DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Consolidated Petition by Mountain Water Company for Declaratory Rulings and Application for Approval of Sale and Transfer of Stock in Park Water Company	)))))	REGULATORY DIVISION Docket No. D2011.1.8

CARLYLE INFRASTRUCTURE PARTNERS, LP'S SECOND SUPPLEMENTAL RESPONSES TO THE FIRST SET OF DATA REQUESTS FROM THE CLARK FORK COALITION

Carlyle Infrastructure Partners, LP ("Carlyle"), by and through its undersigned counsel, hereby submits to the Montana Public Service Commission ("Commission") these second supplemental responses to the first set of data requests from the Clark Fork Coalition.

By: s/ Thorvald A. Nelson

Thorvald A. Nelson
Holland & Hart LLP
6380 South Fiddlers Green Circle, Suite 500
Greenwood Village, CO 80111
(303) 290-1601

William W. Mercer
Holland & Hart LLP
401 North 31st Street, Suite 1500
P. O. Box 639
Billings, Montana 59103-0639
(406) 896-4607

COUNSEL FOR CARLYLE INFRASTRUCTURE PARTNERS, LP

CFC – 014 RE: Timing and effect of Carlyle Group initial public offering
Witness: Dove

a. Please provide a summary of what the managing directors of the Carlyle Group have said publicly about their intention to offer ownership shares to the public through an initial public offering ("IPO").

b. Please disclose and explain when an IPO is anticipated to occur.

c. Please disclose and explain the potential risks and/or benefits to Mountain Water rate payers associated with a public offering by the Carlyle Group.

d. Please disclose and explain what precautions and safeguards are in place to ensure Mountain Water rate payers will not be negatively impacted by any consequences associated with a successful or unsuccessful public offering by the Carlyle Group.

e. Please explain how management, operation and costs of Carlyle Infrastructure, CIP Western Water, and Western Water Holdings would change as a result of a successful or unsuccessful public offering by the Carlyle Group, including whether the length of time an investment could be held will be affected.

RESPONSE:

a. Carlyle objects to this question on the basis of relevance. Whether or not The Carlyle Group is involved in an initial public offering is not reasonably likely to lead to the discovery of admissible evidence since the nature or identify of the upstream owners of The Carlyle Group has no bearing on issues before the Commission in this proceeding. Notwithstanding this objection Carlyle states, like many other similarly situated firms, Carlyle has explored the pros and cons of an IPO for a number of years but no decision has been made at this time on the issue. However, Carlyle can also state that there would be no consequence of any kind to Mountain Water associated with a possible initial public offering of The Carlyle Group.

b. See Carlyle's response to CFC-014(a).

c. See Carlyle's response to CFC-014(a).

d. See Carlyle's response to CFC-014(a).

e. See Carlyle's response to CFC-014(a).

SUPPLEMENTAL RESPONSE:

a. Carlyle does not maintain a log of public statements made by managing directors regarding a possible IPO by the Carlyle Group. Carlyle has conducted a search of public statements made by Carlyle officers regarding the possible IPO. The results of this search are found in Attachment CFC-14(a)(1)-CFC-14(a)(6).

b. Like many other alternative asset management firms, Carlyle has explored the pros and cons of an IPO for a number of years. No final decision has been made as to whether an IPO will occur or when a possible IPO would occur.

c. If the Carlyle Group were to proceed with a public offering, there would be absolutely no impact, risks and/or benefits, to Mountain Water rate payers.

d. Because of the many corporate layers between Mountain Water and The Carlyle Group, Carlyle's inherent corporate organization should fully insulate Montana ratepayers from any impacts of a possible IPO of The Carlyle Group. Further, the regulatory supervision and rate setting authority provided by the PSC provides protection for Mountain Water customers.

e. Refer to CFC-014(c). Additionally, the possible IPO of the Carlyle Group will not have an impact on the length of time that Carlyle Infrastructure intends to hold Mountain Water.

CERTIFICATE OF SERVICE

I hereby certify that on this, the 27th day of June, 2011, the foregoing **CARLYLE INFRASTRUCTURE PARTNERS, LP'S SECOND SUPPLEMENTAL RESPONSES TO THE FIRST SET OF DATA REQUESTS FROM THE CLARK FORK COALITION** was served via electronic mail and U.S. mail unless otherwise indicated to the following:

Arvid Hiller Mountain Water Company 1345 W. Broadway Street P.O. Box 4826 Missoula, MT 59802-2239 (406) 721-5570 (UPS only)	Barbara Hall, Legal Director Clark Fork Coalition 140 S. 4th Street West, Unit 1 P.O. Box 7593 Missoula, MT 59801 (406) 542-0539 Barbara@clarkfork.org
Kate Whitney ***(e-filed plus original)*** Public Service Commission 1701 Prospect Avenue P. O. Box 202601 Helena, MT 59620-2601 kwhitney@mt.gov	William W. Mercer Holland & Hart LLP 401 North 31st Street, Suite 1500 P. O. Box 639 Billings, Montana 59103-0639 (406) 896-4607 wwmercer@hollandhart.com
John Alke Hughes, Kellner, Sullivan & Alke 40 W. Lawrence, Suite A P.O. Box 1166 Helena, MT 59624-1166 jalke@hksalaw.com	Bryan D. Lin The Carlyle Group 520 Madison Avenue, 41st Floor New York, NY 10022 (212) 813-4992 bryan.lin@carlyle.com
Robert Nelson Montana Consumer Counsel 111 North Last Chance Gulch, Suite 1B Box 201703 Helena, MT 59620-1703 robnelson@mt.gov	Jim Larocque, CFA The Carlyle Group 520 Madison Ave New York, NY 10022 (212) 813-4749 jim.larocque@carlyle.com
Thorvald A. Nelson Holland & Hart LLP 6380 South Fiddlers Green Circle, Suite 500 Greenwood Village, CO 80111 (303) 290-1601 tnelson@hollandhart.com	Jim Nugent Missoula City Attorney's Office 435 Ryman Street Missoula, MT 59802 JNugent@ci.missoula.mt.us

Dr. John W. Wilson J.W. Wilson & Associates, Inc. 1601 North Kent Street Suite 1104 Arlington, VA 22209 Phone: (702) 243-1049 Fax: (703) 243-3389 E-Mail: john@jwwa.com	
For electronic service only mwright@mt.gov	For electronic service only: lnbuchanan@hollandhart.com

s/ Leah Buchanan

5146120_1.DOCX

Bloomberg Businessweek
Wednesday June 22, 2011

Bloomberg

Carlyle Aims for IPO to Boost Buyout-Fund Capital

December 06, 2010, 10:56 AM EST

By Cristina Alesci

(Adds hedge-fund stake acquisition in seventh and eighth paragraph.)

