paragraph 9, in the event the Premises, or access thereto, is wholly or partially destroyed by fire or other casualty, Landlord shall (to the extent permitted by Law and covenants, conditions and restrictions then applicable to the Project) rebuild, repair or restore the Premises and access thereto (collectively, “Restoration”) to substantially the same condition as existing immediately prior to such destruction (excluding Tenant’s Alterations, trade fixtures, equipment and personal property, which Tenant shall be required to restore) and this Lease shall continue in full force and effect. Notwithstanding the foregoing, (i) Landlord’s obligation to rebuild, repair or restore the Premises shall not apply to any Tenant’s personal property and fixtures, and above-standard tenant improvements (except for the internal staircase), and (ii) Landlord shall have no obligation whatsoever to rebuild, repair or restore the Premises with respect to any damage or destruction occurring during the last twelve (12) months of the term of this Lease to the extent such restoration work would cost in excess of $1,000,000 to complete and if Landlord elects not to restore the Premises pursuant to this subheading (ii), Tenant may elect to terminate this Lease by written notice to Landlord.

(b) Landlord may elect to terminate this Lease in any of the following cases of damage or destruction to the Premises, the Building or the Project: (i) where, in the case of any damage or destruction to any portion of the Building or the Project by uninsured casualty, the cost of Restoration of the Building or the Project, in the reasonable opinion of Landlord, exceeds $7,135,740; or (ii) if Landlord has not obtained appropriate zoning approvals for reconstruction of the Project, Building or Premises, using commercially reasonable and diligent efforts. Any such termination shall be made by thirty (30) days’ prior written notice to Tenant given within one hundred twenty (120) days of the date of such damage or destruction. Landlord’s termination rights as set forth in this Paragraph 9(c) are in addition to Landlord’s rights under Paragraph 9(b).

(c) If all or any portion of the Premises, and no other portion of the Building, is damaged or destroyed by any casualty and if Landlord's architect or contractor determines that the Premises cannot be rebuilt or made fit for Tenant's purposes within two hundred seventy (270) days of the damage or destruction (which determination shall be made within thirty (30) days after any substantial damage or destruction), either party may, at its option, terminate this Lease by giving the other, within sixty (60) days after such damage or destruction, notice of termination, and thereupon Rent and any other payments for which Tenant is liable under this Lease shall be apportioned and paid to the date of such damage, and Tenant shall vacate the Premises within thirty (30) days thereafter, provided, however, that those provisions of this Lease which are designated to cover matters of termination and the period thereafter shall survive the termination hereof. If over twenty five percent (25%) of the Rentable Area of the Premises is damaged or destroyed by any casualty in the last twelve (12) months of the then-current Term of this Lease, Tenant, at its option, may terminate this Lease by giving Landlord, within thirty (30) days after such damage or destruction, notice of termination.

(d) If all or any portion of the Building and the Premises, is damaged or destroyed by any casualty and if Landlord’s architect or contractor determines that the Premises cannot be rebuilt or made fit for Tenant’s purposes within two hundred seventy (270) days of the damage or destruction (which determination shall be made within thirty (30) days after any substantial damage or destruction), either party may, at its option, terminate this Lease by giving the other, within sixty (60) days after such damage or destruction, notice of termination, and thereupon Rent and any other payments for which Tenant is liable under this Lease shall be apportioned and paid to the date of such damage, and Tenant shall vacate the Premises within thirty (30) days thereafter, provided, however, that those provisions of this Lease which are designated to cover matters of termination and the period thereafter shall survive the termination hereof. Notwithstanding anything to the contrary contained in this Paragraph 9(d), Landlord may only exercise its right to terminate this Lease if Landlord also simultaneously terminates the leases of all other tenants whose space was damaged or destroyed in connection with such casualty.

(e) If this Lease is not terminated by Landlord and as the result of any damage or destruction, the Premises, or a portion thereof, are rendered untenantable, the Rent shall abate reasonably during the period of Restoration (based upon the extent to which such damage and Restoration materially interfere with Tenant’s business in the Premises). This Lease shall be considered an express agreement governing any case of damage to or destruction of the Premises, the Building or the Project. This Lease sets forth the terms and conditions upon which this Lease may terminate in the event of any damage or destruction.

10. EMINENT DOMAIN

In the event the whole of the Premises, the Building or the Project shall be taken under the power of eminent domain, or sold to prevent the exercise thereof (collectively, a "Taking"), this Lease shall automatically terminate as of the date of such Taking. In the event a Taking of a portion of the Project, the Building or the Premises shall, in the reasonable opinion of Landlord or Tenant, substantially interfere with Landlord's operation thereof, Landlord or Tenant may terminate this Lease upon thirty (30) days' written notice to the other given at any time within sixty (60) days following the date of such Taking. In the event a Taking of a portion of the Project, the Building or the Premises shall, in the reasonable opinion of Tenant, substantially interfere with Tenant's use and occupancy of the Premises, Tenant may terminate this Lease upon thirty (30) days' written notice to Landlord given at any time within sixty (60) days following the date of such Taking. For purposes of this Lease, the date of Taking shall be the earlier of the date of transfer of title resulting from such Taking or the date of transfer of possession resulting from such Taking. In the event that a portion of the Premises is so taken and this Lease is not terminated, Landlord shall, to the extent of proceeds paid to Landlord as a result of the Taking, with reasonable diligence, use commercially reasonable efforts to proceed to restore (to the extent permitted by Law and covenants, conditions and restrictions then applicable to the Project) the Premises (other than Tenant's personal property and fixtures, and above-standard tenant improvements) to a complete, functioning unit. In such case, the Rent shall be reduced proportionately based on the portion of the Premises so taken. If all or any portion of the Premises is the subject of a temporary Taking (provided, that if such temporary taking exceeds nine (9) months, Tenant shall have a termination right), this Lease shall remain in full force and effect and Tenant shall continue to perform each of its obligations under this Lease; in such case, Tenant shall be entitled to receive the entire award allocable to the temporary Taking of the Premises. Except as provided herein, Tenant shall not assert any claim against Landlord or the condemning authority for, and hereby assigns to Landlord, any compensation in connection with any such Taking, and Landlord shall be entitled to receive the entire amount of any award therefor, without deduction for any estate or interest of Tenant. Nothing contained in this Paragraph 10 shall be deemed to give Landlord any interest in, or prevent Tenant from seeking any award against the condemning authority for the Taking of personal property, fixtures, above standard tenant improvements of Tenant and for relocation and moving expenses recoverable by Tenant from the condemning authority. This Paragraph 10 shall be Tenant's sole and exclusive remedy in the event of a Taking. This Lease sets forth the terms and conditions upon which this Lease may terminate in the event of a Taking.

11. ASSIGNMENT AND SUBLETTING

(a) Except as otherwise expressly provided for in this Paragraph 11, Tenant shall not directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, assign, sublet, mortgage or otherwise encumber all or any portion of its interest in this Lease or in the Premises or grant any license for any person other than Tenant, its Affiliates or any of their respective employees, agents, contractors and invitees to use or occupy the Premises or any part thereof without obtaining the prior written consent of Landlord, which consent shall not be unreasonably denied, conditioned or delayed. Any such attempted assignment, subletting, license, mortgage, other encumbrance or other use or occupancy without the required consent of Landlord shall, at Landlord's option, be null and void and of no effect. Any mortgage, or encumbrance of all or any portion of Tenant's interest in this Lease or in the Premises and any grant of a license for any person other than Tenant, its Affiliates or any of their respective employees, agents, contractors and invitees to use or occupy the Premises or any part thereof shall be deemed to be an "assignment" of this Lease.

(b) No assignment or subletting shall relieve Tenant of its obligation to pay the Rent and to perform all of the other obligations to be performed by Tenant hereunder. The acceptance of Rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any subletting or assignment. Consent by Landlord to one subletting or assignment shall not be deemed to constitute a consent to any other or subsequent attempted subletting or assignment. If Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof for which Landlord's consent is required, it shall first notify Landlord of its desire to do so and shall submit in writing to Landlord all pertinent information relating to the proposed assignee or sublessee, all pertinent information relating to the proposed assignment or sublease, and all such financial information as Landlord may reasonably request concerning the Tenant and proposed assignee or subtenant. Any assignment or sublease shall be expressly subject to the terms and conditions of this Lease.

(c) At any time Landlord's consent is required, then within thirty (30) days after Landlord's receipt of the information specified in subparagraph (b) above, Landlord may by written notice to Tenant elect to a) approve such assignment or sublease, or b) deny such assignment or sublease; provided, however, that such assignment or sublease shall not be unreasonably delayed, conditioned or denied. In the event Landlord fails to provide written notice to Tenant within such thirty (30) day period, Tenant may send an additional notice to Landlord, which notice and the envelope containing same shall be marked "URGENT" and shall include a warning thereon in bold faced 16 point type that: LANDLORD'S FAILURE TO RESPOND WITHIN 10 BUSINESS DAYS OF LANDLORD'S RECEIPT OF THIS SECOND NOTICE WILL RESULT IN THE REQUESTED CONSENT OR APPROVAL BEING DEEMED TO HAVE BEEN GRANTED. If Landlord shall fail to reply within ten (10) business days following Landlord's receipt of this second notice, Landlord's approval shall be deemed to have been given. Notwithstanding the foregoing, any second notice which fails to follow the foregoing requirements with respect to such warning shall not be deemed to have been properly given for the purposes of triggering a deemed approval.

(d) Tenant acknowledges that it shall be reasonable for Landlord to withhold its consent to a proposed assignment or sublease in any of the following instances:

(i) The intended use of the Premises by the assignee or sublessee is not for general office use;

(ii) The intended use of the Premises by the assignee or sublessee would materially increase the pedestrian or vehicular traffic to the Premises or the Building;

(iii) Occupancy of the Premises by the assignee or sublessee would, in the good faith judgment of Landlord, violate any legally enforceable agreement which is superior to this Lease and is binding upon Landlord, the Building or the Project with regard to the identity of tenants, usage in the Building, or similar matters;

(iv) The identity or business reputation of the assignee or sublessee will, in the good faith judgment of Landlord, tend to damage the goodwill or reputation of the Building or Project;

(v) In the case of a sublease, the subtenant has not acknowledged that the Lease controls over any inconsistent provision in the sublease; or

(vi) Local or national governmental entities.

The foregoing criteria shall not exclude any other reasonable basis for Landlord to refuse its consent to such assignment or sublease.

(e) If any Tenant is a corporation, partnership or other entity that is not publicly traded on a recognized national stock exchange, any transaction or series of related or unrelated transactions (including, without limitation, any dissolution, merger, consolidation or other reorganization, any withdrawal or admission of a partner or change in a partner's interest, or any issuance, sale, gift, transfer or redemption of any capital stock of or ownership interest in such entity, whether voluntary, involuntary or by operation of law, or any combination of any of the foregoing transactions) resulting in the transfer of control of such Tenant, shall be deemed to be an assignment of this Lease subject to the provisions of this Paragraph 11. The term "control" as used in this Paragraph 11 means the power to directly or indirectly direct or cause the direction of the management or policies of Tenant or the entity in question. Any transfer of control of a subtenant which is a corporation or other entity shall be deemed an assignment of any sublease. Notwithstanding anything to the contrary in this Paragraph 11(e), if the original Tenant under this Lease is a corporation, partnership or other entity, a change or series of changes in ownership of stock or other ownership interests which would result in direct or indirect change in ownership of less than fifty percent (50%) of the outstanding stock of or other ownership interests in such Tenant as of the date of the execution and delivery of this Lease shall not be considered a change of control. Notwithstanding anything to the contrary in this Lease, any transfers in connection with a public offering or private placement, recapitalization or merger of Tenant or its Affiliates and any transfers to an Affiliate of Tenant shall not be deemed to be an assignment of this Lease.

(f) Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times during the Initial Term and any subsequent renewals or extensions which are expressly provided for in this Lease remain fully responsible and liable for the payment of the rent and for compliance with all of Tenant's other obligations under this Lease. In the event that the Rent paid by a sublessee or assignee (or a combination of the rental paid under such sublease or assignment, plus any bonus or other consideration therefor or incident thereto) exceeds the Rent payable under this Lease after deducting all normal and customary costs incurred by Tenant with respect to such sublease or assignment, then Tenant shall be bound and obligated to pay Landlord, as additional rent hereunder, fifty percent (50%) of any Profit (hereinafter defined) derived by Tenant from such subletting or assignment, excluding any Profit derived by Tenant from any subletting or assignment to an Approved Related Entity (hereinafter defined). In connection with an assignment "Profit" means any amount paid by an assignee to Tenant as consideration for such assignment, less any reasonable out-of-pocket costs incurred by Tenant in connection therewith (including, but not limited to, marketing costs, improvement allowances, alterations, reasonable legal fees, brokerage fees, advertising costs, free rent, and the cost of improvements to the Premises made by Tenant for such assignee). In connection with a sublease "Profit" means the excess of (i) all sums paid by the subtenant as rent or other consideration for the sublease (other than a security deposit), less Subletting Costs (hereinafter defined) over (ii) all sums paid to Landlord as Rent allocable to the Sublet Space. "Subletting Costs" means all reasonable out-of-pocket costs incurred by Tenant in connection with such subletting, including, without limitation, marketing costs, tenant improvement allowances, alterations, reasonable legal fees, brokerage fees, free rent, and the cost of improvements to the Premises made by Tenant for such subtenant which costs shall be amortized over the term of the sublease. Any allocation of rent paid by a subtenant to Tenant between compensation for the use of the portion of the Premises sublet and compensation for services provided to the subtenant by or on behalf of Tenant, or for equipment which Tenant furnishes to the subtenant, must be reasonable. Within thirty (30) days after Tenant receives any amount from an assignee as consideration for an assignment, Tenant shall submit to Landlord a statement containing a reasonably detailed calculation of any Profit derived from such assignment, certified as correct by an officer of Tenant, and simultaneously with the delivery of such statement, Tenant shall pay Landlord fifty percent (50%) of any Profit shown by such statement upon Tenant's receipt thereof. With respect to a sublease, Tenant shall pay to Landlord fifty percent (50%) of Profit on a monthly basis in arrears commencing thirty (30) days after the effective date of such sublease. Upon Landlord's request, Tenant shall provide substantiation of Tenant's calculation of Profit reasonably satisfactory to Landlord.

(g) If this Lease is assigned or if the Premises is subleased (whether in whole or in part), or in the event of the mortgage or pledge of Tenant's leasehold interest, or grant of any concession or license within the Premises, or if the Premises are occupied in whole or in part by anyone other than Tenant, then upon a default by Tenant hereunder Landlord may collect Rent from the assignee, sublessee, mortgagee, pledgee, concessionee or licensee or other occupant and, except to the extent set forth in the preceding paragraph, apply the amount collected to the next Rent payable hereunder; and all such Rent collected by Tenant shall be held in deposit for Landlord and immediately forwarded to Landlord. No such transaction or collection of Rent or application thereof by Landlord, however, shall be deemed a waiver of these provisions or a release of Tenant from the further performance by Tenant of its covenants, duties, or obligations hereunder.