Dec. 6 (Bloomberg) -- William Conway, the deal maker who helped build Carlyle Group into the world's second-biggest private-equity firm, said the company is gearing up for a public share sale to amass permanent capital and contend with the growing challenge of raising money for buyout funds.

"There will be significant advantages to having a lot more capital," Conway, 61, who oversees the Washington-based firm's investments, said in an interview with Bloomberg Businessweek. "Investors are reducing commitments to funds and making economic terms much less attractive."

Carlyle has considered an initial public offering since at least June 2007, when larger rival Blackstone Group LP began trading on the New York Stock Exchange. Plans were put on hold soon after when debt markets froze. Carlyle instead sold a 7.5 percent stake to Mubadala Development Co., an arm of the Abu Dhabi government, in September 2007.

After participating in $16 billion of buyouts this year, more than any other private-equity firm, Carlyle plans to file IPO papers late in 2011, said people with knowledge of the matter. The stock sale may not occur until the following year, said the people, who asked not to be identified because the plans are private.

Private-equity funds are struggling to raise money even as buyouts more than tripled this year to $133 billion from a year earlier, according to data compiled by Bloomberg. Firms attracted $71 billion from investors through the third quarter and are set to have their worst fundraising year since at least 2004, data from researcher PitchBook Data Inc. in Seattle show. The wealthy individuals and institutions that traditionally have backed private equity are increasingly reluctant to commit fresh capital after the financial crisis.

Deals, Diversification

Carlyle, which was founded in 1987 by Conway, David Rubenstein and Daniel D'Aniello with $5 million in seed capital, would use proceeds from the IPO to invest in its funds and continue to expand beyond corporate buyouts.

The firm today agreed to buy a 55 percent stake in Claren Road Asset Management, a $4.5 billion long-short hedge fund focused on liquid credit assets. Citigroup Inc., which invested in Claren Road in 2006, and Goldman Sachs Group Inc.'s Petershill Fund, which bought a minority stake in 2008, will sell their holdings, Carlyle said in a statement.

Claren Road founders Brian Riano, John Eckerson, Sean Fahey and Albert Marino will continue to manage the day-to-day operations and make all investment decisions.

Petrick, Arpey

The firm in March hired Mitch Petrick, Morgan Stanley's former sales and trading chief, to build out its credit business. Michael Arpey, former head of Credit Suisse Group AG's customized funds business, joined Carlyle in November to lead fund formation and development of new products.

Carlyle, which oversees $98 billion, appointed both to the firm's special committee, which oversees operations in 19 countries and 78 funds. The firm also hired Rodney Cohen from Pegasus Capital Advisors to lead a fund it hopes will raise $1 billion to buy small companies.

Stock as Currency

When Blackstone went public, it said having stock would give it a currency to buy companies, recruit and retain employees and enable founders Stephen Schwarzman and Peter G. Peterson to convert their ownership stakes into shares and cash. The New York-based company has fallen 55 percent from the $31 IPO price.

KKR & Co., which also weighed going public during the IPO boom, later merged with a European-listed affiliate and moved the stock to New York. It has gained 22 percent since the switch to the New York Stock Exchange in July.

Conway, in a Dec. 3 interview, said he expects Carlyle to add at least one yuan-denominated fund to the pair it's already marketing, one of which is a joint venture. Petrick's Carlyle Global Credit Alternatives group is aiming to start two debt funds.

Conway decided at the start of the year to ramp up buyouts after an almost two-year stretch when Carlyle was largely absent from deal making.

"At the beginning of 2010, I became more bullish on the economy than many others, based on data from portfolio companies that showed improvement," he said. "Another factor was the Federal Reserve -- it pumped a massive amount of liquidity into the system and it worked."

Conway's Marching Orders

By year-end, the firm expects to have put $10 billion in equity into new investments worldwide. Its clients, who received $1 billion in cash distributions in 2009,

Attachment CFC-14(a)(1)
(2 pages)

have already seen payouts increase to $5.7 billion 2010. That's more than Blackstone and KKR combined.

At the beginning of each year, Conway writes a memo to all Carlyle employees. In addition to laying out his views on the investment environment, this year's seven-page letter responded to investor concerns that Carlyle had "too much unfunded capital" at its disposal by explaining that the decision not to put capital to work earlier put it in a better position than its competitors to capitalize on current opportunities.

He directed the firm's 400 investment professionals to use the economic uncertainty to their advantage and exceed the $5.2 billion they spent in 2009.

Vitamins, Fiber Optics

Carlyle has announced 33 deals this year, compared with one last year. Four deals are valued at more than $2 billion. The firm beat out Blackstone and TPG Inc. to buy NBTY Inc., the maker of Nature's Bounty, MET-Rx and Solgar nutritional supplements, for $3.8 billion in July.

The deal was Carlyle's largest since its $6.3 billion acquisition of nursing-home operator Manor Care Inc. in 2007. Carlyle in October agreed to buy CommScope Inc., a manufacturer of fiber-optic networks, for $3.9 billion.

"We worked on NBTY and CommScope for a couple of years," Conway said. "The hard work started a long time before the process got underway. In fact, you were behind if you started due diligence when you got the book from Goldman Sachs."

--Editors: Larry Edelman, Otis Bilodeau

To contact the reporters on this story: Cristina Alesci in New York at Calesci2@bloomberg.net

To contact the editors responsible for this story: Christian Baumgaertel at cbaumgaertel@bloomberg.net.

NewsRoom

12/6/10 AFX UK Focus 23:12:00

AFX UK Focus

December 6, 2010

UPDATE 2-Carlyle may file to go public next year -- source

By Megan Davies and Michael Erman

NEW YORK, Dec 6 (Reuters) - Private equity firm Carlyle Group, which has been considering an initial public offering for years, may file papers to go public late next year, a source familiar with the situation said on Monday.

The company would be following rival Blackstone Group LP , which went public in 2007, and KKR Co LP, which listed on the New York Stock Exchange earlier this year. While an IPO filing could come late next year, it is unlikely Carlyle's stock would trade until 2012, the source said.

Carlyle announced on Monday that it has agreed to buy a majority stake in hedge fund Claren Road Asset Management, which has $4.5 billion in assets under management.

Bloomberg earlier quoted Carlyle's William Conway as saying the company is gearing up for a public share sale and cited a source saying it would file IPO papers next year.