(h) If Tenant effects an assignment or sublease and requests the consent of Landlord to any proposed assignment or sublease, then Tenant shall, upon demand, pay Landlord any reasonable attorneys' and paralegal fees and costs incurred by Landlord in connection with such assignment or sublease and request for consent. Acceptance of reimbursement of Landlord's attorneys' and paralegal fees shall in no event obligate Landlord to consent to any proposed assignment or sublease.

(i) Notwithstanding any provision of this Lease to the contrary, in the event this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other consideration payable or otherwise to be delivered in connection with such assignment shall be paid or delivered to Landlord, shall be and remain the exclusive property of Landlord and shall not constitute the property of Tenant or Tenant's estate within the meaning of the Bankruptcy Code. All such money and other consideration not paid or delivered to Landlord shall be held in trust for the benefit of Landlord and shall be promptly paid or delivered to Landlord.

(j) The joint and several liability of the Tenant named herein and any immediate and remote successor-in-interest of Tenant (by assignment or otherwise), and the due performance of the obligations of this Lease on Tenant's part to be performed or observed, shall not in any way be discharged, released or impaired by any (a) agreement that modifies any of the rights or obligations of the parties under this Lease, (b) stipulation that extends the time within which an obligation under this Lease is to be performed, (c) waiver of the performance of an obligation required under this Lease, or (d) failure to enforce any of the obligations set forth in this Lease.

(k) Notwithstanding anything to the contrary, any licenses for general office use entered into between Tenant and entities with which Tenant has a business relationship shall be deemed use by a permitted occupant and such use and occupancy shall not be deemed a transfer, assignment or sublease, and shall not require Landlord's approval, provided, however, (i) Tenant shall provide Landlord with prior notice of such use or occupancy under such licenses, (ii) any such use or occupancy under such licenses shall be (A) subject to Landlord's reasonable security procedures, (B) subject to all of the other terms and conditions of this Lease, (C) covered under Tenant's insurance policies, (D) shall not exceed twenty five percent (25%) of the Premises, and (E) shall not be entitled to any signage in, on or about the Building.

(l) Notwithstanding anything contained herein to the contrary, none of the following, or any changes, assignments, sublettings or transfers resulting from the following, shall require Landlord's prior written consent or the payment by Tenant of any fees or charges of any kind (including, but not limited to the payment of any Profits or other excess rent received by Tenant):

(i) any transfer or change in ownership interests arising out of death, disability or divorce of any owner of any ownership interest of Tenant;

(ii) the merger, consolidation or amalgamation of Tenant with a third party or the sale of all or substantially all of the stock or other ownership interests or assets of Tenant;

(iii) any public offering or private placement involving the Tenant or an Affiliate; or

(iv) any assignment, sublet or transfer to a parent, subsidiary or Affiliate of Tenant. An "Affiliate" shall mean any trust, corporation, limited liability company or partnership: (i) which owns or "controls" the majority of the ownership interests of Tenant, either directly or indirectly through other entities; (ii) the majority of those whose ownership interests is owned or "controlled" by Tenant; (iii) the majority of whose ownership interests is owned or "controlled" by an entity described in (i); or (iv) which owns or "controls" a majority of the ownership interests of Tenant.

Tenant shall endeavor to give Landlord at least thirty (30) days prior written notice (a "Related Entity Notice") (unless such assignment is confidential or is otherwise impractical given the circumstances, in which case such notice shall be delivered to Landlord immediately after such assignment), of any assignment described above. Such assignment, subletting or transfer described in this Paragraph 11(l) shall be permitted, provided that (a) immediately after such transaction effecting such assignment, subletting or transfer such successor or surviving entity, all other entities which have been a Tenant under this Lease that survive such transaction and remain liable for Tenant's obligations under this Lease (collectively, the "Surviving Tenant Entities") and Guarantor, collectively meet the Related Entity Financial Threshold (hereinafter defined), (b) such transaction is being undertaken for a valid business purpose, if applicable, and is not principally to avoid liability under this Lease or to transfer the benefit of this Lease, and (c) the successor entity shall have assumed in writing all of the obligations and liabilities of Tenant under this Lease, if applicable. As used herein, the term "Related Entity Financial Threshold" shall mean that the Approved Related Entity, the Surviving Tenant Entities and Guarantor, collectively can demonstrate, to Landlord's reasonable satisfaction, that the collective tangible net worth of the Approved Related Entity, the Surviving Tenant Entities and Guarantor is equal to or greater than the collective tangible net worth of Tenant and Guarantor on the Effective Date hereof. The Related Entity Financial Threshold shall be evidenced by financial statements covering the full fiscal year of the Tenant, Guarantor and the Approved Related Entity firm ending prior to the date of the proposed transaction. Any excess rent received by Tenant in connection with any such transaction described in this Paragraph 11(l) may be retained by Tenant. Notwithstanding anything to the contrary set forth herein, the parties acknowledge that in the event of such an assignment, the Guaranty (as defined in Paragraph 28(w)) shall remain in full force and effect, and "tenant" thereunder shall mean the assignee hereunder.

12. DEFAULT

(a) Events of Default. The occurrence of any one or more of the following events shall constitute an "Event of Default" or "default" (herein so called) under this Lease by Tenant: (i) Tenant shall fail to pay Rent or any other rental or sums payable by Tenant hereunder within ten (10) days after Landlord notifies Tenant in writing of such nonpayment; provided, however, Landlord shall not be obligated to provide written notice to Tenant in connection with any failure by Tenant to pay Base Rent and any other regularly scheduled payments when due more than two (2) times within any calendar year and in the event Tenant fails to timely pay such amount when due for a third time during any calendar year, then Tenant shall be in default for such late payment and Landlord shall have no obligation or duty to provide any further notice of such non-payment to Tenant prior to declaring an Event of Default under this Lease; (ii) the failure by Tenant to observe or perform any of the express or implied covenants or provisions of this Lease to be observed or performed by Tenant, other than monetary failures as specified in Paragraph 12(a)(i) above, where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant shall commence such cure within said thirty (30) day period and thereafter diligently prosecute such cure to completion; (iii) the making by Tenant or any guarantor hereof of any general assignment for the benefit of creditors, (iv) the filing by or against Tenant or any guarantor hereof of a petition to have Tenant or any guarantor hereof adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant or any guarantor hereof, the same is dismissed within ninety (90) days), (v) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease or of substantially all of guarantor's assets, where possession is not restored to Tenant or guarantor within ninety (90) days, (vi) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of substantially all of guarantor's assets or of Tenant's interest in this Lease where such seizure is not discharged within ninety (90) days; (vii) any material representation or warranty made by Tenant or guarantor in this Lease or any other document delivered in connection with the execution and delivery of this Lease or pursuant to this Lease proves to be incorrect in any material respect; or (viii) Tenant or guarantor shall be liquidated or dissolved or shall begin proceedings towards its liquidation or dissolution.

(b) Remedies. In the event of any Event of Default by Tenant, in addition to any other remedies available to Landlord under this Lease, at law or in equity, Landlord, at its option, shall have the rights and remedies hereinafter set forth, which shall be distinct, separate and cumulative with and in addition to any other right or remedy allowed under at law or in equity, or other provisions of this Lease:

(i) (A) to terminate this Lease; (B) with or without terminating this Lease, re-enter, terminate Tenant's right of possession and take possession of the Premises and relet the Premises to such person or entity, and on such terms, as Landlord shall determine in its sole discretion; (C) to collect from Tenant the sum of all Rent, other sums due hereunder through the remaining term of this Lease and the Costs of Re-Letting (as defined below), less the amount of any rental received by Landlord for the Premises for such period (which may be collected by separate suits from time to time or one suit following the expiration of the Lease Term) or, in Landlord's sole discretion, the sum of all such Rent, other sums due hereunder through the remaining term of this Lease and the Costs of Re-Letting, discounted to a present value using a rate deemed reasonable by Landlord, shall be due and payable immediately upon demand by acceleration, less the fair market rental value of the Premises over the same period, similarly discounted net of all expenses and vacancy periods incurred or projected to be incurred, as applicable, in connection with the reletting of the Premises; (D) to exercise all of Landlord's rights and remedies under any guaranty, if applicable, and (E) all other rights and remedies available to Landlord at law or in equity, including without limitation, the right to evict Tenant from the Premises; provided, however, that in such event Landlord shall have the right, in its sole and absolute discretion, to treat Tenant as a tenant-at-sufferance, subject to all the terms and conditions of this Lease, except that Landlord may thereafter require Tenant to vacate the Premises, and Tenant shall be entitled to no notice prior to eviction. For purposes hereof, Tenant's Proportionate Share Office and Tenant's Proportionate Share Building, respectively, of Operating Expenses shall be projected, based upon the average rate of increase, if any, in such items from the Commencement Date through the date the Lease would have expired. Also, for purposes hereof, the "Costs of Re-Letting" shall include without limitation, all reasonable costs and expenses incurred by Landlord for any repairs, maintenance, changes, alterations and improvements to the Premises to place the Premises (or any portion thereof) in first-class rentable condition, including combining the same with any adjacent space, brokerage commissions, advertising costs, attorneys' fees, any customary free rent periods or credits, tenant improvement allowances, take-over lease obligations and other customary, necessary or appropriate economic incentives required to enter into leases with one or more replacement tenants, and the costs of collecting rent from one or more replacement tenants, which Costs of Re-Letting shall be amortized over the term of the new lease entered into by Landlord for all or a portion of the Premises and only such amortized portion of the Costs of Re-Letting which cover the period prior to the expiration of the Term of this Lease shall be included in any damage remedy;

(ii) in the event that Landlord terminates the Lease pursuant to Paragraph 12(b)(i)(A) above, Tenant shall immediately surrender the Premises to Landlord. Tenant agrees to pay on demand an amount which, at the date of such termination, is calculated as follows: (aa) the value of the excess, if any, of (1) a sum equal to the discounted then present value of the Base Rent and any amounts treated as Additional Rent hereunder (calculated for this purpose only in an amount equal to the Additional Rent payable during the calendar year most recently ended prior to the occurrence of such Event of Default), and other sums provided herein to be paid by Tenant for the remainder of the stated Lease Term hereof, over (2) the to the discounted then present value of the aggregate fair rental value of the Premises for the remainder of the stated Lease Term, which discounted present values shall be calculated using a discount rate equal to the discount rate of the Federal Reserve Bank of Atlanta at the time of the calculation, plus one percent (1%); plus (bb) the costs of recovering possession of the Premises and all other expenses incurred by Landlord due to Tenant's default, including, without limitation, reasonable attorney's fees; plus (cc) the unpaid Base Rent and Additional Rent earned as of the date of termination plus any interest and late fees due hereunder, plus amounts expressly owing on the date of termination by Tenant to Landlord under this Lease or in connection with the Premises. The amount as calculated above shall be deemed immediately due and payable. The payment of the amount calculated in subparagraph (ii)(aa) shall not constitute payment of Rent in advance for the remainder of the Lease Term. Instead, such sum shall be paid as agreed liquidated damages and not as a penalty; the parties agree that it is difficult or impossible to calculate the damages which Landlord will suffer as a result of Tenant's default, and this provision is intended to provide a reasonable estimate of such damages. If Landlord pursues the remedy described in this subsection (ii), Tenant waives any right to assert that Landlord's actual damages are less than the amount calculated under this subsection (ii), and Landlord waives any right to assert that its damages are greater than the amount calculated under this subsection (ii). In determining the aggregate reasonable rental value pursuant to this subparagraph (ii)(aa) above, the parties hereby agree that, at the time Landlord seeks to enforce this remedy, all relevant factors should be considered, including, but not limited to, (1) the length of time remaining in the Lease Term, (2) the then current market conditions in the general area in which the Building is located, (3) the likelihood of reletting the Premises for a period of time equal to the remainder of the Lease Term, (4) the net effective rental rates then being obtained by landlords for similar type space of similar size in similar type buildings in the general area in which the Building is located, (5) the vacancy levels in the general area in which the Building is located, (6) current levels of new construction that will be completed during the remainder of the Lease Term and how this construction will likely affect vacancy rates, and (7) inflation. Tenant shall reimburse Landlord for all reasonable attorney's fees incurred by Landlord in connection with enforcing this Lease;

(iii) Landlord may bring suits for such amounts or portions thereof, at any time or times as the same accrue or after the same have accrued, and no suit or recovery of any portion due hereunder shall be deemed a waiver of Landlord's right to collect all amounts to which Landlord is entitled hereunder, nor shall the same serve as any defense to any subsequent suit brought for any amount not theretofore reduced to judgment. Landlord shall not be deemed to have waived any default unless such waiver is expressly set forth in writing by Landlord;

(iv) Landlord shall use commercially reasonably efforts to mitigate Landlord's damages; and

(v) Tenant hereby acknowledges and agrees that any efforts, if any, by Landlord to mitigate damages shall not result in a termination of the Lease, and unless this Lease is expressly terminated in writing by Landlord to Tenant under this Article 12, this Lease shall survive any such attempts by Landlord to mitigate damages including, without limitation, Landlord (a) entering into one or more leases: (1) for all or a portion of the Premises, (2) for all or a portion of the Premises and additional premises, (3) for a different term than the Lease Term of the Lease, (4) with different renewal or extension rights, (5) that contain free-rent periods, tenant improvement allowances, obligations by Landlord to make improvements to the Premises or other tenant concessions or inducements, or (6) any other terms and provisions which deviate from the terms of this Lease, or (b) selling the Project. Any efforts by Landlord to mitigate damages by attempting to relet the Premises shall not be deemed to impose any obligation on Landlord to relet the Premises, (x) for any purpose which would be inconsistent with the uses customarily found in first-class office buildings or which would breach any covenant of Landlord in any other lease or agreement relating to the Project, (y) to any lessee who is not reputable or who is not financially capable of performing the duties and obligations imposed upon such lessee under the applicable lease or who does not have experience in successfully operating a business of the type and size which such lessee proposes to conduct in the Premises, and (z) in preference to the leasing by Landlord of any other property or premises by Landlord. In amplification of subitem (z), in the event there are other vacancies in the Project, Landlord shall have no obligation to re-let the Premises in preference over other space available and shall not be required to relet the Premises in the same manner in which Landlord attempts to re-let such other available space.

(c) Landlord's Remedies; Re-Entry Rights. In the event of any Event of Default by Tenant, in addition to any other remedies available to Landlord under this Lease, at law or in equity, Landlord shall also have the right, with or without terminating the Lease, to re-enter the Premises and remove all persons and property from the Premises; such property may be removed, stored and/or disposed of pursuant to Paragraph 5(c) of this Lease or any other procedures permitted by applicable law. No re-entry or taking possession of the Premises by Landlord pursuant to this Paragraph 12(c), and no acceptance of surrender of the Premises or other action on Landlord's part, shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction.