'There will be significant advantages to having a lot more capital,' it reported Conway as saying.
Chris Ullman, a spokesman for Carlyle told Reuters: 'We have not made any decisions regarding if or when we might go public.' Carlyle has been weighing going public for some time, sources familiar with the matter told Reuters earlier this year. The firm has been active in 2010, putting together deals to buy companies such as telecommunications company Syniverse Technologies and communications cable maker CommScope Inc. Going public can help private equity firms retain and hire staff, potentially give an exit route for retiring founders and boost the ability to raise money to make acquisitions. Still, investors in private equity funds are concerned that, if a company decides to go public, management will become consumed with generating fees, quarterly earnings and the company's daily stock price. The market has not necessarily rewarded the IPOs either. Blackstone, which went public at $31 a share in 2007, is now trading at $13.89 a share. But KKR shares are up more than 26 percent since their July IPO. 'Carlyle has a great name, but I think mutual funds and institutions will treat the IPO with great caution,' said Josef Schuster, founder of Chicago-based IPO research house IPOX Schuster LLC and principal portfolio manager of the Direxion Global Long/Short IPO fund. 'I don't think there is a lot of enthusiasm right now for this type of deal, given the experience of Blackstone, Fortress, even KKR if you were in from the beginning,' Schuster added. Carlyle said it would buy 55 percent of Claren Road, a credit-focused hedge fund that employs a long-short strategy. The firm did not disclose the exact value of the deal, but said it would exchange cash, an ownership interest in Carlyle,

Attachment CFC-14(a)(2)
(3 pages)

and performance-based contingent payments for the stake. Claren Road's founders plan to reinvest nearly all of their proceeds from the deal in the fund, Carlyle said. Claren Road investors Citigroup and Goldman Sachs' Petershill Fund will both sell their holdings, according to Carlyle. The fund's current leadership will continue to run Claren Road's day-to-day operations. (Additional reporting by Clare Baldwin; Editing by Dave Zimmerman, Andre Grenon and Tim Dobbyn) Keywords: CARLYLE IPO/
(Reuters Messaging: michael.erman.reuters.com@reuters.net; +1 646 223 6021)

---- Index References ----

Company: CITIGROUP INVESTMENTS INC; IPO INSTITUT DE PARTICIPATIONS DE L'OUEST SA; CITIGROUP FUNDING INC; CITIGROUP FINANCIAL PRODUCTS INC; CARLYLE GROUP LLC; CARLYLE GROUP (LUXEMBOURG) SARL (THE); KOHLBERG KRAVIS ROBERTS AND CO LP; CITIGROUP PARTICIPATION LUXEMBOURG LTD; CARLYLE GROUP PTY LTD; CITIGROUP CAPITAL IX; OBSHCHESTVO S OGRANICHENNOI OTVETSTVENNOSTIU "LP"; CITIGROUP CAPITAL UK LTD; BLACKSTONE HOLDINGS FINANCE CO LLC; LETISTE PRAHA AS; CITIGROUP INC; CITIGROUP CAPITAL X; BLACKSTONE GROUP LP (THE); CITIGROUP; CITIGROUP PROPERTY LTD; COMMSCOPE INC OF NORTH CAROLINA; CITIGROUP VENTURE CAPITAL EQUITY PARTNERS LP; NEW YORK STOCK EXCHANGE LLC; NEW YORK STOCK EXCHANGE; IPOX SCHUSTER LLC; COMMSCOPE INC; BLACKSTONE ADMINISTRATIVE SERVICES PARTNERSHIP LP; CARLYLE GROUP LP (THE); BLOOMBERG LP; INSTITUT DE PARTICIPATIONS DE L'OUEST; CITIGROUP CAPITAL XI; LI PENG ENTERPRISE CO LTD; CARLYLE INC; CITIGROUP ALTERNATIVE INVESTMENTS LLC; CITIGROUP CAPITAL PARTNERS I GP I CORP

News Subject: (Initial Public Offerings (IPOs) (1IN65); Stock Offerings (1ST44); Funding Instruments (1FU41); Private Equity (1PR15); Corporate Funding (1XO17))

Industry: (Electronic Components (1EL91); Investment Management (1IN34); Financial Services (1FI37); Securities Investment (1SE57); Cables (1CA03); Manufacturing (1MA74))

Region: (U.S. Mid-Atlantic Region (1MI18); North America (1NO39); New York (1NE72); USA (1US73); Americas (1AM92))

Language: EN

Other Indexing: (BLACKSTONE; BLOOMBERG; CARLYLE; CARLYLE GROUP; CITIGROUP; COMMSCOPE INC; DIREXION GLOBAL; GOLDMAN SACHS PETERSHILL FUND; IPO; IPOX SCHUSTER LLC; KKR; KKR CO; LP; NEW YORK STOCK EXCHANGE) (Andre Grenon; Chris Ullman; Clare Baldwin; Conway; Dave Zimmerman; Fortress; Josef Schuster; Megan Davies; Michael Erman; Schuster; Tim Dobbyn; William Conway) (USA)

Keywords: (BLACKSTONE GROUP LP); (SYNIVERSE HLDGS INC); (COMMSCOPE INC); (IPO); (FNG); (NEW); (FIN); (TEL); (UTI); (ENG); (USA)

Company Terms: BLACKSTONE GROUP LP; SYNIVERSE HLDGS INC; COMMSCOPE INC

Ticker Symbol: BX; SVR; CTV

Word Count: 567

End of Document

NewsRoom

12/7/10 Wash. Post (Wash., D.C.) A18
2010 WLNR 25819396

Washington Post, The (Washington, D.C.)

December 7, 2010

Issue DAILY
Section: Main (A Section)

Carlyle Group is likely to go public in 2012 to boost capital

Thomas Heath

The Carlyle Group, the District-based investment giant, is saying for the first time that it will probably sell ownership shares to the public, a move that could reap billions of dollars for its partners and require a very private firm to become more transparent.

Although an initial public offering is probably at least a year off, closely watched Carlyle - with its $98 billion war chest - would allow ordinary individuals to own a piece of its private-equity business, which primarily raises massive pools of money to buy and turn around distressed companies.

The world's second largest private-equity firm, Carlyle controls a range of North American icons such as Dunkin' Donuts and Hertz to Brazilian lingerie company Scalina. Going public would rank the firm among the most valuable companies in the Washington region. It's biggest home runs include the sale of United Defense and the recent sale of MultiPlan, a health-care management company, both of which were sold at huge profits.