(d) Landlord's Right to Perform. Except as specifically provided otherwise in this Lease, all covenants and agreements by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement or offset of Rent. If Tenant shall fail to pay any sum of money (other than Base Rent) or perform any other act on its part to be paid or performed hereunder and such failure shall continue beyond the applicable notice or grace period set forth in Paragraph 12(a) above, except in case of emergencies, in which such case, such shorter period of time as is reasonable under the circumstances) after Tenant's receipt of written notice thereof from Landlord, Landlord may, without waiving or releasing Tenant from any of Tenant's obligations, make such payment or perform such other act on behalf of Tenant. All sums so paid by Landlord and all necessary incidental costs incurred by Landlord in performing such other acts shall be payable by Tenant to Landlord within ten (10) days after demand therefor as Additional Rent.

(e) Interest. If any monthly installment of Rent or any other amount payable by Tenant hereunder is not received by Landlord by the tenth (10^{th}) day after it is due, it shall bear interest at the Default Rate from the date due until paid. All interest, and any late charges imposed pursuant to Paragraph 12(f) below, shall be considered Additional Rent due from Tenant to Landlord under the terms of this Lease. The term "Default Rate" as used in this Lease shall mean the lesser of (A) the rate announced from time to time by Wells Fargo Bank or, if Wells Fargo Bank ceases to exist or ceases to publish such rate, then the rate announced from time to time by the largest (as measured by deposits) chartered bank operating in the District of Columbia, as its "prime rate" or "reference rate", plus five percent (5%), or (B) the maximum rate of interest permitted by applicable law.

(f) Late Charges. Tenant acknowledges that, in addition to interest costs, the late payments by Tenant to Landlord of any monthly installment of Base Rent, Additional Rent or other sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impractical to fix. Such other costs include, without limitation, processing, administrative and accounting charges and late charges that may be imposed on Landlord by the terms of any mortgage, deed to secure debt, deed of trust or related loan documents encumbering the Premises, the Building or the Project. Accordingly, if any monthly installment of Base Rent, regularly scheduled Additional Rent or any other amount payable by Tenant hereunder is not received by

Landlord within ten (10) days after the due date, Tenant shall pay to Landlord an additional sum of five percent (5%) of the overdue amount as a late charge, but in no event more than the maximum late charge allowed by law; provided however, that Landlord will waive the first late charge in any Lease Year; provided, that Tenant pays such overdue amount within ten (10) business days after written notice thereof. The parties agree that such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any late payment as hereinabove referred to by Tenant, and the payment of late charges and interest are distinct and separate in that the payment of interest is to compensate Landlord for the use of Landlord's money by Tenant, while the payment of late charges is to compensate Landlord for Landlord's processing, administrative and other costs incurred by Landlord as a result of Tenant's delinquent payments. Acceptance of a late charge or interest shall not constitute a waiver of Tenant's default with respect to the overdue amount or prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease or at law or in equity now or hereafter in effect.

(g) Rights and Remedies Cumulative. All rights, options and remedies of Landlord contained in this Paragraph 12 and elsewhere in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law or in equity, whether or not stated in this Lease. Nothing in this Paragraph 12 shall be deemed to limit or otherwise affect Tenant's indemnification of Landlord pursuant to any provision of this Lease.

(h) Tenant's Waiver of Redemption. To the fullest extent permitted by applicable Law, Tenant hereby waives and surrenders for itself and all those claiming under it, including creditors of all kinds, (i) any legal, statutory or equitable right and privilege which it or any of them may have under any present or future law to redeem any of the Premises or to have a continuance of this Lease after termination of this Lease or of Tenant's right of occupancy or possession pursuant to any court order or any provision hereof, and (ii) the benefits of any present or future law which exempts property from liability for debt or for distress for Rent.

(i) Costs Upon Default and Litigation. Tenant shall pay to Landlord as Additional Rent all the expenses incurred by Landlord in connection with any default by Tenant hereunder or the exercise of any remedy by reason of any default by Tenant hereunder, including reasonable attorneys' fees and expenses. If Landlord shall be made a party to any litigation commenced against Tenant by a third-party unrelated to Landlord pertaining to this Lease or the Premises, at the option of Landlord, Tenant, at its expense, shall provide Landlord with counsel approved by Landlord and shall pay all costs incurred or paid by Landlord in connection with such litigation. If Tenant shall be made a party to any litigation commenced against Landlord by a third-party unrelated to Tenant pertaining to this Lease or the Premises, at the option of Tenant, Landlord, at its expense, shall provide Tenant with counsel approved by Tenant and shall pay all costs incurred or paid by Tenant in connection with such litigation.

13. ACCESS; CONSTRUCTION

Subject to the terms of Paragraph 22, Landlord reserves from the leasehold estate hereunder, in addition to all other rights reserved by Landlord under this Lease, the right to use the roof and exterior walls of the Premises and the area beneath, adjacent to and above the Premises. Landlord also reserves the right to install, use, maintain, repair, replace and relocate equipment, machinery, meters, pipes, ducts, plumbing, conduits and wiring through the Premises, which serve other portions of the Building or the Project in a manner and in locations which do not unreasonably interfere with Tenant's use and enjoyment of the Premises or materially and adversely interfere with Tenant's use and enjoyment of the Common Areas. In addition, Landlord shall have free access to any and all mechanical installations of Landlord or Tenant, including, without limitation, machine rooms, telephone rooms and electrical closets. Tenant agrees that there shall be no construction of partitions or other obstructions which materially interfere with or which threaten to materially interfere with Landlord's free access thereto, or materially interfere with the moving of Landlord's equipment to or from the enclosures containing said installations. Landlord shall at all reasonable times, during normal business hours and after reasonable written or oral notice, have the right to enter the Premises to inspect the same, to supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to exhibit the Premises to prospective purchasers, lenders or tenants (but with regards to exhibiting the Premises to future tenants, Landlord shall only be allowed to access the Premises for such purpose during the last twelve (12) months of the Term), to alter, improve, restore, rebuild or repair the Premises or any other portion of the Building, or to do any other act permitted or contemplated to be done by Landlord hereunder, all without being deemed guilty of an eviction of Tenant and without liability for abatement of Rent or otherwise; provided however that Landlord shall use reasonable efforts not to materially interfere with the operation of Tenant's business in or access to the Premises and use of the Common Areas. For such purposes, Landlord may also erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed. Landlord shall conduct all such inspections and/or improvements, alterations and repairs so as to minimize, to the extent reasonably practical and without material additional expense to Landlord, any interruption of or interference with the business of Tenant. For each of such purposes, Landlord shall at all times have and retain a key with which to unlock all of the doors in, upon and about the Premises (excluding Tenant's vaults and safes, access to which shall be provided by Tenant upon Landlord's reasonable request). Landlord shall have the right to use any and all means which Landlord may deem proper in an emergency in order to obtain entry to the Premises or any portion thereof, and Landlord shall have the right, at any time during the Lease Term, to provide whatever access control measures it deems reasonably necessary to the Project, without any interruption or abatement in the payment of Rent by Tenant. Any entry into the Premises obtained by Landlord by any of such means shall not under any circumstances be construed to be a forcible or unlawful entry into, or a detainer of, the Premises, or any eviction of Tenant from the Premises or any portion thereof. Landlord reserves the right to make such changes, alterations, additions, deletions, improvements, repairs or replacements in or to the Building, the Project (including the Premises) and the Common Areas as Landlord may reasonably deem necessary or desirable, including, without limitation, constructing new buildings and making changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading areas, landscaped areas and walkways; provided, however, that (i) there shall be no unreasonable permanent obstruction of access to or use of the Premises resulting therefrom, and (ii) Landlord shall use commercially reasonable efforts to minimize any interference with Tenant's use and enjoyment of the Premises or materially and adversely interfere with Tenant's use and enjoyment of the Common Areas; provided, however, that Tenant's access to and use of the Premises and the Project's parking garage shall not be unreasonably interrupted.

14. BANKRUPTCY

If at any time prior to the Commencement Date or during the term of this Lease, there shall be filed against Tenant in any court, tribunal, administrative agency or any other forum having jurisdiction, pursuant to any applicable law, either of the United States or of any state, a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver, trustee or conservator of all or a portion of Tenant's property, and the same is not dismissed after ninety (90) calendar days, or if Tenant makes an assignment for the benefit of creditors, this Lease, at the option of Landlord exercised within a reasonable time after notice of the happening of any one or more of such events, may be canceled and terminated and in such event neither Tenant nor any person claiming through or under Tenant or by virtue of any statute or of an order of any court shall be entitled to possession or to remain in possession of the Premises, but shall forthwith quit and surrender the Premises, and Landlord, in addition to the other rights and remedies granted by Paragraph 12 hereof or by virtue of any other provision contained in this Lease or by virtue of any applicable law, may retain as damages any Rent, Security Deposit or moneys received by it from Tenant or others on behalf of Tenant.

15. SUBSTITUTION OF PREMISES

Intentionally Omitted

16. SUBORDINATION; ATTORNMENT; ESTOPPEL CERTIFICATES

(a) Tenant agrees that this Lease and the rights of Tenant hereunder shall be subject and subordinate to any and all deeds of trust, security interests, mortgages, master leases, ground leases or other security documents and any and all modifications, renewals, extensions, consolidations and replacements thereof (collectively, "Security Documents") which now or hereafter constitute a lien upon or affect the Project, the Building or the Premises; provided, however, that such subordination shall not be effective with respect to any given Security Document until a commercially reasonable subordination and non-disturbance agreement ("SNDA") has been executed by Tenant, Landlord and all other interested parties in connection therewith and so long as such Security Documents do not contravene any of the terms set forth in this Lease or add any additional liability or adversely affect Tenant's rights and obligations hereunder. In addition, Landlord shall have the right to subordinate or cause to be subordinated any such Security Documents to this Lease and in such case, in the event of the termination or transfer of Landlord's estate or interest in the Project by reason of any termination or foreclosure of any such Security Documents, Tenant shall, notwithstanding such subordination, attorn to and become the Tenant of the successor-in-interest to Landlord at the option of such successor-in-interest.

(b) If any proceeding is brought for default under any ground or master lease to which this Lease is subject or in the event of foreclosure or the exercise of the power of sale under any mortgage, deed of trust or other Security Document made by Landlord covering the Premises, at the election of such ground lessor, master lessor or purchaser at foreclosure, Tenant shall attorn to and recognize the same as Landlord under this Lease, provided such successor expressly agrees in writing to be bound to all obligations by the terms of this Lease, and if so requested, Tenant shall enter into a new lease with that successor on the same terms and conditions as are contained in this Lease (for the unexpired term of this Lease then remaining). Tenant hereby waives its rights under any current or future law which gives or purports to give Tenant any right to terminate or otherwise adversely affect this Lease and the obligations of Tenant hereunder in the event of any such foreclosure proceeding or sale.

(c) As a condition to the subordination and attornment described in Paragraph 16(a) above, Landlord agrees that it shall obtain a subordination, non-disturbance and attornment agreement for Tenant from the current holder of a mortgage encumbering the Building in the form attached hereto as *Exhibit F* (the "Pre-Approved SNDA Form"), which Tenant acknowledges is a commercially reasonable form. The SNDA shall provide, inter alia, that, in the event of a foreclosure under the mortgagee's mortgage or deed of trust (or transfer by way of deed-in-lieu thereof), so long as Tenant is not then in default under this Lease, Tenant's right to possess the Premises will not be disturbed as a result of such foreclosure or other transfer and the Lease shall continue in full force and effect, subject to certain limitations with respect to the obligations of the successor landlord hereunder as may be set forth in such SNDA. Tenant's subordination and attornment to any future Security Documents as set forth in Paragraph 16(a), shall be conditioned upon Landlord obtaining an SNDA for Tenant from the holder of such Security Document in any commercial reasonable form so long as it is commercially reasonable. Tenant agrees that the Pre-Approved SNDA Form (and each provision thereof) is commercially reasonable, and Tenant shall not be entitled to object to any mortgagee's or ground lessor's customary form if it is reasonably comparable in scope and nature to the Pre-Approved SNDA Form, and provided such form includes a provision providing that so long as Tenant is not in Default under this Lease, Tenant shall be entitled to the use and occupancy of the Premises in accordance with all of the terms and conditions of this Lease.

(d) Each party shall, upon not less than ten (10) business days' prior notice by the other party, execute, acknowledge and deliver to the other party a statement in writing certifying (i) whether or not this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), (ii) the dates to which the Base Rent, Additional Rent and other charges hereunder have been paid, if any, and (iii) whether or not to the actual knowledge of such party, the other party is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which such party may have knowledge. The form of the statement attached hereto as *Exhibit D* is hereby approved by Tenant and Landlord for use pursuant to this subparagraph (d); however, at either party's option, such party shall have the right to use other forms for such purpose so long as such form is substantially similar in substance. In the event a party fails to execute and deliver such statement to the requesting party within such ten (10) business day period, the requesting party may send an additional notice to the other party, which notice and the envelope containing same shall be marked "URGENT" and shall include a warning thereon in bold faced 16 point type that: SUCH PARTY'S FAILURE TO RESPOND WITHIN 5 BUSINESS DAYS OF SUCH PARTY'S RECEIPT OF THIS SECOND NOTICE WILL CONSTITUTE A MATERIAL DEFAULT UNDER THIS LEASE AND, IN ANY EVENT, SHALL BE CONCLUSIVE UPON SUCH PARTY THAT THIS LEASE IS IN FULL FORCE AND EFFECT WITHOUT MODIFICATION EXCEPT AS MAY BE REPRESENTED BY THE REQUESTING PARTY IN ANY SUCH CERTIFICATE PREPARED BY THE REQUESTING PARTY AND DELIVERED TO THE OTHER PARTY FOR EXECUTION. A party's failure to execute and deliver such statement within such five (5) business day period, at the option of the requesting party, constitute a material default under this Lease and, in any event, shall be conclusive upon such party that this Lease is in full force and effect without modification except as may be represented by the requesting party in any such certificate prepared by the requesting party and delivered to the other party for execution. Any statement delivered pursuant to this Paragraph 16 may be relied upon by any prospective purchaser of the fee of the Building or the Project or any mortgagee, ground lessor or other like encumbrances thereof or any assignee of any such encumbrance upon the Building or the Project

17. SALE BY LANDLORD; TENANT'S REMEDIES; NONRECOURSE LIABILITY

(a) In the event of a sale or conveyance by Landlord of the Building or the Project, Landlord shall be released from any and all liability under this Lease. If the Security Deposit has been deposited by Tenant to Landlord prior to such sale or conveyance, Landlord shall transfer the Security Deposit to the purchaser, and upon delivery to Tenant of notice thereof, Landlord shall be discharged from any further liability in reference thereto.

(b) In addition to and without limiting the effect of Paragraphs 5(a) and 7(e) above, Landlord shall be in default hereunder if Landlord should fail to perform or observe any covenant, term, provision or condition of this Lease and such default should continue beyond a period of ten (10) business days after written notice from Tenant as to a monetary default or thirty (30) days after written notice from Tenant for any other default (provided, however, that if such default cannot, by its nature, be cured within such period, Landlord shall not be deemed in default if Landlord shall within such period commence to cure such default and shall diligently prosecute the same to completion) to the extent that such default renders all or a portion of the Premises untenantable after the aforementioned notice and cure period Rent shall abate proportionately until such default is cured. All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Project and not thereafter, but only to the extent such obligations are assumed by the successor owner of the Building. All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder. In the event of an uncured default by Landlord, Tenant may (i) cure such default, and/or (ii) exercise any and all remedies available to it at law or in equity; provided, that, such cure does not involve structural alterations or Building systems.

(c) Notwithstanding anything contained in this Lease to the contrary, the obligations of Landlord under this Lease (including any actual or alleged breach or default by Landlord) do not constitute personal obligations of the individual partners, directors, officers, trustees, members or shareholders of Landlord or Landlord's members or partners, and Tenant shall not seek recourse against the individual partners, directors, officers, trustees, members or shareholders of Landlord or against Landlord's members or partners or against any other persons or entities having any interest in Landlord, or against any of their personal assets for satisfaction of any liability with respect to this Lease. Any liability of Landlord for a default by Landlord under this Lease, or a breach by Landlord of any of its obligations under the Lease, shall be limited solely to its interest in the Project and the rents and proceeds from the Project, and in no event shall any personal liability be asserted against Landlord in connection with this Lease nor shall any recourse be had to any other property or assets of Landlord, its partners, directors, officers, trustees, members, shareholders or any other persons or entities having any interest in Landlord. Tenant's sole and exclusive remedy for a default or breach of this Lease by Landlord shall be either (i) an action for damages, or (ii) an action for injunctive relief; Tenant hereby waiving and agreeing that Tenant shall have no offset rights or right to terminate this Lease on account of any breach or default by Landlord under this Lease. Under no circumstances whatsoever shall Landlord or Tenant ever be liable for punitive, consequential or special damages under this Lease and Tenant and Landlord each waives any rights it may have to such damages under this Lease in the event of a breach or default by Landlord or Tenant, respectively, under this Lease.

18. PARKING; COMMON AREAS

(a) Tenant shall have the right to the nonexclusive use of the number of parking permits located in the parking areas of the Project specified in *Item 13* of the Basic Lease Provisions for the parking of operational motor vehicles used by Tenant, Tenant Affiliates, any permitted subtenants and their respective officers and employees, and other permitted occupants of the Premises only (each a "Permitted Parker"). The monthly parking rate for such parking permit(s) shall be the prevailing rate charged from time to time by the garage operator for monthly unreserved parking contracts in the Building, provided that such rate may be adjusted no more than one time per calendar year. Such charges shall be payable monthly in advance to the garage operator. Except as otherwise provided herein, parking contracts shall be with the garage operator and shall contain the same terms as are usually contained in contracts with other customers of the garage operator. Notwithstanding the foregoing, if the Permitted Parkers do not contract for the maximum number of permit(s) so allocated to it by December 31, 2019, then the foregoing rights to any unused permit(s) up to a maximum of the number of Additional Permits shall expire, and shall thereafter be subject to availability. Landlord shall re-offer any parking permits not initially taken or subsequently relinquished if requested by Tenant;

provided that any unused permit(s) which expire pursuant to the prior sentence shall be subject to availability and Landlord shall make a good faith effort to re-offer any such expired parking permits not initially taken. The use of such parking permits shall be subject to the rules and regulations adopted by Landlord from time to time for the use of the parking areas. Landlord further reserves the right to make such changes to the parking system as Landlord may deem necessary or reasonable from time to time; i.e., Landlord may provide for one or a combination of parking systems, including, without limitation, self-parking, single or double stall parking spaces, and valet assisted parking to the extent permitted under all applicable laws. Except as otherwise expressly agreed to in this Lease or in any particular parking contract entered into pursuant to this Lease, Tenant agrees that the Permitted Parkers shall not be entitled to park in any reserved or specially assigned areas designated by Landlord from time to time in the Project’s parking areas. Landlord may require execution of an agreement with respect to the use of such parking areas by any Permitted Parker in form reasonably satisfactory to Landlord as a condition of any such use by such Permitted Parker. A default by any Permitted Parker in the payment of such charges, the compliance with such rules and regulations, or the performance of such agreement(s) shall not constitute a material default by Tenant under this Lease. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant’s officers, employees, suppliers, shippers, customers or invitees to be loaded, unloaded or parked in areas other than those designated by Landlord for such activities. If Tenant permits or allows any of the prohibited activities described in this Paragraph, then Landlord shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Tenant, which cost shall be immediately payable upon demand by Landlord.

(b) Subject to subparagraph (c) below and the remaining provisions of this Lease, Tenant shall have the nonexclusive right, in common with others, to the use of such entrances, lobbies, fire vestibules, restrooms (excluding restrooms on any full floors leased by a tenant other than Tenant), mechanical areas, ground floor corridors, elevators and elevator foyers, electrical and janitorial closets, telephone and equipment rooms, loading and unloading areas, the Project’s plaza areas, if any, ramps, drives, stairs, and similar access ways and service ways and other common areas and facilities in and adjacent to the Building and the Project as are designated from time to time by Landlord for the general nonexclusive use of Landlord, Tenant and the other tenants of the Building and their respective employees, agents, representatives, licensees and invitees (“Common Areas”). The use of such Common Areas shall be subject to the rules and regulations contained herein and the provisions of any covenants, conditions and restrictions affecting the Building or the Project. Tenant shall keep all of the Common Areas free and clear of any obstructions created or permitted by Tenant or resulting from Tenant’s operations, and shall use the Common Areas only for normal activities, parking and ingress and egress by Tenant and its employees, agents, representatives, licensees and invitees to and from the Premises, the Building or the Project. If, in the reasonable opinion of Landlord, unauthorized persons are using the Common Areas by reason of the presence of Tenant in the Premises, Tenant, upon reasonable written demand of Landlord, shall use commercially reasonable efforts to correct such situation by appropriate action or proceedings against all such unauthorized persons. Nothing herein shall affect the rights of Landlord at any time to remove any such unauthorized persons from said areas or to prevent the use of any of said areas by unauthorized persons. Notwithstanding any provision of this Lease to the contrary, the Common Areas shall not in any event be deemed to be a portion of or included within the Premises leased to Tenant and the Premises shall not be deemed to be a portion of the Common Areas. This Lease is granted subject to the terms hereof, the rights and interests of third parties under existing liens, ground leases, easements and encumbrances affecting such property, all zoning regulations, rules, ordinances, building restrictions and other laws and regulations now in effect or hereafter adopted by any governmental authority having jurisdiction over the Project or any part thereof.

(c) Notwithstanding any provision of this Lease to the contrary, Landlord specifically reserves the right to redefine the term “Building” for purposes of allocating and calculating Operating Expenses so as to include or exclude areas as Landlord shall from time to time reasonably determine or specify (and any such determination or specification shall be without prejudice to Landlord’s right to revise thereafter such determination or specification); provided, that such allocation or reallocation does not reduce Tenant’s rights or increase Tenant’s obligations under this Lease in any material manner. In addition, Landlord shall have the right to contract or otherwise arrange for amenities, services or utilities (the cost of which is included within Operating Expenses) to be on a common or shared basis to both the Project (i.e., the area with respect to which Operating Expenses are determined) and adjacent areas not included within the Project, so long as the basis on which the cost of such amenities, services or utilities is allocated to the Project is determined on an arms-length and equitable basis or some other basis reasonably determined by Landlord. In the case where the definition of the Building is revised for purposes of the allocation or determination of Operating Expenses, Tenant's Proportionate Share Office shall be appropriately revised to equal the percentage share of all Rentable Area contained within the Rentable Area of office space within the Building represented by the Premises, Tenant's Proportionate Share Building shall be appropriately revised to equal the percentage share of all Rentable Area of office space and rentable area of retail space, contained within the Building represented by the Premises. The Rentable Area of the Building is subject to adjustment by Landlord from time to time to reflect any additions or deletions to any of the rentable area in the Building as designated by Landlord; provided, that such additions or deletions do not reduce Tenant's rights or increase Tenant's obligations under this Lease in any material manner. Landlord shall have the sole right to determine which portions of the Project and other areas, if any, shall be served by common management, operation, maintenance and repair; provided, that Tenant is not adversely affected as a result of any such determination in any material respect. Landlord shall have the exclusive rights to the airspace above and around, and the subsurface below, the Premises and other portions of the Building and Project.

19. STORAGE SPACE

(a) Storage Space. Landlord hereby leases to Tenant approximately one hundred fifty-three (153) square feet of rentable area of storage space located on the third (3rd) floor of the Building as generally depicted on *Exhibit A-2* attached hereto (the "Storage Space") for the Term. Tenant agrees to pay to Landlord commencing on the Commencement Date, without any offset or reduction whatsoever, the annual sum of Twenty-Five and 27/100 Dollars ($25.27) per square foot of Rentable Area of the Premises, which shall be deemed "Rent" hereunder, payable in equal monthly installments in advance on the first day of each calendar month included in the Term, at such place and in such manner as is provided herein for the payment of Base Rent; provided, however, that, upon the first anniversary of the Commencement Date and each anniversary thereafter, storage rent shall be equal to one hundred and two percent (102%) of the storage rent in effect during the immediately preceding Lease Year ("Storage Space Rent"). Notwithstanding anything to the contrary, if the Base Rent is abated for any period in accordance with this Lease, then the rent for the Storage Space also shall be abated for such periods.

(b) Services and Utilities. Landlord shall be obligated to furnish to the Storage Space only electricity sufficient to operate the Building standard lighting fixtures installed in the Storage Space as of the Commencement Date. Notwithstanding anything contained in the Lease to the contrary, Landlord shall not be obligated to provide any janitorial, water, HVAC or other utility or service whatsoever to the Storage Space, except for electricity as described above and, except for damage to property caused by the gross negligence or willful misconduct of Landlord, Tenant assumes all risks for any theft of or damage to any property of Tenant placed in the Storage Space.

(c) Permitted Use. Notwithstanding anything in the Lease to the contrary: (i) Tenant shall use the Storage Space only for the storage of items of personal property incidental to the operation of Tenant's business in the Premises, and for no other use or purpose; and (ii) Tenant shall not operate in the Storage Space any electrically-operated equipment or other machinery, without the prior written consent of Landlord, which consent shall be granted or withheld in Landlord's sole but reasonable discretion. Tenant shall not the use Storage Space to store food or food products of any kind.

(d) Access. Without limiting the generality of any provision of the Lease, Landlord, and Landlord's agents and representatives shall at all times have reasonable access to the Storage Space should said access be required to provide any service to the Building or any space therein. Except in case of an emergency, Landlord agrees to provide Tenant with reasonable prior oral or written notice of its need to access the Storage Space and to make a good faith effort not to disturb any property of Tenant placed in the Storage Space and Tenant agrees to cooperate with Landlord with respect to such access.

(e) Subletting/Assignment. Notwithstanding anything to the contrary contained in the Lease, except in connection with an assignment or sublet pursuant to Paragraph 11 of this Lease, Tenant shall not assign, transfer, mortgage, pledge, encumber, or hypothecate the Lease or any interest therein which relates to the Storage Space, or sublet, or permit any licensee, permittee, concessionaire or any other person other than Tenant and its employees to use or occupy, the Storage Space or any part thereof.

(f) Alterations. Tenant shall not, at any time, make or permit any Alterations in or to the Storage Space or to the elevator lobby providing access to the Storage Space without the prior written consent of Landlord pursuant to Paragraph 4 of the Lease. Prior to the expiration of the Term of the Lease Tenant shall, at its sole cost and expense, restore the Storage Space and the elevator lobby providing access to the Storage Space to the respective condition each was in prior to the completion of any Alterations thereto by Tenant; provided, however, that Tenant shall not be required to so restore the Storage Space or the elevator lobby in the event the Lease with respect to the Storage Space is terminated by Landlord pursuant to the termination right set forth below in Paragraph 19(g).

(g) Landlord Termination Right. If, at any time during the Term (and any extensions thereof), Landlord determines, in its sole but good faith discretion, that exclusive use of the Storage Space by Landlord is necessary in connection with the operation, maintenance or repair of the Building elevator systems, Landlord shall have the right, in its sole and absolute discretion, to terminate the Lease with respect to the Storage Space by giving Tenant at least sixty (60) days prior written notice of the termination date. If the Lease is terminated with respect to the Storage Space pursuant to this Paragraph, then the Storage Space Rent shall be apportioned and paid to the date of termination. If terminated, Landlord shall use commercially reasonable efforts to identify alternative storage space in the Building to lease to Tenant.

(h) Insurance. Tenant acknowledges that all insurance for the Premises required by the Lease shall extend to the Storage Space.

20. OPTION TO EXTEND

(a) Tenant shall have and is hereby granted the option to extend the Term hereof for two (2) additional period(s) of five (5) years each (the "Extension Period(s)''), provided (i) Tenant gives written notice to Landlord of Tenant's election to exercise such extension option no earlier than thirty (30), and no later than twenty (20), months prior to the expiration of the last Lease Year of the Term or of the then-current Extension Period, as the case may be; (ii) no uncured Event of Default exists at the time of such election notice or at the commencement of such Extension Period; and (iii) Tenant and its Affiliates shall be in occupancy for its own use of not less than sixty-five percent (65%) of the Premises.

(b) All terms and conditions of this Lease, including without limitation all provisions governing the payment of Additional Rent, shall remain in full force and effect during each Extension Period, except that Base Rent payable during the first Lease Year of each Extension Period shall be the then-current Fair Market Rental Rate (hereinafter defined) with respect to comparable office space in downtown Washington, D.C. at the time of the commencement of the applicable Extension Period. Landlord shall not be obligated to make any improvements or alterations in or to the Premises. There shall be no rental abatement during either Extension Period, except to the extent the same is taken into account in determining the Fair Market Rental Rate and as otherwise expressly provided in this Lease. As used in this Lease, the term "Fair Market Rental Rate" shall mean the fair market rental rate per square foot of rentable area that would be agreed upon between a landlord and a tenant entering into the renewal of a lease for comparable space as to location, configuration, view and elevator exposure, size and use, for in a comparable building as to location, quality, reputation and age, with a comparable build-out, a comparable term and operating expense and real estate tax pass-throughs assuming the following: (1) the landlord and tenant are informed and well-advised and each is acting in what it considers its own best interests; (2) a tenant improvement allowance, free rent periods or any other special concessions (for example, design fees, moving allowances, refurbishing allowances, etc.) will not be provided to Tenant except to the extent that such allowances or concessions are reflected in the fair market rental rates being obtained (in which event the Fair Market Rental Rate shall be reduced by the economic equivalent of the allowances or concessions not offered to Tenant); and (3) the Tenant will continue to pay Tenant's Proportionate Share Office and Tenant's Proportionate Share Building, respectively of Operating Expenses. The determination of Fair Market Rental Rate shall also include the annual increases in Base Rent after the first Lease Year of the applicable Extension Period.