News of a potential public offering came from Carlyle co-founder William E. Conway Jr., who oversees the firm's investments. Though providing no timetable, Conway said in an interview with Bloomberg Businessweek that going public would allow Carlyle to raise capital for its 78 investment funds, which own 265 companies from offices in 19 countries.

"There will be significant advantages to having a lot more capital," Conway, 61, said. He also indicated that the company's traditional investors - public pension funds and wealthy individuals - were hard-pressed to make new commitments on the heels of the recent financial crisis.

"Investors are reducing commitments to funds and making economic terms much less attractive," he said.

Dan Primack, private-equity specialist and senior editor at Fortune.com, said that if Carlyle goes public, "we are talking about 16 months from now. I don't think anybody has a clue to what the market will look like then. One clue would be to see what the current private-equity firms, KKR and Blackstone, are trading at."

Carlyle, with 300 local employees and 600 more around the world, has been mulling a public offering of stock for years. At the same time, it has raised its public profile, making significant hires to its public affairs and its investment teams.

Co-founder David M. Rubenstein has made a splash with big gestures, such as three years ago when he placed his $21 million copy of the Magna Carta on permanent loan to the National Archives. This year he became chairman of the John F. Kennedy Center for the Performing Arts.

The company, founded in 1987, has seen two of its biggest rivals, Blackstone Group and KKR, go public in recent years with mixed success. KKR's **shares** have grown in value since debuting in July in New York. But Blackstone's stock has sunk to less than half of its **IPO** price, which was unveiled in 2007, before the financial crisis.

Still, the idea of putting a precise price tag on the value of their franchise - and having the ability to cash in - may bring both tangible rewards and greater status, analysts said.

"Their main competition in the private-equity space, KKR and Blackstone, and coming soon Apollo, are going public. There is a sense that you need to keep up with the Joneses, or the Kravises, as it were," said Primack, referring to KKR co-founder Henry Kravis.
Carlyle says it has returned around 20 percent annually, after fees, to investors who entrust their money to the firm. Those with a stake in the company are limited to more than 70 of the firm's partners and two outside entities.

In 2007, Carlyle sold a 7.5 percent **share** of its general partnership to an investment group owned by the government of Abu Dhabi for $1.35 billion, which valued the company at $20 billion. The only other outside owner is a 5.5 percent stake that was sold to the California Public Employees' Retirement System in 2001 for $175 million.

Carlyle spokesman Christopher Ullman said, "We have not made any decisions regarding if or when we might go public."

Sources familiar with the firm's prospects said any public sale is at least a year off. But Carlyle has begun talking about the potential of a stock offering as a selling point to some potential hires, according to the sources, who spoke on the condition of anonymity because no final decision has been made.

The firm's investments have not all turned out well. In recent years, the company's bet on a German auto parts manufacturer went sour when the firm declared bankruptcy and cost Carlyle its $180 million investment. In addition, its Carlyle Capital affiliate in Europe failed, triggering a write-off of $700 million.

After a drought of activity in 2009, Carlyle this year pulled the trigger on 33 corporate deals and did an additional 10 real estate transactions. In November, Carlyle portfolio company Booz Allen Hamilton, the government consulting giant, went public on the New York Stock Exchange, though its stock is now below its **IPO** price.

heatht@washpost.com

---- Index References ----

Company: BOOZ ALLEN HAMILTON INC; UNITED DEFENSE LP; UNITED DEFENSE INDUSTRIES INC; **CARLYLE GROUP** LP (THE); **CARLYLE GROUP** PTY LTD; NEW YORK STOCK EXCHANGE INC; UNITED DEFENSE; CARLYLE INC; **CARLYLE GROUP** LLC; NEW YORK STOCK EXCHANGE LLC; **CARLYLE GROUP** (LUXEMBOURG) SARL (THE); KOHLBERG KRAVIS ROBERTS AND CO LP

News Subject: (**Initial Public Offerings (IPOs)** (1IN65); Stock Offerings (1ST44); Funding Instruments (1FU41); Private Equity (1PR15); Private Equity Transactions (1PR18); Corporate Funding (1XO17))

Industry: (Investment Management (1IN34); Stocks (1EQ09); Financial Services (1FI37); Securities Investment (1SE57))

Region: (U.S. Mid-Atlantic Region (1MI18); North America (1NO39); New York (1NE72); USA (1US73); Americas (1AM92))

Language: EN

Other Indexing: (BLOOMBERG BUSINESSWEEK; BOOZ ALLEN HAMILTON; CALIFORNIA PUBLIC EMPLOYEES; CARLYLE; CARLYLE CO; **CARLYLE GROUP**; DUNKIN; JOHN F KENNEDY CENTER; KKR; MAGNA CARTA; NATIONAL ARCHIVES; NEW YORK STOCK EXCHANGE; PERFORMING ARTS; UNITED DEFENSE) (Blackstone;

Christopher Ullman; Conway; Dan Primack; David M. Rubenstein; Henry Kravis; Hertz; News; Primack; William E. Conway Jr.)

Edition: RE

Word Count: 826

End of Document

NewsRoom

Bloomberg Businessweek
Get our new FREE iPad app now

MARKETS & FINANCE December 9, 2010, 5:00PM EST

Carlyle Mounts a Comeback and Mulls an IPO

Co-founder William Conway spurs a big increase in buyout deals

By Cristina Alesci

In 2008 and 2009, Carlyle Group, the second-largest private equity firm after Blackstone Group, cut workers, liquidated a hedge fund, was forced to close a publicly traded debt fund, and saw four of the companies it owned file for bankruptcy. "I predicted the party would end badly, but it was even uglier than I thought," says William E. Conway Jr., who co-founded the firm in 1987 with David M. Rubenstein and Daniel A. D'Aniello.

Now Carlyle is on the move again—doing deals, hiring bankers to launch new ventures, and debating whether to dust off plans to sell shares to the public. Conway, 61, says he decided at the start of the year to ramp up buyouts after a two-year lull. "I became more bullish on the economy than many others, based on data from portfolio companies that showed improvement," he says, adding that the Federal Reserve's low-interest-rate policy aided dealmaking by reducing borrowing costs.

Making the most of cheap money, the firm has participated in 33 deals this year, notching a higher total value—$16 billion—than any rival. It beat out Blackstone and TPG Capital to buy NBTY, maker of Nature's Bounty, MET-Rx, and Solgar nutritional supplements, for $3.8 billion in July. In October, Carlyle agreed to buy CommScope, a manufacturer of fiber-optic networks, for $3.9 billion.