(c) Landlord and Tenant shall negotiate in good faith to determine the Base Rent for the applicable Extension Period, for a period of thirty (30) days after the date on which Landlord receives Tenant's written notice of Tenant's election to exercise the extension option provided for under this Paragraph 20. In the event Landlord and Tenant are unable to agree upon the Base Rent for the applicable Extension Period within said thirty (30)-day period, the Fair Market Rental Rate for the Premises shall be determined by a board of three (3) licensed commercial real estate brokers, one of whom shall be named by the Landlord, one of whom shall be named by Tenant, and the two so appointed shall select a third. Each real estate broker so selected shall be licensed in the jurisdiction in which the Building is located as a real estate broker specializing in the field of commercial office leasing in the District of Columbia, having no less than ten (10) years' experience in such field, and recognized as ethical and reputable within the field. Landlord and Tenant agree to make their appointments promptly within ten (10) days after the expiration of the thirty (30)-day period, or sooner if mutually agreed upon. The two (2) brokers selected by Landlord and Tenant shall promptly select a third broker within ten (10) days after they both have been appointed, and each broker, within fifteen (15) days after the third broker is selected, shall submit his or her determination of the Fair Market Rental Rate. The Fair Market Rental Rate shall be the mean of the two closest rental rate determinations, and the brokers' determination of Fair Market Rental Rate shall be binding upon Landlord and Tenant. Landlord and Tenant shall each pay the fee of the broker selected by it, and they shall equally share the payment of the fee of the third broker.

(d) Should the Term of the Lease be extended hereunder, Tenant shall execute an amendment modifying this Lease within thirty (30) days after Landlord presents same to Tenant, which agreement shall set forth the Base Rent for the applicable Extension Period in accordance with the foregoing. Should Tenant fail to execute the amendment (which accurately sets forth such information and which contains no material provisions inconsistent with the terms hereof) within thirty (30) days after presentation of same by Landlord, time being of the essence and with good faith efforts, Tenant's right extend the Term of the Lease shall, at Landlord's sole option, terminate, and Landlord shall be permitted to lease such space to any other person or entity upon whatever terms and conditions are acceptable to Landlord in its sole discretion.

21. RIGHT OF FIRST OFFER

(a) Subject to any existing expansion rights or renewal rights possessed by any tenant in the Building as of the Effective Date as set forth on Exhibit J, ("Existing Rights"), Tenant shall have and is hereby granted the following right of first offer to lease the First Available Expansion Space (hereinafter defined) if such space shall become available during the Term, pursuant to and in accordance with the terms and conditions of this Paragraph 21. As used herein, the term "First Available Expansion Space" shall mean Rentable Area contiguous to the Demised Premises which may become available on all of or any portion the fourth (4^{th}) or fifth (5^{th}) floors of the North Tower of the Building.

(b) Landlord shall notify Tenant in writing (the "Availability Notice") of the availability of the First Available Expansion Space and set forth in such Availability Notice (i) the terms and conditions pursuant to which Landlord would lease the Expansion Space to Tenant, including the Expansion Space Fair Market Rental Rate (hereinafter defined), and (ii) the date on which such Expansion Space is anticipated to become available for lease by Tenant (the "Availability Date"). Provided that (A) no Event of Default then exists under the Lease; (B) Tenant and its Affiliates shall be in occupancy for its own use of not less than sixty-five percent (65%) of the Premises; (C) not less than twenty-four (24) months remain in the Term of this Lease as of the Availability Date or Tenant has a remaining Extension Period; and (D) Tenant notifies Landlord, in writing (the "Tenant Election Notice") within fifteen (15) days after Tenant's receipt of Landlord's Availability Notice, of Tenant's election to lease the First Available Expansion Space.

(c) In the event that Tenant does NOT timely exercises its First Available Expansion Space Option such option shall become null and void.

(d) The portion of the First Available Expansion Space which Tenant elects to lease pursuant to Section 21, shall be referred to herein as the "Additional Expansion Space". The term of the Lease demising the Additional Expansion Space shall (1) commence on the date that is the earlier to occur of (i) one hundred eighty (180) days after Landlord delivers the Additional Expansion Space to Tenant, or (ii) the date upon which Tenant occupies the Additional Expansion Space for the conduct of its normal business operations therein; and (2) be coterminous with the Term hereof.

(e) All terms and conditions of this Lease, including without limitation all provisions governing the payment of Additional Rent, shall be applicable to the Additional Expansion Space with Tenant taking the Additional

Expansion Space in its AS IS WHERE IS condition, except that Base Rent payable during the first Lease Year of each Extension Period shall be the then-current Expansion Space Fair Market Rental Rate (hereinafter defined) with respect to comparable office space (including the Building) in downtown Washington, D.C. at the time of the Availability Date. As used in this Lease, the term "Expansion Space Fair Market Rental Rate" shall mean the fair market rental rate per square foot of rentable area that would be agreed upon between a landlord and a prospective tenant entering into a lease for comparable space as to location, configuration, view and elevator exposure, size and use, in a comparable building as to location, age, quality and reputation, with a comparable build-out, a comparable term and operating expense and real estate tax pass-throughs assuming the following: (1) the landlord and tenant are informed and well-advised and each is acting in what it considers its own best interests; (2) a tenant improvement allowance, free rent periods or any other special concessions (for example, design fees, refurbishing allowances, etc.) will be provided to Tenant; provided, however, Tenant shall have the option to either (i) accept such concessions or (ii) reject such concessions in which event the fair market rental rate shall be decreased to reflect the value of such concessions; and (3) Tenant's Proportionate Share Office and Tenant's Proportionate Share Building, respectively of Operating Expenses shall be recalculated to include the Additional Expansion Space. The determination of the Expansion Space Fair Market Rental Rate shall also include the annual increases in Base Rent for the Additional Expansion Space after the first commencement date anniversary of the Additional Expansion Space.

(f) Landlord and Tenant shall negotiate in good faith to determine the Expansion Space Fair Market Rental Rate, for a period of thirty (30) days after the date on which Landlord receives the Tenant Election Notice. In the event Landlord and Tenant are unable to agree upon the Expansion Space Fair Market Rental Rate within said thirty (30)-day period, then Tenant shall have the option (which option shall be exercised by Tenant providing notice of such election to Landlord within five (5) business days after the expiration of the thirty (30) day negotiation period), in its sole discretion, to either (i) withdrawal Tenant Election Notice in which case such option shall become null and void, or (ii) have the Expansion Space Fair Market Rental Rate determined by a board of three (3) licensed commercial real estate brokers, one of whom shall be named by the Landlord, one of whom shall be named by Tenant, and the two so appointed shall select a third. If Tenant elects subheading (ii) above, each real estate broker so selected shall be licensed in the jurisdiction in which the Building is located as a real estate broker specializing in the field of commercial office leasing in the District of Columbia, having no less than ten (10) years' experience in such field, and recognized as ethical and reputable within the field. Landlord and Tenant agree to make their appointments promptly within ten (10) days after the expiration of the thirty (30)-day period, or sooner if mutually agreed upon. The two (2) brokers selected by Landlord and Tenant shall promptly select a third broker within ten (10) days after they both have been appointed, and each broker, within fifteen (15) days after the third broker is selected, shall submit his or her determination of the Expansion Space Fair Market Rental Rate. The Expansion Space Fair Market Rental Rate shall be the mean of the two closest rental rate determinations. Landlord and Tenant shall each pay the fee of the broker selected by it, and they shall equally share the payment of the fee of the third broker.

(g) In the event that Tenant timely delivers a Tenant Election Notice to Landlord, Landlord shall prepare an amendment in a commercially reasonable form modifying the Lease to incorporate the Additional Expansion Space, which amendment shall set forth, among other things: (i) identifies the Additional Expansion Space and incorporates the same into the Premises; (ii) the amount of Base Rent for the Additional Expansion Space; (iii) the adjustments to Tenant's Proportionate Share Office and Tenant's Proportionate Share Building, respectively, of Operating Expenses caused by the addition of the Additional Expansion Space and (iv) the Tenant Improvement Allowance and other market concessions for the Additional Expansion Space, if any. Should Tenant fail or refuse to execute such amendment within thirty (30) days after the delivery of such lease amendment by Landlord, time being of the essence, Landlord shall be free to lease the Expansion Space (or any portion thereof selected by Landlord in its sole discretion) to any other person or entity upon any terms and conditions that Landlord desires in its sole discretion. In the event that Tenant elects to lease the Additional Expansion Space, and Landlord is unable to deliver possession of such space to Tenant on the Availability Date for any reason whatsoever, including without limitation the failure of an existing tenant to vacate such space, Landlord shall not be liable or responsible for any claims, damages or liabilities in connection therewith or by reason thereof, provided that (i) Landlord shall use reasonable efforts to deliver possession of the Additional Expansion Space to Tenant as soon as reasonably practicable, and (ii) in the event Landlord is unable to deliver the Additional Expansion Space to Tenant within one hundred eighty (180) days after the Availability Date for any reason not caused by Tenant, then Tenant shall have the right to seek specific performance or terminate this Lease only with respect to the Additional Expansion Space by delivering to Landlord a written notice of such termination within ten

(10) days thereafter, and this Lease only with respect to the Additional Expansion Space shall terminate and all rights, obligations and liabilities of the parties under the executed amendment relating to the Additional Expansion Space shall be released and discharged.

(h) In the event Tenant fails timely to deliver a Tenant Election Notice to Landlord or withdraws a Tenant Election Notice in accordance with subparagraph (f) above, Landlord may lease the Expansion Space to any person or entity of its choice on whatever terms and conditions Landlord elects in its sole discretion.

22. TELECOMMUNICATIONS EQUIPMENT

(a) Subject to the terms and conditions of this Lease, Landlord hereby grants Tenant the non-exclusive right to install, maintain and operate during the Term one (1) satellite dish of less than thirty-six inches (36") in diameter and related equipment ("Antenna Equipment") on a portion of the roof of the Building in a location reasonably designated by Landlord (such location being referred to as the "Site"), provided, the Antenna Equipment (i) does not adversely affect the structure of the Building, the roof system of the Building, the warranty for the roof of the Building or the safety of the Building; (ii) does not adversely affect the electrical, mechanical or any other system of the Building or the functioning thereof; (iii) does not interfere with the operation of the Building or the provision of services or utilities to other tenants in the Building, (iv) does not exceed the capacity of the Building or the roof of the Building as reasonably determined by Landlord, and (v) is otherwise approved by Landlord in writing (which approval shall not be unreasonably denied, conditioned or delayed). In addition, Tenant shall be allowed to replace the existing Antenna Equipment with similar equipment for communication and data purposes provided such replacement equipment meets all of the requirements in the previous sentence and is not materially larger than the existing Antenna Equipment. If Tenant does elect to replace the existing Antenna Equipment in accordance with the previous sentence, such replacement equipment shall be deemed Antenna Equipment for purposes of this Paragraph 22. Landlord shall not be entitled to any fee from Tenant in connection with the license granted to Tenant pursuant to this Paragraph.

(b) Landlord hereby grants to Tenant non-exclusive access to the Building’s pathways, shafts, risers, raceways, conduits, available telephone closets, service areas or utility connections and entries into and through the Building owned or under the control of Landlord (the “Communications Spaces and Pathways”) to install such wiring (the “Telecom Cabling”) therein as may be necessary for Tenant to connect Tenant’s Antenna Equipment to the Premises (subject to such rules and regulations as may be promulgated by Landlord from time to time), provided that such Telecom Cabling (i) does not adversely affect the structure or safety of the Building; (ii) does not adversely affect the electrical, mechanical or any other system of the Building or the functioning thereof; and (iii) does not interfere with the operation of the Building or the provision of services or utilities to Tenant or any other tenant of the Building. The Antenna Equipment and the Telecom Cabling shall hereinafter be collectively referred to as the “Telecommunications Equipment”.

(c) Tenant shall install, operate, maintain and remove the Telecommunications Equipment in compliance with the Permits (as hereinafter defined) and all present and future rules and regulations of any local, State or Federal authority having jurisdiction with respect thereto, including, without limitation, the rules and regulations of the Federal Communications Commission (“FCC”), the Federal Aviation Administration (“FAA”), the Occupational Safety and Health Administration (“OSHA”); the Telecommunications Equipment being permitted under the laws, rules and regulations of the District of Columbia and any other governmental and quasi-governmental authorities having appropriate jurisdiction over the Building or Tenant’s use of the Telecommunications Equipment. Tenant shall use commercially reasonable efforts to deliver to Landlord written proof of compliance within twenty (20) days after Landlord’s written request.

(d) Installation.

(i) Prior to installation of the Telecommunications Equipment and any modifications or changes thereto, Tenant shall submit in writing to Landlord all plans and specifications for Landlord’s approval and shall commence work only after having obtained Landlord’s written approval. Landlord hereby agrees to review and respond to Tenant with respect to said plans and specifications within fifteen (15) days after its receipt thereof. The style, color, materials, exact location and method of installation of the Telecommunications

Equipment, and the location of all cables and equipment in the Building's conduits, risers or equipment rooms or closets are subject to the prior written approval of Landlord (which approval shall not be unreasonably denied, conditioned or delayed).

(ii) All of such installations, modifications or changes shall conform to Landlord's reasonable technical requirements, including, but not limited to, design and installation specifications, interference control devices and weight and windload requirements.

(iii) The Telecommunications Equipment shall be clearly marked to show Tenant's name, address, telephone number, the name of the person to contact in case of emergency, FCC call sign, frequency and location; the transmissions lines shall be identified at the bottom and top of each line.

(iv) The materials, exact location and method of installation of the Telecom Cabling, and the location of and method of identifying and marking all cables and equipment in the Communications Spaces and Pathways are subject to the prior written approval of Landlord (which approval shall not be unreasonably, denied, conditioned or delayed).

(v) In the event Tenant requires an electric power supply and/or usage different from that currently provided by Landlord and included within the Rent to be paid by Tenant hereunder, Tenant shall, at its sole cost and expense, obtain such power supply. Any work performed in connection therewith shall comply with the provisions of this Lease concerning Tenant alterations or improvements. Any power lines installed by Tenant shall run within the areas designated on the plans and specifications for the Telecommunications Equipment (the "Telecommunications Plans"). Any deviation from such Telecommunications Plans shall be corrected at Tenant's expense, payable as Additional Rent hereunder within ten (10) days of Tenant's receipt of an invoice therefor.

(vi) In the event any zoning approvals, licenses, or building or occupancy permits are required for the installation, modification or operation of the Telecommunications Equipment (collectively, the "Permits"), Landlord shall obtain the Permits on Tenant's behalf, provided, however, that (a) such applications and requests shall be at no third party cost to Landlord (or Tenant agrees to reimburse Landlord promptly for such third party costs) and shall impose no liability on Landlord, and (b) the Permits and/or the conditions under which the Permits would be granted shall in no way impair or adversely affect the Building. Tenant shall assist and cooperate with Landlord to obtain the Permits, and shall promptly join in, consent to, execute, deliver and pay all fees with respect to any such applications and requests as may be required. Prior to any meetings or telephone conference calls with or submissions of material to governmental authorities, Landlord shall use its reasonable efforts to notify Tenant of its intention to have such meetings or conference calls or make such submissions at least three (3) business days prior thereto, provided that Landlord shall have been afforded sufficient prior notice by such governmental authorities, and Tenant shall have the right, at Tenant's sole cost and expense, to participate in such meetings or conference calls. Landlord shall have no liability for failure to obtain the Permits, nor shall Landlord be required to appeal the denial or failure to grant any Permit by any governmental agency. Tenant shall be responsible for obtaining, if required, any licenses or permits which may be required by the FCC. A copy of each of Tenant's applicable permits and licenses shall be delivered to Landlord upon request.