Amid the buying spree, Carlyle returned $5.7 billion to clients through the third quarter—more than Blackstone and KKR combined—compared with $2.4 billion in all of 2009. It funded the payouts by selling nine companies and adding debt to others. "When financing markets are good, they are good for both buyer and seller," says Conway.

The firm has reentered a business it abandoned only two years ago. In mid-December, Carlyle bought a 55 percent stake in Claren Road Asset Management, a $4.5 billion hedge fund. The firm has also hired several high-level bankers, including Mitch Petrick, Morgan Stanley's (MS) former sales and trading chief, to help raise funds and move into new markets.

The burst of activity comes as Carlyle, based in Washington, D.C., considers a public offering, a move it has contemplated since at least June 2007, when Blackstone began trading on the New York Stock Exchange. It tabled the plans soon after, when debt markets froze. Carlyle instead sold a 7.5 percent stake to Mubadala Development, an arm of the Abu Dhabi government, for $1.35 billion in September 2007. KKR, which also weighed going public before the crisis, later merged with an affiliate listed in Europe and moved its stock to the New York exchange in July of this year.

Until recently, Conway was not convinced that Carlyle needed to go public. "In the past, if I had concluded we were at a significant disadvantage to Blackstone and KKR because they were public and we weren't, then I would've been the first one to go public," he says. He altered his view because the wealthy individuals and institutions that traditionally backed private equity are increasingly reluctant to commit fresh capital. Carlyle says it has raised $3.7 billion in 2010. That's up from $1 billion last year but nowhere near the $20 billion it raised in 2008. "There will be significant advantages to having a lot more capital," says Conway, who oversees the firm's investments. "Investors are reducing commitments to funds and making economic terms much less attractive."

Carlyle, launched with $5 million in seed capital, now manages $98 billion in 78 funds with holdings in 19 countries. It plans to file IPO papers late in 2011, according to people with knowledge of the matter, who say that the stock sale may not occur until the following year. "Carlyle is exploring whether a public filing would strengthen our firm and benefit our investors," says Rubenstein, who adds that no decision has been made.

An IPO would allow the founders to sell a portion of their ownership interests, and provide money the firm would use to invest in its funds and continue to expand. It would also bring changes. Carlyle would lose the luxury of keeping key financial information to itself. "Prospective public investors need to understand what they're buying and how it's priced, which requires a great deal of disclosure and explanation," says Antoine Drean, founder of Triago, a company that finds investors for buyout funds. "A private firm has the benefit of focusing on investing and keeping its competitors in the dark."

Carlyle also would have to clarify its leadership structure. Today, Conway leads deals; Rubenstein, 61, the firm's most public figure, is chief fundraiser; and D'Aniello, 64, oversees operations. "When collegial leadership has been tried before, it has not lasted long," says Jeffrey A. Sonnenfeld, associate dean of the Yale School of Management. "The pressures for accountability and transparency in a public company will demand a crisper chain of command."

Carlyle's competitors have taken differing approaches to leadership. Blackstone co-founder Stephen A. Schwarzman hired an outsider to run the company before it went public: Hamilton E. ("Tony") James, former chairman of global investment banking and private equity at Credit Suisse Group. When KKR listed shares in New York, it kept co-founders Henry R. Kravis and George R. Roberts as co-CEOs.

Finally, going public means being answerable to shareholders. Blackstone stock has lost 55 percent of its value since it debuted just before the financial crisis. KKR's stock has gained 26 percent since it started trading in New York six months ago.

Whether it goes public or remains private, Carlyle faces a period of reduced returns, Conway predicts. "Private equity rates of return have declined," he says. "We are still trying to earn 20 percent gross, but it's tough to do. We've modeled a 20 percent return on our most recent deals, but I'm absolutely certain that the model won't happen."

The bottom line: *With the economy recovering, Carlyle is making more investments and branching into new areas as it considers going public.*

Alesci is a reporter for Bloomberg News.

Attachment CFC-14(a)(4)
(2 pages)

6/7/11 Wash. Post News Serv. 19:28:00

Washington Post News Service

June 7, 2011

IPO Would Pry Open Ultra-Private Carlyle (Washn)

Thomas Heath

WASHINGTON — Bill Conway arrived with curiosity at a downtown Marriott for a breakfast interview one morning 24 years ago. Young and ambitious, he had run his string out as chief financial officer at telecom upstart MCI. He was ready for something new.

The three 30ish hosts - two high-powered attorneys and a fast-climbing Marriott executive - needed someone with investment chops to help launch their firm. Conway wasn't their first choice, but he would do.

"It was a chance," says Conway, 61, now a billionaire looking back on a day that transformed his life. "There was nothing sure about it."

And so The Carlyle Group was born.

After meandering for a couple of years, they hit upon a game plan to build a showcase of Washington insiders who could find deals and draw investors. Former presidents and Cabinet secretaries signed up. Fat profits and growth followed. Pension funds and the governments of countries got in line to give Carlyle money.

Forged not on Wall Street but on Pennsylvania Avenue, Carlyle has grown into a financial powerhouse. It manages more than $100 billion that is invested in 270 companies and properties around the world with names such as Hertz and Dunkin' Donuts. Its companies have more than 500,000 employees, or five times those of ExxonMobil.

The rise of Carlyle embodies the evolution of American private equity, climbing from its niche as a boutique buyout firm to the height of global finance. Like the mutual funds industry before it, Carlyle helped revolutionize the financial sector by creating a new investment class - and then mass-producing it.

Now the intensely private firm is about to make its biggest deal yet: an initial public stock offering. About two weeks ago, Carlyle began contacting banks including Goldman Sachs, J.P. Morgan Chase, Credit Suisse and UBS, an effort led by managing director and partner Glenn Youngkin. It is likely to choose underwriters by the end of June. An inside team is working on the paperwork, but the timing of the IPO will depend on market conditions. The company is believed to be worth at least $10 billion.

Overnight, Carlyle's 99 partners will become millionaires and billionaires, with stakes valued from $3 million to $2 billion. The firm's innermost financial workings will be laid bare. The general public will be able to buy a piece and share in its profits.

Carlyle makes money three ways: First, it collects 2 percent of what it manages; second, private equity firms keep 20 percent of the profit they earn for investors; third, Carlyle invests alongside its investors in Carlyle funds.

Attachment CFC-14(a)(5)
(7 pages)

Carlyle's three founders, David Rubenstein, Conway and Daniel D'Aniello (known as DBD), hope to eventually cash out and leave the firm with a battle-tested cadre of new leaders. When Carlyle goes public, the upper management will be reorganized. D'Aniello will be chairman of Carlyle Group; Rubenstein and Conway will be co-chief executives.