(vii) All work performed at the Building in connection with the installation, modification, operation or removal of the Telecommunications Equipment shall be performed at Tenant's expense by Tenant's employees or by contractors approved by Landlord in its good faith judgment; provided, however, at Landlord's sole election, Landlord shall be entitled to designate a contractor to perform any such installation or modification that in Landlord's judgment may (a) adversely affect the structure of the Building, the roof of the Building, the warranty for the roof of the Building or the safety of the Building; (b) adversely affect the electrical, mechanical or any other system of the Building or the functioning thereof; or (c) interfere with the operation of the Building or the provision of services or utilities to Tenant or other tenants in the Building.

(viii) Landlord shall provide to Tenant sufficient access to the Site and the Communications Spaces and Pathways during the normal hours of operation of the Building under this Lease for the maintenance and operation of the Telecommunications Equipment. Access to the Site and the Communications Spaces and Pathways at other times will be available only on an emergency basis, by telephoning the property manager for the Building. Tenant shall reimburse Landlord for all out-of-pocket costs and expenses reasonably incurred by Landlord as a result of such emergency access. All access to the Site and Communications Spaces and Pathways shall be subject to the continuing control of, and reasonable security and safety procedures established by, Landlord from time to time.

(ix) Tenant shall pay Landlord (within thirty (30) days after receipt of an invoice therefor) an amount equal to all costs incurred by Landlord to have an engineer review the Telecommunications Plans and specifications and method for attaching the Telecommunications Equipment to the Building, if any.

(x) Tenant shall install any screen or other covering for the Antenna Equipment that Landlord in its reasonable discretion may require (the size, type and style of which shall be subject to Landlord's prior written approval) in order to camouflage or conceal the Antenna Equipment.

(xi) The Antenna Equipment shall not exceed the height or the weight that Landlord shall determine is appropriate for the roof (which Landlord shall specify to Tenant upon Tenant's written request).

(e) <u>Interference</u>.

(i) The installation, maintenance and operation of the Telecommunications Equipment shall not interfere electronically or otherwise, with (a) the equipment, facilities or operations of Landlord, or (b) the equipment, facilities or operations of Landlord's licensees or tenants at the Building. If any interference is caused by the installation, maintenance and operation of the Telecommunications Equipment, Tenant shall, upon written request, suspend its operations until such time as the interference has been eliminated, except for intermittent testing after performing such repair, modification, replacement or other action for the purpose of correcting the interference. If Tenant is unable to rectify the interference, then upon Landlord's request, Tenant shall (at Tenant's cost) remove the Telecommunications Equipment from the Building (and restore the Site and the Building area affected to the condition existing prior to installation of the Telecommunications Equipment) and comply with the provisions hereof governing removal of the Telecommunications Equipment. All transmitters and/or repeater systems at the Site shall be equipped with, at a minimum, a single stage isolator and a bandpass filter or bandpass/reject type duplexer. No notch type duplexers will be allowed. Complete technical characteristics for required equipment (including response curves) shall be furnished to Landlord and approved for use prior to Tenant's installation of the Telecommunications Equipment. Landlord shall use commercially reasonable efforts to ensure that any equipment installed or placed on the roof after the installation of the Telecommunications Equipment will be located in an area that is not likely to materially interfere electronically or otherwise with the Telecommunications Equipment installed by or on behalf of Tenant; and if any material interference with the Telecommunications Equipment nevertheless results, Landlord shall cause such other equipment to be relocated promptly in accordance with Paragraph 22(i) below so as to eliminate all such interference.

(ii) Tenant waives any and all claims against Landlord for any interference caused to or with Tenant's Telecommunications Equipment by the present or future equipment or facilities of Landlord or any of its tenants or licensees, except to the extent due to Landlord's gross negligence or willful misconduct or Landlord is in breach of its obligations hereunder or fails to relocate promptly any other equipment, hardware or cables installed for another tenant after the date of the installation of Tenant's Telecommunication Equipment.

(f) <u>Maintenance and Removal of the Telecommunications Equipment</u>.

(i) Tenant shall, at its sole cost and expense, be responsible for the maintenance of the Telecommunications Equipment in accordance with all applicable laws and regulations and this Lease. All maintenance work shall be performed by Tenant's employees or by certified contractors, previously approved in writing by Landlord, such approval not to be unreasonably denied, conditioned or delayed.

(ii) At the expiration or earlier termination of this Lease, Tenant shall remove the Telecommunications Equipment from the Building (and restore the Site and the Building area affected to the condition existing prior to installation of the Telecommunications Equipment) (the "Telecommunications Equipment Restoration Work") at Tenant's sole cost and expense. The removal shall be performed by a certified contractor previously approved in writing by Landlord (such approval not to be unreasonably denied, conditioned or delayed), in a workmanlike manner in accordance with a previously approved removal plan (such approval not to be unreasonably denied, conditioned or delayed) and without causing any damage or material and continuous interference to the structures, equipment, or operations of Landlord or any of its licensees or tenants at the Building. Should any interference, damage or destruction occur, remedy thereof shall be immediately commenced and diligently pursued by Tenant at Tenant's sole cost and expense. If Tenant fails to eliminate any such interference or to make any such repair within seven (7) days after receiving written notice of the occurrence of interference or damage, Landlord may perform the necessary work at Tenant's cost and expense and such amount shall be paid by Tenant, as Additional Rent hereunder, within thirty (30) days of Tenant's receipt of an invoice therefor. Notwithstanding anything to the contrary contained in this Lease, Tenant shall, upon Landlord's request, remove, at Tenant's sole expense, such wires and cables as may have been installed by Tenant on the exterior of the Building during the Lease Term.

(g) Landlord shall be entitled to grant to other persons or entities the right to use certain portions of the roof; provided, however, that (i) Landlord shall not grant to another user the right to erect an antenna, dish or other hardware or cables in the Site or in a location which would materially interfere with Tenant's Telecommunications Equipment, and (ii) if any other user of the roof of the Building places an antenna, satellite dish or other hardware, equipment or cabling on the roof of the Building that materially interferes with the operation of Tenant's Telecommunications Equipment then on the roof, Landlord shall cause such other user to move its equipment, hardware, equipment or cabling to a location that in Landlord's reasonable judgment would not materially interfere with the operation of Tenant's Telecommunications Equipment then on the roof of the Building. Notwithstanding anything herein to the contrary, Tenant acknowledges that Tenant's right to install and maintain the Telecommunications Equipment is a non-exclusive right and that Landlord hereby reserves the right to limit or restrict access to the Telecommunications Equipment to the extent Landlord may deem necessary in order for Landlord to comply with the terms of any lease now or hereafter in effect for any portion of the Building (e.g., a lease to a tenant who, by reason of a contract with the United States government, must maintain a level of security which would prohibit access to the roof by parties other than the Landlord). In the event of such limitation upon Tenant's access to the Telecommunications Equipment, Landlord shall make other reasonable accommodations to Tenant in order to permit Tenant controlled or monitored access to the Telecommunications Equipment for maintenance purposes during Landlord's normal business hours. Landlord, at its sole but reasonable option, may require Tenant, at any time prior to the expiration of the Lease, to relocate, or if not feasible, to terminate the operation of the Telecommunications Equipment if it is (i) causing physical damage to the structural integrity of the Building, (ii) in Landlord's reasonable judgment, voiding any warranty or guaranty applicable to the roof or the Building, (iii) interfering with any other service provided by the Building, or (iv) causing the violation of any condition or provision of this Lease or any governmental or quasi-governmental law, rule or regulation applicable to the Building (now or hereafter in effect). Landlord shall have the right (a) to require that the Antenna Equipment be moved to another location on the roof or the Building, and (b) to require the Telecom Cabling be moved to another location in the Communications Spaces and Pathways, to accommodate Landlord for placement of other antenna equipment or telecommunications equipment, or other electrical equipment, at Landlord's sole expense, provided that such relocation and new location does not materially adversely affect the operation of the Antenna Equipment or the Telecom Cabling, respectively.

(h) In the event Landlord elects to retain the Telecom Cabling, Tenant covenants that to the best of Tenant's knowledge (a) Tenant shall be the sole owner of such wires and cables as may have been installed by Tenant in the Premises or the Building during the Lease Term, that Tenant shall have good right to surrender such Telecom Cabling, and that such Telecom Cabling shall be free of all liens and encumbrances, and (b) all Telecom Cabling shall be left in good condition, working order, clearly marked to show Tenant's name, address, telephone number, the name of the person to contact in case of emergency, FCC call sign, frequency and location; the transmissions lines shall be identified at the bottom and top of each line.

(i) The provisions of this Paragraph 22 shall survive the expiration or earlier termination of the Lease.

23. MOLD AND MILDEW

(a) Mold is a type of fungus. It occurs naturally in the environment and is necessary for the natural decomposition of plant and other organic material. Certain strains of mold have been shown to have potential adverse effects in susceptible persons. Mold can also have an adverse impact on real and personal property. Tenant understands and acknowledges that the Premises are located in a region with a climate that may be conducive to the growth of mold and mildew. Tenant further understands and acknowledges that maintaining an acceptable indoor environment is an ongoing effort and that changes in occupancy, remodeling, maintenance procedures, and many other factors can have a significant effect on an indoor environment.

(b) For purposes hereof, "Mold" is defined as the indoor presence or growth of mold, mildew, fungus and/or the presence of materials containing any of them. In most indoor environments, the availability of moisture becomes the limiting factor to amplification or growth of mold. Indoor mold is not always visible but it can sometimes be detected by the presence of a musty odor that is produced by microscopic volatile organic compounds ("MVOCs"), a metabolic byproduct of fungi and bacteria.

(c) LEAKS, EXCESS INDOOR RELATIVE HUMIDITY, WET FLOORING AND/OR MOISTURE WILL CONTRIBUTE TO THE GROWTH OF MOLD. Tenant must use commercially reasonable efforts to promptly report to Landlord any leaks, moisture or water intrusion, and any damage to or defect in the plumbing or air conditioning system. Unless there is an emergency, all notices must be provided in writing and must specify the repairs that are to be performed or required. In the case of an emergency, Tenant may give Landlord oral notice of the problem or defect. Within twenty-four (24) hours after any emergency notification, Tenant must provide Landlord with written confirmation of Tenant's oral notice to Landlord. If any problem or defect is not corrected, or recurs, Tenant must immediately notify Landlord in writing of the need for additional corrective measures. Tenant expressly understands and acknowledges that Landlord shall not be liable for any damages which may be caused, directly or indirectly, by Tenant's failure to maintain the Premises clean, dry, well-ventilated and free of contamination.

(d) Any remediation or repairs required as a result of moisture or Mold must be performed by skilled professionals who are properly licensed and insured and approved by Landlord in its sole discretion. Additionally, any remediation or repairs performed regarding the presence of moisture or Mold in the Premises shall be performed in accordance with the OSHA's Guide to Mold in the Workplace or such other industry-standard as approved by Landlord in its sole discretion. Landlord shall have the right to inspect the Premises, upon reasonable notice to Tenant, to determine their existing condition and whether Tenant is complying with the all of the terms contained hereinabove.

24. EXPANSION SPACE OPTION

(a) Subject to Existing Rights, Tenant shall have the option (the "Expansion Space Option") to lease the Expansion Space (as hereinafter defined) as of the Expansion Space Commencement Date (hereinafter defined), provided that (i) Tenant delivers written notice to Landlord of its exercise of the Expansion Space Option (the "Expansion Space Option Exercise Notice") on or before November 1, 2022, which is no later than ten (10) months prior to the date that the Expansion Space Anticipated Availability Date (hereinafter defined); (ii) no Event of Default is existing as of the date that Tenant delivers the Expansion Space Option Exercise Notice; and (iii) Tenant has not assigned this Lease (other than to a Qualified Tenant Affiliate or a Qualified Successor) and Tenant (and/or a Qualified Tenant Affiliate and/or a Qualified Successor) is occupying at least seventy-five percent (75%) of the Premises. The Expansion Space is currently anticipated to be available (the "Expansion Space Anticipated Availability Date") on September 1, 2023. If Tenant fails to deliver the Expansion Space Option Exercise Notice on or before the date required above or any of the other conditions to exercise the Expansion Space Option are not satisfied, then the Expansion Space Option shall terminate and be of no further force or effect. As used herein, the term "Expansion Space" shall mean that portion of the sixth (6th) floor of the Building containing approximately 15,726 square feet of Rentable Area designated as the Expansion Space and shown on Exhibit A-1 attached hereto.

(b) If Tenant properly exercises its Expansion Space Option in accordance with the foregoing, then as of the Expansion Space Commencement Date, the following shall also apply (which shall be reflected in the Expansion Space Amendment referred to herein):

(i) the Expansion Space shall be added to, and become a part of, the Premises, and, except as herein provided, the Expansion Space shall be governed by all of the provisions of this Lease applicable to the Premises, which shall continue in full force and effect and be applicable to the Expansion Space;

(ii) the Rentable Area of the Premises shall be increased by the Rentable Area of the Expansion Space as determined by Landlord;

(iii) Tenant shall begin paying rent on the Expansion Space as of the date which is one hundred eighty (180) days after the Expansion Space Commencement Date (the "Expansion Space Rent Commencement Date") and the Base Rent for the Expansion Space shall be equal to the Fair Market Rental Rate using the same procedure as provided for in Paragraph 21;

(iv) other than as stated in Section 24(b)(iii) above, there shall be no abatement of rent or waiver of rent applicable to the Expansion Space;

(v) the Expansion Space shall be accepted by Tenant in its then "AS-IS, WHERE-IS" condition, and Landlord shall have no obligation to make any improvements or alterations thereto;

(vi) the number of Parking Permits shall be increased by one (1) space for each 1,250 of square feet of Rentable Area which comprises the Expansion Space.

(c) The "Expansion Space Commencement Date" shall mean the date that Landlord delivers to Tenant exclusive possession of the Expansion Space broom clean and free of all personal property and debris. In the event that Landlord is unable to deliver possession of the Expansion Space to Tenant by the Expansion Space Anticipated Availability Date for any reason or condition beyond Landlord's reasonable control, including, without limitation, the failure of any tenant to vacate and surrender to Landlord the Expansion Space, then neither Landlord nor its agents or employees shall be liable or responsible for any claims, damages or liabilities in connection therewith or by reason thereof, but Landlord shall use its good faith efforts to make the Expansion Space available to Tenant.

(d) If Tenant exercises Expansion Option in accordance with the terms of this Section 24, then Tenant shall execute an amendment to the Lease ("Expansion Space Amendment") setting forth the foregoing terms of such expansion, within fifteen (15) business days after Landlord delivers such the Expansion Space Amendment to Tenant.

25. FORMER LANDLORD TERMINATION PAYMENT

Provided there is no Tenant Event of Default hereunder or under the Existing Lease (for that period of time between the Effective Date and the Commencement Date), Landlord shall reimburse Tenant the amount of Three Million One Hundred Thousand and 00/100 Dollars ($3,100,000.00) ("Landlord's Contribution") towards the payment of Tenant's termination penalty payment ("Termination Payment") to Tenant's landlord ("Former Landlord") under an existing lease for space within the building located at 1300 Wilson Boulevard, in Arlington, Virginia. Tenant shall provide Landlord with sufficient proof that Tenant has submitted the Termination Payment to Tenant's Former Landlord ("Proof of Payment"). Within thirty (30) days after Landlord's receipt of Proof of Payment, Landlord shall provide Tenant with the Landlord's Contribution; provided, however, in no event shall Landlord's Contribution be provided to Tenant prior to November 1, 2019.

26. CARLYLE ELEVATOR BANK

Tenant shall have the exclusive use of Elevators 1 and 2 in the West elevator bank in the South Tower of the Building ("Carlyle Elevator Bank") servicing floors 2-5 only and Tenant, subject to Landlord's approval which shall not be unreasonably withheld conditioned or delayed, shall be allowed to install signage to brand the Carlyle Elevator Bank; provided, further, in the event of a temporary outage of the remaining Building elevators, Landlord shall provide Tenant with notice thereof and to the extent necessary Tenant shall suspend its exclusive right to the Carlyle Elevator Bank until there is sufficient elevator capacity in the Building to meet the needs of the tenants of the Building. Landlord shall use commercially reasonable efforts to resolve the temporary outage of the remaining Building elevators. For avoidance of doubt, Landlord shall be solely responsible for the costs associated with the operation and maintenance of the elevator systems or base building finishes in the Carlyle Elevator Bank, except to the extent any such costs are Operating Expenses in which case Tenant shall pay Tenant's Proportionate Share of such Operating Expenses pursuant to Section 3. Landlord shall install turnstiles in the lobby of the Building leading from the Pennsylvania Avenue main lobby entrance to the elevator bank, which elevator bank shall include the Carlyle Elevator Bank.

27. DISPUTE RESOLUTION

(a) Arbitration

(i) Unless otherwise specifically provided for in this Lease, all disputes, controversies, claims or disagreements arising out of or relating to this Lease (singularly, a "Dispute", and collectively, "Disputes") shall be resolved in the following manner.

(ii) Each party shall be entitled to serve upon the other party notice of its desire to settle the matter by binding arbitration ("Arbitration Notice"). Within five business (5) days after the date of delivery of the Arbitration Notice, (i) either party may submit the Dispute to the American Arbitration Association for binding arbitration under the then existing Commercial Arbitration Rules of the American Arbitration Association, and (ii) each party shall select an arbitrator ("Initial Arbitrators") and provide written notice of its selection to the other party, to the American Arbitration Association and to the other party's Initial Arbitrator ("Initial Arbitrator Notice"). Each Initial Arbitrator shall have not fewer than ten (10) years of experience in the leasing of office building business (and no fewer than five years of experience in the class A leasing of office building business) in the market area where the Building is located, in the event such arbitrator is available, and shall not be an Affiliate of or a person who has any past (within the prior three years), present, or currently contemplated future business or personal relationship with either Landlord or Tenant ("Arbitrator Qualifications"). The sole duty of the Initial Arbitrators shall be to choose a third arbitrator ("Arbitrator") who shall meet the Arbitrator Qualifications. The Initial Arbitrators shall jointly, within five (5) business days after receipt of the Initial Arbitrator Notice from the Landlord and Tenant, appoint the Arbitrator ("Arbitrator Appointment Date").

(iii) The Arbitrator shall be instructed to apply the internal laws of the District of Columbia (without regard to conflict of laws principles) in resolving the subject Dispute. In the event that the parties are unable to obtain the services of arbitrators which meet the Arbitrator Qualifications set forth in Section 27(a)(ii), the parties shall use diligent efforts to obtain the services of arbitrators whose qualifications are substantially similar to the Arbitrator Qualifications.

(iv) The decision of the Arbitrator shall be made within thirty (30) days after the Arbitrator Appointment Date (or such longer time as may be agreed to, if necessary, which Lease shall not be unreasonably withheld) and the decision of (such Arbitrator) when reduced to writing and signed by it shall be final, conclusive and binding upon the parties hereto, and may be enforced in any court having jurisdiction;

(v) If a face to face arbitration procedure is necessary, the arbitration shall be held in the District of Columbia and, except for those procedures specifically set forth in this Section 27, including, without limitation, the application of the internal laws of the District of Columbia (without regard to conflict of laws principles), shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association as in effect on the date thereof.

(vi) The Arbitrator shall be directed to establish (i) a schedule for the conduct of the arbitration which shall yield a conclusion within thirty (30) days after the Arbitrator Appointment Date (or such longer time as may be agreed to, if necessary, which agreement shall not be unreasonably withheld) and (ii) economic or procedural sanctions (which may include default judgment) for any party the Arbitrator determines has intentionally delayed the conduct of the proceedings; and

(vii) The Landlord and the Tenant shall each bear the cost of their respective Initial Arbitrator, and one-half (1/2) of the cost of the Arbitrator; provided, however, that (subject to Section 27(b)) each party shall be responsible for its own legal fees.

(viii) Notwithstanding anything contained in this Section 27(a), Tenant and Landlord shall be entitled to (A) commence legal proceedings (in which case the provisions of Section 28(n) governing jurisdiction and service of process shall govern) seeking such mandatory, declaratory or injunctive relief as may be necessary to define or protect the rights and enforce the obligations contained herein pending the settlement of a Dispute in accordance with the arbitration procedures set forth in this Section 27(a), (B) commence legal proceedings (in which case the provisions of Section 28(n) governing jurisdiction and service of process shall govern) involving the enforcement of an arbitration decision or award arising out of this Lease, or (C) join any arbitration proceeding arising out of this Lease with any other arbitration proceeding arising out of either this Lease or any other Leases between Landlord and Tenant relating to the Building.

(b) Survival and Severance. The provisions of this Section 27 shall survive the termination of this Lease for any reason, regardless of whether a dispute arises before or after termination of this Lease, and regardless of whether the related mediation, arbitration or litigation proceedings occur before or after Termination of this Lease. If any part of this Section 27 is held to be unenforceable, it shall be severed and shall not affect either the duties to mediate or arbitrate or any other part of this Section 27.

28. MISCELLANEOUS

(a) Attorneys’ Fees. In the event of any legal action or proceeding brought by either party against the other arising out of this Lease, the prevailing party shall be entitled to recover reasonable attorneys’ fees and costs (including, without limitation, court costs and reasonable expert witness fees) incurred in such action. Such amounts shall be included in any judgment rendered in any such action or proceeding.

(b) Waiver. No waiver by Landlord of any provision of this Lease or of any breach by Tenant hereunder shall be deemed to be a waiver of any other provision hereof, or of any subsequent breach by Tenant. Landlord’s consent to or approval of any act by Tenant requiring Landlord’s consent or approval under this Lease shall not be deemed to render unnecessary the obtaining of Landlord’s consent to or approval of any subsequent act of Tenant. Unless otherwise expressly provided for in this Lease, any approval required to be obtained from a party under this Lease shall not be unreasonably withheld, conditioned or delayed by such party. No act or thing done by Landlord or Landlord’s agents during the term of this Lease shall be deemed an acceptance of a surrender of the Premises, unless in writing signed by Landlord. The delivery of the keys to any employee or agent of Landlord shall not operate as a termination of the Lease or a surrender of the Premises. The acceptance of any Rent by Landlord following a breach of this Lease by Tenant shall not constitute a waiver by Landlord of such breach or any other breach unless such waiver is expressly stated in a writing signed by Landlord.

(c) Notices. Any notice, demand, request, consent, approval, disapproval or certificate (“Notice”) required or desired to be given under this Lease shall be in writing and given by certified mail, return receipt requested, by personal delivery or by a nationally recognized overnight delivery service (such as Federal Express or UPS) providing a receipt for delivery. Notices may not be given by facsimile or electronic mail. The date of giving any Notice shall be deemed to be the date upon which delivery is actually made by one of the methods described in this Paragraph 28(c) (or attempted if said delivery is refused or rejected). If a Notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day. All notices, demands, requests, consents, approvals, disapprovals, or certificates shall be addressed at the address specified in *Item 14* of the Basic Lease Provisions or to such other addresses as may be specified by written notice from Landlord to Tenant and if to Tenant, at the Premises. Either party may change its address by giving reasonable advance written Notice of its new address in accordance with the methods described in this Paragraph; provided, however, no notice of either party's change of address shall be effective until fifteen (15) days after the addressee's actual receipt thereof. For the purpose of this Lease, Landlord's property manager or counsel may provide written Notices to Tenant on behalf of Landlord and such notices shall be binding on Tenant as if such notices have been provided directly by Landlord.

(d) Access Control. Landlord shall be the sole determinant of the type and amount of any access control or courtesy guard services to be provided to the Project, if any. IN ALL EVENTS, LANDLORD SHALL NOT BE LIABLE TO TENANT, AND TENANT HEREBY WAIVES ANY CLAIM AGAINST LANDLORD, FOR (I) ANY UNAUTHORIZED OR CRIMINAL ENTRY OF THIRD PARTIES INTO THE PREMISES, THE BUILDING OR THE PROJECT, (II) ANY DAMAGE TO PERSONS, OR (III) ANY LOSS OF PROPERTY IN AND ABOUT THE PREMISES, THE BUILDING OR THE PROJECT, BY OR FROM ANY UNAUTHORIZED OR CRIMINAL ACTS OF THIRD PARTIES, REGARDLESS OF ANY ACTION, INACTION, FAILURE, BREAKDOWN, MALFUNCTION AND/OR INSUFFICIENCY OF THE ACCESS CONTROL OR COURTESY GUARD SERVICES PROVIDED BY LANDLORD, IF ANY. Tenant shall provide such supplemental security services and shall install within the Premises such supplemental security equipment, systems and procedures as may reasonably be required for the protection of its employees and invitees, provided that Tenant shall coordinate such services and equipment with any security provided by Landlord. The determination of the extent to which such supplemental security equipment, systems and procedures are reasonably required shall be made in the sole judgment, and shall be the sole responsibility, of Tenant. Tenant acknowledges that it has neither received nor relied upon any representation or warranty made by or on behalf of Landlord with respect to the safety or security of the Premises or the Project or any part thereof or the extent or effectiveness of any security measures or procedures now or hereafter provided by Landlord, and further acknowledges that Tenant has made its own independent determinations with respect to all such matters.

(e) Holding Over. If Tenant retains possession of the Premises after the termination or expiration of the Lease Term, then Tenant shall, at Landlord's election become a tenant at sufferance (and not a tenant at will), such possession shall be subject to immediate termination by Landlord at any time, and all of the other terms and provisions of this Lease (excluding any expansion or renewal option or other similar right or option) shall be applicable during such holdover period, except that if Tenant has provided Landlord with notice of its intention to retain possession of the Premises after the termination Tenant shall pay Landlord from time to time, upon demand, as Base Rent for the first three (3) months of the holdover period an amount equal to one hundred twenty five percent (125%) of the Base Rent in effect on the termination date, and thereafter an amount equal to one hundred fifty percent (150%) of the Base Rent in effect on the termination date, computed on a monthly basis for each month or part thereof during such holding over. All other payments (including payment of Additional Rent) shall continue under the terms of this Lease. In addition, Tenant shall be liable for all actual damages (but not consequential damages) incurred by Landlord as a result of such holding over, except for any holding over as permitted by the last sentence of this paragraph. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Paragraph shall not be construed as consent for Tenant to retain possession of the Premises. Notwithstanding the foregoing, in the event that Tenant has provided Landlord with at least six (6) months' prior notice of its intention to retain possession of the Premises after the termination or expiration of the Lease Term Tenant shall pay Landlord from time to time, upon demand, as Base Rent for up to three (3) periods of two (2) months each of the holdover period an amount equal to one hundred percent (100%) of the Base Rent in effect on the termination date, and thereafter an amount equal to one hundred fifty percent (150%) of the Base Rent in effect on the termination date, computed on a monthly basis for each month or part thereof during such holding over.

(f) Quiet Possession. Subject to the provisions of this Lease, Tenant shall have quiet possession of the Premises for the term hereof without hindrance or ejection by any person lawfully claiming under Landlord.

(g) Matters of Record. Except as otherwise provided in Paragraph 16 above and elsewhere in this Lease, this Lease and Tenant's rights hereunder are subject and subordinate to the Security Documents subject to Paragraph 16. Tenant agrees for itself and all persons in possession or holding under it that it will comply with and not violate any such covenants, conditions and restrictions or other matters of record to the extent they relate to Tenant's use of the Premises or the Common Areas. Landlord reserves the right, from time to time, to grant such easements, rights and dedications as Landlord deems necessary or desirable, and to cause the recordation of parcel maps and covenants, conditions and restrictions affecting the Premises, the Building or the Project, as long as such easements, rights, dedications, maps, and covenants, conditions and restrictions do not materially interfere with the use of the Premises and the Common Areas by Tenant.

(h) Successors and Assigns. Except as otherwise provided in this Lease, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

(i) Broker. Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the broker named in *Item 12* of the Basic Lease Provisions and that it knows of no other real estate broker or agent who is or might be entitled to a commission in connection with this Lease. Landlord agrees to be responsible for the payment of any leasing commissions owed to the aforesaid broker in accordance with the terms of a separate commission agreement entered into between Landlord and said broker. Tenant agrees to indemnify, defend and hold Landlord and Landlord's beneficiaries and agents harmless from and against any claims for a fee or commission made by any broker, other than the Broker, claiming to have acted by or on behalf of Tenant in connection with this Lease.

(j) Project or Building Name and Signage.