"They had a vision, a plan," said Fred Malek, who worked as a senior adviser to Carlyle in the early 1990s. "And they kept true to their vision and grew the firm based on the principle of if you do well for your investors, you will do well."

- - -

Rubenstein sits at a conference table in a slightly disheveled office more fit for an Oxford don than a Master of the Universe. The office's chaos befits a man who travels the globe 265 days a year, flying to see Middle East potentates, wealthy South American families and European pension chiefs, all in the search for cash to feed the Carlyle deal machine. Rubenstein, 61, dreamed up Carlyle. His relentless attention to fundraising (he once flew to Paraguay for $5 million) is part of Carlyle lore. He represents the buttoned-down face that Carlyle turns to the world outside - only slightly humanized by the raspberry Snapple he swigs.

"As shy as David may seem socially," D'Aniello said, "he's a python in business."

Carlyle's origins are as understated as the discreet New York hotel for which it is named. Pittsburgh's Mellon family, who put up much of the original $5 million in seed money, preferred to meet with Rubenstein's team at Madison Avenue's fashionable Carlyle Hotel. The name stuck.

"Private-equity firms were always mom-and-pop operations," Rubenstein said. Carlyle's future was so tentative that its first lease didn't contain a clause allowing expansion.

Back then, private-equity shops were small, family-run businesses that worked at a deliberate pace. They wrote contracts that stipulated they would manage one fund at a time, a five- to seven-year process during which the firm focused on a single investment strategy: Raise money. Invest it in a company. Sell the company at a profit.

Former defense secretary Frank Carlucci delivered the first defining deal in 1990. Carlyle invested $43.4 million of its own money in BDM, a defense think tank, and sold it for $454 million three years later - 10 times the investment.

Carlyle repeated the play over the next few years, with Vought Aircraft, Magnavox and Federal Data. Conway's investment prowess quietly drew attention in the world of private equity.

"We said, 'OK, we're pretty good at this,' " Rubenstein said.

Around that time, Rubenstein had an idea. The firm had raised a $1.3 billion fund and an outsider suggested another fund in venture capital.

"A light bulb went off in my head," Rubenstein recalled. "I said maybe we can have a venture fund. We can have two funds. Let's get a real estate fund. And so we basically created the idea of having a series of funds. That had never been done in private equity before."

Carlyle has grown into a family of 84 funds around the world, employing a model similar to the one Vanguard and Fidelity brought to the mutual fund industry. "We absolutely scaled it," Rubenstein said.

Carlyle owns Asian forests, a Brazilian lingerie firm called Scalina, Nielsen Co., a truck transmission manufacturer and a group of rest stops along Connecticut highways.

Carlyle became a one-stop shop for pensions, foundations and wealthy individuals. It serves 1,350 investors across 75 countries.

Rubenstein's vision charted Carlyle's vast expansion. The strategy created tension with Conway, the firm's chief investment officer, who worried that growth, which relied on low borrowing costs, could compromise its ability to generate returns. D'Aniello, who ran the show day to day, often mediated.

"We're like an equilateral triangle with David at the tip and Bill and me at the base," said D'Aniello, who leads the firm's energy and real estate deals. "Sometimes David's visionary ideas push it into an isosceles triangle with him way out front. Then we'll say 'whoa!' But these were the times we all came together."

Steve Norris, another of the founders, left after a few years because of disagreements over strategy.

"David was the guy coming up with the ideas, and I needed to be sold on them," Conway said. "Are we going to be able to invest this money in Asia? How are we going to build a team 8,000 miles away from Washington that can work with us?"
Dan Akerson, chief executive at General Motors who is Conway's closest friend and a former Carlyle colleague, calls Rubenstein "the explorer, always pushing the limits."

"Sometimes, he doesn't know when he is over the edge," said Akerson, who said the two co-founders are "like an old married couple."

"At times, I'm sure they wish the other one wasn't there," Akerson said as he recounted one particularly tense exchange, after which Rubenstein asked: "Why is Bill mad at me? I've done worse things than that to him."

Rubenstein prevailed. By 2001, the firm had set its ambitions beyond the defense and aerospace sectors into telecommunications, real estate and other industries.

Carlyle and a partner bought Dex Media, the phone directory business of Qwest Communications, for a whopping $7.4 billion, then the third-largest buyout in history. Within four years they turned their $808 million in equity into $2.1 billion, a 260 percent return.

It got a boost in 2001 when the California Public Employees' Retirement System (Calpers) bought a 5.5 percent stake in Carlyle for $175 million, which is now worth several times that.

There is one big idea that Rubenstein regrets. To boost Carlyle's profile and help draw investors, he hired big-name political insiders such as former President George H.W. Bush, former British prime minister John Major and former secretary of state James Baker.

"We had an image issue . . . due to my fault, principally," he said. "I recruited all the those guys. I wanted to have those ex-government people. I thought these guys can open doors. Nobody ever heard of Rubenstein. Nobody ever heard of Conway."

But Carlyle's proximity to the Bushes, its Saudi investors and its defense deals stoked conspiracy theorists. After the Sept. 11, 2001, terrorist attacks, Carlyle returned money that members of the bin Laden family had invested with the firm, a connection that years later would fuel an unflattering portrayal in Michael Moore's blockbuster documentary film "Fahrenheit 9/11."

The founders had had enough. Carlyle hired its first public relations person, former SEC spokesman Christopher Ullman, and gave him one mission: Reverse the public perception.

Over the next several years, the firm filled its ranks with august business types like former Wall Street Journal editor Norman Pearlstein, General Electric's David Calhoun, former SEC chairman Arthur Levitt and former IBM chief Louis Gerstner, who would become Carlyle's chairman.

"By sharing information, meeting with the media, answering the critics and explaining our business, we've changed our brand," Ullman said. "We're bringing glasnost to Carlyle."

Between 2006 and 2008 - the heyday of private equity - the company made ever-larger acquisitions, including teaming with other firms, paying $17.6 billion for Freescale Semiconductor, which recently went public to disappointing results; Home Depot's supply division for $8.5 billion; Booz Allen Hamilton's U.S. government business for $2.54 billion; and on Christmas Eve 2007 it closed a $6.3 billion deal to buy Manor Care, a national nursing home chain.

By 2008, Carlyle had grown beyond what even its founders had imagined. It controlled $82.7 billion from clients in 68 countries and had posted its two best years, returning $10.2 billion to investors in 2006 and $8.9 billion in 2007.