(i) Landlord shall have the right at any time to install, affix and maintain any and all signs on the exterior and on the interior of the Project or Building as Landlord may, in Landlord's sole discretion, desire; provided, however, that Landlord may not use Tenant's name or the name of any of its Affiliates in any promotional materials without first obtaining Tenant's prior written consent; and further provided, that the parties acknowledge another tenant in the Building has exterior signage placed on the Building, which signage may be modified at such tenant's election. Landlord agrees that so long as Tenant is not in default hereunder and Tenant is in occupancy of not less than 120,000 square feet of rentable area in the Building, Tenant shall also have exterior signage rights commensurate with Tenant's percentage of occupancy of the Building, and Tenant shall be permitted to affix exterior signage at Tenant's sole cost and expense and upon Landlord's consent with regard to the size, design, materials and location of such signage ("Tenant Exterior Sign"); provided, however, in no event shall Tenant's Exterior Sign be larger and more prominent than the exterior sign of Proskauer Rose LLP on the Building during the period in which Proskauer Rose LLP is still a tenant within the Building. Tenant's Exterior Sign shall be located on a pillar need the front entrance of the new Pennsylvania Avenue lobby. In the event that Landlord desires to no longer identify the Building by its address (i.e., "1001 Pennsylvania Avenue"), Landlord shall be required to obtain Tenant's written approval prior to implementing such modification of the Building name. In furtherance thereof, Landlord shall send written notification to Tenant of such modification to the Building name, and Tenant shall have the right to deny approval of such alternative name within ten (10) business days of Tenant's receipt thereof by providing written notice of Tenant's denial to Landlord. In the event that Tenant does not timely respond to Landlord's notification, the Building name modification shall be deemed approved by Tenant. The parties acknowledge and agree that the provision of exterior tenant signage on the Building shall not constitute a modification of the Building name.

(ii) Landlord will provide Tenant with Building standard suite signage and placement in building's directory in the main lobby. Tenant shall have the right to install signage in the Premises or on the entry doors of the Premises that are visible from the elevator lobby on the floors of the Building where the Premises are located, as may be expanded.

(iii) Tenant shall not use the name of the Project or Building or use pictures or illustrations of the Project or Building in advertising or other publicity or for any purpose other than as the address of the business to be conducted by Tenant in the Premises, without the prior written consent of Landlord. Additionally, Landlord shall have the exclusive right at all times during the Lease Term to change, modify, add to or otherwise alter the number, or designation of the Building and/or the Project, and Landlord shall not be liable for claims or damages of any kind which may be attributed thereto or result therefrom, except for reimbursing Tenant for its out of pocket costs incurred in connection with having to order new stationary, business cards and update its website in order to reflect the new information.

(k) Examination of Lease. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for lease, and it is not effective as a lease or otherwise until execution by and delivery to both Landlord and Tenant.

(l) Time. Time is of the essence of this Lease and each and all of its provisions.

(m) Defined Terms and Marginal Headings. The words "Landlord" and "Tenant" as used herein shall include the plural as well as the singular and for purposes of Paragraph 5, 7, 13 and 18, the term Landlord shall include Landlord, its employees, contractors and agents. The marginal headings and titles to the paragraph of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

(n) Conflict of Laws; Prior Agreements; Separability. This Lease shall be governed by and construed pursuant to the laws of the District of Columbia. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease. No prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. The illegality, invalidity or unenforceability of any provision of this Lease shall in no way impair or invalidate any other provision of this Lease, and such remaining provisions shall remain in full force and effect.

(o) Authority. (i) Each individual executing this Lease on behalf of Tenant, in his or her capacity as an officer of Tenant and not personally, hereby covenants and warrants that Tenant is a duly authorized and existing limited liability company, that Tenant has and is qualified to do business in the State, that Tenant has full right and authority to enter into this Lease, and that each person signing on behalf of Tenant is authorized to do so. Tenant shall provide Landlord on demand with such evidence of such authority as Landlord shall reasonably request, including, without limitation, resolutions, certificates and opinions of counsel. (ii) Each individual executing this Lease on behalf of Landlord, in his or her capacity as an officer of Landlord and not personally, hereby covenants and warrants that Landlord is a duly authorized and existing corporation, that Landlord has and is qualified to do business in the State, that Landlord has full right and authority to enter into this Lease, and that each person signing on behalf of Landlord is authorized to do so. Landlord shall provide Tenant on demand with such evidence of such authority as Tenant shall reasonably request, including, without limitation, resolutions, certificates and opinions of counsel. (iii) This Lease shall not be construed to create a partnership, joint venture or similar relationship or arrangement between Landlord and Tenant hereunder.

(p) Joint and Several Liability. If two or more individuals, corporations, partnerships or other business associations (or any combination of two or more thereof) shall sign this Lease as Tenant, the liability of each such individual, corporation, partnership or other business association to pay Rent and perform all other obligations hereunder shall be deemed to be joint and several, and all notices, payments and agreements given or made by, with or to any one of such individuals, corporations, partnerships or other business associations shall be deemed to have been given or made by, with or to all of them. In like manner, if Tenant shall be a partnership or other business association, the members of which are, by virtue of statute or federal law, subject to personal liability, then the liability of each such member shall be joint and several.

(q) Rental Allocation. For purposes of Section 467 of the Internal Revenue Code of 1986, as amended from time to time, Landlord and Tenant hereby agree to allocate all Rent to the period in which payment is due, or if later, the period in which Rent is paid.

(r) Rules and Regulations. Tenant agrees to comply with all rules and regulations of the Building and the Project imposed by Landlord as set forth on *Exhibit C* attached hereto, as the same may be reasonably changed from time to time upon reasonable prior written notice to Tenant. Landlord shall not be liable to Tenant for the failure of any other tenant or any of its assignees, subtenants, or their respective agents, employees, representatives, invitees or licensees to conform to such rules and regulations. If another tenant in the Building is violating the rules and regulations and as a result thereof Tenant's use of the Premises is interfered with in any material manner, then, promptly after Tenant delivers to Landlord notice thereof in writing, Landlord shall use good faith efforts to enforce such rules and regulations contained in such tenant's lease against such tenant. Notwithstanding anything in this Paragraph 28(u) to the contrary, if any rule or regulation is not enforced in a uniform and in a non-discriminatory manner, such rule or regulation shall not be enforceable against Tenant. In the event of any conflict or inconsistency between the terms and provisions of the rules and regulations as now or hereafter in effect, and the terms and provisions of this Lease, the terms and provisions of this Lease shall prevail.

(s) Joint Product. This Agreement is the result of arms-length negotiations between Landlord and Tenant and their respective attorneys. Accordingly, neither party shall be deemed to be the author of this Lease and this Lease shall not be construed against either party.

(t) Guarantor's Consent Not Required. Tenant's parent company, TC Group, L.L.C., a Delaware limited liability company ("Guarantor"), shall guarantee Tenant's obligations under this Lease, all as more specifically set forth in the form of Guaranty attached hereto as Exhibit H ("Guaranty"). Landlord and Tenant have no obligation to obtain Guarantor's consent prior to entering into any amendments, assignments, subleases, or any alterations whatsoever, monetary or non-monetary, of the Lease. During the Term, Tenant upon Landlord's prior written approval Tenant shall have the right to replace the Guarantor with a substitute guarantor; provided, such substitute guarantor executes a Guaranty and provides Landlord with sufficient evidence for Landlord to evaluate the financial capacity of such substitute guarantor.

(u) Force Majeure. Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorism, terrorist activities, inability to obtain services, labor, or materials or reasonable substitutes therefore, governmental actions, civil commotions, fire, flood, earthquake or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations of either party which could be satisfied through the payment of money and except as to Tenant's obligations under Paragraph 6 and Paragraph 8 of this Lease and Paragraph 28(f) of this Lease (collectively, a "Force Majeure"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

(v) Counterparts. This Lease may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

(w) Waiver of Right to Jury Trial. **LANDLORD AND TENANT WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CONTRACT OR TORT CLAIM, COUNTERCLAIM, CROSS-COMPLAINT, OR CAUSE OF ACTION IN ANY ACTION, PROCEEDING, OR HEARING BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, OR TENANT'S USE OR OCCUPANCY OF THE PREMISES, INCLUDING WITHOUT LIMITATION ANY CLAIM OF INJURY OR DAMAGE OR THE ENFORCEMENT OF ANY REMEDY UNDER ANY CURRENT OR FUTURE LAW, STATUTE, REGULATION, CODE, OR ORDINANCE.**

(x) Office and Communications Services. Landlord has advised Tenant that certain office and communications services may be offered to tenants of the Building on a non-exclusive basis by a concessionaire under contract to Landlord ("Provider"). Tenant shall be permitted to contract with Provider for the provision of any or all of such services on such terms and conditions as Tenant and Provider may agree, but Tenant also shall have the right to contract with any other provider of a competing service. Tenant acknowledges and agrees that: (i) Landlord has made no warranty or representation to Tenant with respect to the availability of any such services, or the quality, reliability or suitability thereof; (ii) the Provider is not acting as the agent or representative of Landlord in the provision of such services, and Landlord shall have no liability or responsibility for any failure or inadequacy of such services, or any equipment or facilities used in the furnishing thereof, or any act or omission of Provider, or its agents, employees, representatives, officers or contractors; (iii) Landlord shall have no responsibility or liability for the installation, alteration, repair, maintenance, furnishing, operation, adjustment or removal of any such services, equipment or facilities; and (iv) any contract or other agreement between Tenant and Provider shall be independent of this Lease, the obligations of Tenant hereunder, and the rights of Landlord hereunder, and, without limiting the foregoing, no default or failure of Provider with respect to any such services, equipment or facilities, or under any contract or agreement relating thereto, shall have any effect on this Lease or give to Tenant any offset or defense to the full and timely performance of its obligations hereunder, or entitle Tenant to any abatement of rent or additional rent or any other payment required to be made by Tenant hereunder, or constitute any accrual or constructive eviction of Tenant, or otherwise give rise to any other claim of any nature against Landlord.

(y) OFAC Compliance.

(i) Certification. Tenant certifies, represents, warrants and covenants that:

(A) It is not acting and will not act, directly or indirectly, for or on behalf of any person, group, entity, or nation named by any Executive Order or the United States Treasury Department as a terrorist, "Specially Designated National and Blocked Person", or other banned or blocked person, entity, nation or transaction pursuant to any law, order, rule, or regulation that is enforced or administered by the Office of Foreign Assets Control; and

(B) It is not engaged in this transaction, directly or indirectly on behalf of, or instigating or facilitating this transaction, directly or indirectly on behalf of, any such person, group, entity or nation.

(ii) Indemnity. Tenant hereby agrees to defend (with counsel reasonably acceptable to Landlord), indemnify and hold harmless Landlord and the Landlord Indemnitees from and against any and all Claims arising from or related to any such breach of the foregoing certifications, representations, warranties and covenants.

(z) No Easement for Light, Air And View. This Lease conveys to Tenant no rights for any light, air or view beyond the boundaries of the land making up the Project. No diminution of light, air or view, or any impairment of the visibility of the Premises from inside or outside the Building, by any structure or other object that may hereafter be erected (whether or not by Landlord) beyond the boundaries of the land making up the Project shall entitle Tenant to any reduction of Rent under this Lease, constitute an actual or constructive eviction of Tenant, result in any liability of Landlord to Tenant, or in any other way affect this Lease or Tenant's obligations hereunder.

(aa) ERISA. Tenant is not an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), which is subject to Title I of ERISA, or a "plan" as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986, which is subject to Section 4975 of the Internal Revenue Code of 1986; and (b) the assets of Tenant do not constitute "plan assets" of one or more such plans for purposes of Title I of ERISA or Section 4975 of the Internal Revenue Code of 1986; and (c) Tenant is not a "governmental plan" within the meaning of Section 3(32) of ERISA, and assets of Tenant do not constitute plan assets of one or more such plans; or (d) transactions by or with Tenant are not in violation of state statutes applicable to Tenant regulating investments of and fiduciary obligations with respect to governmental plans.

(bb) Separate Account. Notwithstanding anything contained in this Lease or in any other document executed in connection with the transaction contemplated hereby to the contrary and without limitation of Paragraph 17(c) hereof, as long as Landlord is Teachers Insurance and Annuity Association of America, a New York Corporation, for the benefit of its Real Estate Account**,** any liability of Landlord shall be satisfied solely from the assets and properties of the Teachers Insurance and Annuity Association of America's Real Estate Account established as a separate investment account of TIAA under New York law on February 22, 1995, and under the regulation of the State of New York Insurance Department (the "Separate Account") (including all assets and properties allocated to or held for the account of the Separate Account), and in no event shall any recourse be had to any assets or properties held by TIAA in its general investment account or in any other of its existing or future separate accounts other than the Separate Account. The provisions of this Paragraph 28(bb) will survive the expiration or earlier termination of this Lease.

(cc) Directory. Landlord shall provide for Tenant, at Landlord's expense, throughout the term of this Lease, Tenant's Proportionate Share Office of the directory listings in the Building's lobby directory(ies), whether such directory is computer generated or a placard located in the Building's lobby. In the event that any updates are necessary to said directory listing of Tenant and are requested by Tenant at any time during the Term, Tenant shall be responsible for the reasonable out-of-pocket costs incurred by Landlord in connection with such modifications.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, intended to be legally bound hereby, the parties hereto, by their duly authorized representatives, have executed and sealed this Lease with the intention that this Lease constitutes an instrument under seal, and that the parties have executed this Lease to be effective as of the Effective Date of this Lease.

"LANDLORD":

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, a New York corporation, for the benefit of its Real Estate Account

By: /s/ Vadim Goland
Name: Vadim Goland
Title: Auth Signatory
Date: 6/14/2018

"TENANT":

CARLYLE INVESTMENT MANAGEMENT L.L.C., a Delaware limited liability company

By: /s/ Curtis L. Buser
Name: Curtis L. Buser
Title: Chief Financial Officer & Managing Director
Date: June 13, 2018

Exhibit 31.1

I, Kewsong Lee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 of The Carlyle Group L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2018

/s/ Kewsong Lee

Kewsong Lee
Co-Chief Executive Officer
Carlyle Group Management L.L.C.
(*Co-Principal Executive Officer*)

Exhibit 31.2

I, Glenn A. Youngkin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 of The Carlyle Group L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2018

/s/ Glenn A. Youngkin

Glenn A. Youngkin
Co-Chief Executive Officer
Carlyle Group Management L.L.C.
(*Co-Principal Executive Officer*)

Exhibit 31.3

I, Curtis L. Buser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 of The Carlyle Group L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2018

/s/ Curtis L. Buser

Curtis L. Buser
Chief Financial Officer
Carlyle Group Management L.L.C.
(*Principal Financial Officer*)

Exhibit 32.1

Certification of the Co-Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Carlyle Group L.P. (the "Company") on Form 10-Q for the quarter ended June 30, 2018 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kewsong Lee, Co-Chief Executive Officer of Carlyle Group Management L.L.C., the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kewsong Lee

Kewsong Lee
Co-Chief Executive Officer
Carlyle Group Management L.L.C.

Date: August 1, 2018

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

Certification of the Co-Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Carlyle Group L.P. (the “Company”) on Form 10-Q for the quarter ended June 30, 2018 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Glenn A. Youngkin, Co-Chief Executive Officer of Carlyle Group Management L.L.C., the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Glenn A. Youngkin

Glenn A. Youngkin
Co-Chief Executive Officer
Carlyle Group Management L.L.C.

Date: August 1, 2018

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.3

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of The Carlyle Group L.P. (the “Company”) on Form 10-Q for the quarter ended June 30, 2018 filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Curtis L. Buser, Chief Financial Officer of Carlyle Group Management L.L.C., the general partner of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Curtis L. Buser

Curtis L. Buser
Chief Financial Officer
Carlyle Group Management L.L.C.

Date: August 1, 2018

* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.