Then came the Great Recession.

- - -

Before he talks about the biggest stain on Carlyle's record, Conway sets a binder notebook on the table, filled with clippings, economic data, reminders. One minute he is referencing the Bible, and the next he launches into the economic significance of cargo shipping patterns. With a shock of gray hair, his tone is more conversational than Rubenstein's clipped cadence. Described by some as fiery and focused, Conway is the investment genius who relies on Rubenstein's billions to feed his deals. On the golf course, he plays with a cigar locked in his teeth. He is in strict contrast to Rubenstein, the vegetarian and teetotaler.

Conway often arrives at the office by 6, allowing him to leave early enough to fit in a round of golf. Though notoriously risk-averse, he is as ferocious when evaluating a deal as he is when driving off the tee.

"Bill is like a lion stalking its prey on the Serengeti," Akerson said of investment meetings. "He knew when to inject himself and when to pounce."

Former Carlyle employees speak of Conway with reverence - and fear. He is known to finish meetings with an exhortation to make money for investors.

"There are two things you don't want to do in life," one former Carlyle employee said. "Lie to your wife. And tell Bill Conway you lost money."

The conservative Conway experienced the seesaw of taking companies public and knew the risks. Rubenstein has pushed the idea for years.

"David had never been public," D'Aniello said. "He was much less sensitized to the risk." After its rival Blackstone Group went public in 2008 and saw its stock decimated, Carlyle paused.

"I wasn't sure I saw the advantages of being public," Conway said. "And there are a lot of advantages to being private. We can do things in private."

- - -

The financial crisis dealt blows to the firm's near-mythic reputation. March 2008 saw the $900 million collapse of Carlyle Capital, an offshore public company that invested in highly leveraged securities backed by Fannie Mae and Freddie Mac. Carlyle's founders and partners lost $300 million of their own money.

The "Triple-C implosion," as it is known inside the firm, is Carlyle's most embarrassing chapter.

"I just didn't think that the world would believe . . . that maybe the United States won't support Fannie Mae," Conway said. "To me, it was unthinkable. It was gone" - snap - "like that."

In May 2009, Carlyle paid $20 million to the state of New York to settle a pay-for-play scandal.

Rubenstein said those missteps had little bearing on the firm's long-term health: "If we didn't know how to invest, we would have imploded a long time ago."

But in the downturn, Rubenstein's fundraising slowed to a trickle, with investor commitments dropping 80 percent. Without money to invest, the entire private-equity model was threatened, along with Carlyle's business.

Conway was swayed: "It became apparent that having access to public capital will enable us to commit even more money to Carlyle's own deals."

To get that capital to invest and have public stock to lure prized talent, Conway has accepted the downside on an initial public offering: The firm will undergo unprecedented scrutiny and will have to answer to shareholders and meet quarterly performance marks.

To hedge its bets against the end of easy money, Carlyle has expanded into lower-return, less-risky investments such as infrastructure, real assets like oil, forests and minerals, and pension management. To reflect that diversification, it rebranded itself as a "global alternative asset manager."

- - -

Carlyle has come screaming back from the recession, closing several landmark deals and returning $6.4 billion in capital and profit to its investors in the first quarter of this year. Carlyle's profits are a closely guarded secret that it will be required to divulge in government documents. Forbes reports that each of the founders is worth more than $2 billion.
They are globe-trotting plutocrats who visit popes and sheiks on Gulfstream jets. They have homes in the fabled communities of the ultra rich: Colorado's Beaver Creek, Florida's Gold Coast, Potomac, Md. They give away millions to the causes that move them.

Rubenstein said none of the founders has plans to cash out his stock. The three founders and the rest of the 99 partners also eat their own cooking - they have $4 billion in Carlyle investments.

Rubenstein explains the IPO this way: "At some point in life you would like to get a reward for something you have done. We want to get the fruits of what we built. I intend to give away most of my money, and so I want to give it away. What I don't want to do is have my executor give it away."

Carlyle is leaving little to chance. It has government and regulatory strategists, speechwriters and more than a dozen public affairs professionals across the globe. A new chief financial officer is on board. Back-office operations have been fine-tuned. Management and operations committees are preparing to run the firm when the founders some day exit.

Rubenstein speaks at conferences from Davos to Aspen, chairs the Kennedy Center and makes splashy philanthropic gestures. Even the reticent Conway is talking.

For all its glasnost, the genius of Carlyle may well yet rest with the unsettled dynamic among its leaders that has been there from the Marriott breakfast.

"At the end of the day," Akerson said, "it wouldn't be the firm anywhere close to where it is if they were alone. It's a complicated, synergistic relationship."

bc-carlyle (TPN)

---- Index References ----

Company: INTERNATIONAL BUSINESS MACHINES SA; UBS GLOBAL ASSET MANAGEMENT (ITALIA) SIM SPA; OY INTERNATIONAL BUSINESS MACHINES AB; UBS BANK (NETHERLANDS) BV; SUSHEEL ENGINEERING CORP; MCI MANAGEMENT SPOLKA AKCYJNA; INTERNATIONAL BUSINESS MACHINES CORP;

INTERNATIONAL BUSINESS MACHINES AS; IBM DE VENEZUELA SA; UBS; UNIVERSE HOLDINGS CO LTD; CARLYLE GROUP LLC; CARLYLE GROUP (LUXEMBOURG) SARL (THE); MCI CAPITAL TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH SPOLKA AKCYJNA; CARLYLE GROUP LTD; ELECTRIQUE DU CHATELARD SERVICE INTERCOMMUNAL DE VALLORBE BALLAIGUES ET VAULION SA; FEDERAL NATIONAL MORTGAGE ASSOCIATION FANNIE MAE; CARLYLE; IBM DAKSH BUSINESS PROCESS SERVICES PVT LTD; DZHII RUS OOO; IBM DE COLOMBIA AND CIA SCA; UBS DEUTSCHLAND AG; UBS SAUERBORN PRIVATE EQUITY KOMPLEMENTAER GMBH; IBM DEUTSCHLAND BUSINESS SERVICES GMBH; SEC KK; MCI; MUNICIPALITY CREDIT ICELAND PLC; SEC; UBS CORPORATE FINANCE ITALIA SPA; MCI INC; HOME DEPOT INC (THE); SAUDI ELECTRICITY CO; UBS CARD CENTER LTD; UBS AG OFICINA DE REPRESENTACION; FEDERAL HOME LOAN MORTGAGE CORP; GENERAL ELECTRIC CO; SWISS BANK CORP NEW YORK BRANCH; UBS SWISS FINANCIAL ADVISERS AG; MACO CORPORATION (INDIA) PVT LTD; CARLYLE GROUP LP (THE); IBM ISRAEL LTD; IBM ITALIA SPA; GENERAL MOTORS LTD; ASIAN LEATHER LTD; UNIVERSE COMPUTERS CO; PT IBM INDONESIA; UBS FINANZHOLDING GMBH; IBM CESKA REPUBLIKA SPOL SRO; GENERAL ELECTRIC COMPANY POLSKA SP ZOO; UBS LTD; BOOZ ALLEN HAMILTON INC; UBS GLOBAL ASSET MANAGEMENT (JAPAN) LTD; IBM; FREESCALE SEMICONDUCTOR INC; CARLYLE GROUP PTY LTD; QWEST CAPITAL FUNDING INC; IBM DE MEXICO COMERCIALIZADORA Y SERVICIOS S A DE C V IBM; QWEST COMMUNICATIONS COMPANY LLC; UBS (ITALIA) SPA; GENERAL MOTORS CO; UBS ETF; FANNIE MAE; SHENZHEN UNIVERSE (GROUP) CO LTD; IBM DANMARK APS; IBM SLOVAKIA LTD; IBM SLOVENIJA PODJETJE ZA PROIZVODNJO MARKETING IN STORITVE D O O LJUBLJANA; IBM OESTERREICH INTERNATIONALE BUEROMASCHINEN GESELLSCHAFT MBH; MOON LIGHT CABLE INDUSTRIES; IPO SPOLKA AKCYJNA; INSTITUT DE PARTICIPATIONS DE L'OUEST; IBM ROMANIA SRL; SHAANXI ELECTRONIC INFORMATION GROUP CO LTD; UBS AG; UBS (LUXEMBOURG) S A NIEDERLASSUNG OESTERREICH; CARLYLE INC; GENERAL MOTORS EGYPT; MACONDRAY AND CO INC; MOTORS LIQUIDATION CO; SECURITIES AND EXCHANGE COMMISSION (THE)

News Subject: (Stock Offerings (1ST44); Funding Instruments (1FU41); Mergers & Acquisitions (1ME39); Venture Capital (1VE73); Private Equity Transactions (1PR18); Major Corporations (1MA93); Initial Public Offerings (IPOs) (1IN65); Corporate Groups & Ownership (1XO09); Corporate Events (1CR05); Private Equity (1PR15); Corporate Funding (1XO17); Business Management (1BU42))

Industry: (Investment Management (1IN34); Securities Investment (1SE57); Personal & Institutional Investing (1PE62); Pension Fund Management (1PE01); Retirement Investment (1RE05); Major Financial Services Firms (1MA21); Financial Services (1FI37))

Region: (New York (1NE72); Americas (1AM92); USA (1US73); South America (1SO03); U.S. Mid-Atlantic Region (1MI18); North America (1NO39); Latin America (1LA15); Pennsylvania (1PE71))

Language: EN

Other Indexing: (ASIAN; BOOZ ALLEN HAMILTON; CALIFORNIA PUBLIC EMPLOYEES; CARLYLE; CARLYLE GROUP; FANNIE MAE; FREDDIE MAC; FREESCALE SEMICONDUCTOR; GENERAL ELECTRIC; GENERAL MOTORS; GOLDMAN SACHS J P MORGAN CHASE; HOME DEPOT; IBM; IPO; KENNEDY CENTER; MCI; PRY OPEN ULTRA; QWEST COMMUNICATIONS; SCALINA NIELSEN CO; SEC; UBS; UNIVERSE) (Akerson; Aniello; Arthur Levitt; Bill; Bill Conway; Christopher Ullman; Conway; D'Aniello; Dan Akerson; Daniel; David; David Calhoun; David Rubenstein; Fat; Forbes; Forged; Frank Carlucci; Fred Malek; George H.W. Bush; James Baker; John Major; Lie; Louis Gerstner; Madison Avenue; Manor Care; Michael Moore; Norman Pearlstein; Pennsylvania Avenue; Rubenstein; Sell; Steve Norris; Ullman; Young)

Word Count: 2608

End of Document

NewsRoom

Bloomberg Businessweek
Wednesday June 22, 2011

Bloomberg

Carlyle Group Said to Interview Banks in Preparation for IPO

June 15, 2011, 5:24 PM EDT

By Cristina Alesci

(Adds Carlyle's efforts to diversify and hire starting in fifth paragraph.)

June 15 (Bloomberg) -- Carlyle Group is interviewing banks this week in preparation for an initial public offering, according to a person with knowledge of the matter.

Carlyle, based in Washington, may raise about $1 billion in the offering, said the person, asking not to be identified because the plans are private. Carlyle will probably choose the main underwriters by the end of the week, according to another person with knowledge of the meetings.

The firm aims to take advantage of more stable stock markets to join U.S.-listed rivals Blackstone Group LP, KKR & Co. and Apollo Global Management LLC. Blackstone, the world's largest private-equity firm, has gained about 17 percent this year in New York trading and KKR has risen 8.7 percent. Apollo has declined 16 percent since its March 29 offering.

William Conway, who founded Carlyle in 1987 with David Rubenstein and Daniel D'Aniello, said in December the company is gearing up for a public share sale to amass permanent capital and contend with the growing challenge of raising money for buyout funds.

In the last year, Carlyle has hired executives to round out its management team and made acquisitions to increase assets, moves that may make the company more attractive to public shareholders. The founders steered the firm into the fund-of- funds business by taking over AlpInvest Partners NV, a Dutch asset manager that spreads money for investors among other buyout funds.

Executive Hires

In February, the firm recruited Adena Friedman, Nasdaq OMX Group Inc.'s former finance chief, to serve as chief financial officer. Mitch Petrick, Morgan Stanley's former sales and trading chief, joined as a managing director in 2010 with a mandate that included adding pools that trade securities on a daily basis. Petrick has led deals to buy majority stakes in two hedge funds and plans more acquisitions or hires to execute various investment strategies, according to one of the people.

CNBC reported earlier today that Carlyle is talking with banks. A Carlyle spokesman couldn't immediately be reached for comment.

--Editors: Josh Friedman, Christian Baumgaertel

To contact the reporter on this story: Cristina Alesci in New York at calesci2@bloomberg.net

To contact the editor responsible for this story: Christian Baumgaertel at cbaumgaertel@bloomberg.net

Attachment CFC-14(a)(6)
(1 page)