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# THE CARLYLE GROUP

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## THE CARLYLE GROUP INC. (f/k/a The Carlyle Group L.P.)

### FREQUENTLY ASKED QUESTIONS – CORPORATE TAX TREATMENT

The following FAQs relate to *periods beginning on or after January 1, 2020*, when The Carlyle Group Inc. (f/k/a The Carlyle Group L.P.) (“CG”) began to be treated as a corporation for U.S. federal and state income tax purposes. CG completed its conversion from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc. on January 1, 2020.

For tax periods ending on or prior to January 1, 2020, please refer to the separate Partnership Tax Treatment FAQs.

#### **When did CG convert from a Delaware limited partnership to a Delaware corporation named The Carlyle Group Inc., and what does that mean for former unitholders?**

CG converted from a Delaware limited partnership to a Delaware corporation on January 1, 2020 (the “Conversion”). Prior to the Conversion, CG was taxed as a partnership for U.S. federal and state income tax purposes. CG is required to provide any person holding CG units at any time during the period from January 1, 2019 to December 31, 2019 with a Schedule K-1. In addition, CG is required to provide all unitholders at the close of trading on December 31, 2019 with a Schedule K-1 for the period beginning on January 1, 2020 and ending with the Conversion on January 1, 2020. In connection with the Conversion, common units were automatically converted into shares of common stock. The Conversion generally was intended to be a tax-free transaction for U.S. federal and state income tax purposes, with unitholders generally taking a carryover tax basis in the shares of common stock received in the Conversion. Each unitholder should consult with its own tax advisor regarding the tax consequences from the Conversion based on their particular circumstances.

IF YOU OWNED SHARES OF COMMON STOCK OF CG ON OR AFTER THE CONVERSION, YOU WILL NOT RECEIVE A SCHEDULE K-1 WITH RESPECT TO THAT PERIOD. INSTEAD, YOU WILL RECEIVE A FORM 1099-DIV (FOR U.S. PERSONS) OR FORM 1042-S (FOR NON-U.S. PERSONS) FROM YOUR BROKER THAT REPORTS ANY CG DIVIDENDS PAID TO YOU DURING THAT PERIOD. FOR EACH FUTURE YEAR, STOCKHOLDERS OF CG WILL RECEIVE FORM 1099-DIV OR FORM 1042-S (AS APPLICABLE) IF DIVIDENDS ARE PAID TO THEM DURING SUCH YEAR, AND NO SCHEDULE K-1 WILL BE PROVIDED.

The information provided in this FAQ is limited to U.S. income tax considerations and does not address non-U.S. tax considerations. This information is provided for your general guidance and is not intended to be, nor should be, construed as tax advice. Shareholders should consult with their own independent tax advisor with regard to U.S. Federal tax consequences of holding shares of CG common stock and the related tax reporting requirements.

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## **When will CG's Forms 1099-DIV or 1042-S be available?**

For periods beginning on or after January 1, 2020, stockholders will receive an IRS Form 1099-DIV or Form 1042-S (as applicable) directly from their broker, rather than a Schedule K-1, which will report the amount of dividends declared and paid to each stockholder during the tax year. The IRS deadlines for filing Forms 1099-DIV and Forms 1042-S are January 31 and March 15, respectively (unless those dates happen to fall on a weekend or holiday). Accordingly, persons holding stock of CG at the time of Conversion or any other time during 2020 and who received a quarterly dividend distribution(s) from CG during 2020 should expect to receive a Form 1099-DIV by January 31, 2021 or a Form 1042-S by March 15, 2021 (as applicable). Please contact your broker directly for any questions.

## **How are distributions from CG treated?**

For U.S. federal income tax purposes, distributions from CG following the Conversion are generally expected to be treated as "qualified dividends" paid by a domestic corporation to the extent paid out of CG's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, with any excess dividends treated as return of capital to the extent of the stockholder's basis. Upon a sale of shares, you will recognize capital gain or loss dependent upon the price at which you sell the shares and your adjusted tax basis, which will be short-term or long-term depending on the length of your holding period in the shares sold.

Non-U.S. shareholders may be subject to 30% withholding tax on dividends, subject to reduction by treaty, and are generally not subject to U.S. tax on capital gains realized on a sale of CG stock. Non-U.S. shareholders should consult their own tax advisors with respect to the tax consequences and reporting requirements related to distributions and gains under the tax laws in their jurisdiction of residence.

## **Is my adjusted tax basis maintained by CG?**

Your broker will track and report your adjusted tax basis of any shares acquired after the Conversion. Your tax basis in the CG shares you received in the conversion of CG into a corporation will generally be equal to the tax basis you had in your units of The Carlyle Group L.P. (determined without regard to any basis from allocations of liabilities by CG) as of the Conversion. Your final Schedule K-1 issued from CG will provide an estimate of the tax basis you had in your units at the time of the Conversion. However, this estimate is for informational purposes only and may not represent all required basis adjustments to your units. You should consult your tax advisor for additional guidance. Upon a sale of your common stock received in the Conversion, you will likely not be provided with information regarding your tax basis on

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Form 1099-B, since brokers did not historically track your tax basis in CG units. Please contact your broker directly with any questions.

## **What will my holding period be for tax purposes in the converted CG common stock?**

The holding period you had in your CG units will not carry over to the CG common stock you received in the Conversion of CG into a corporation. Your CG common stock will have a holding period that reflects The Carlyle Group L.P.'s holding period in the assets that it is treated as having contributed to The Carlyle Group Inc. in the Conversion.

The Carlyle Group L.P. expects its holding period in the assets that it is treated as having contributed to The Carlyle Group Inc. in the Conversion is as follows:

One year or less: 5.46%

More than one year: 94.54%

## **I represent a tax-exempt entity that owns shares of CG common stock. Does CG generate Unrelated Business Taxable Income ("UBTI")?**

Effective January 1, 2020, CG completed its conversion from a Delaware limited partnership to a Delaware corporation. Thus, beginning January 1, 2020, a tax-exempt entity owning shares of CG common stock should not derive income from CG that would otherwise typically be treated as UBTI. However, U.S. tax-exempt stockholders should consult their own tax advisors as to the U.S. federal income tax consequences of its own activity in connection with the acquisition, ownership and disposition of shares of CG common stock that may otherwise create UBTI.

## **I represent a Non-U.S. entity that owns shares of CG common stock. Does CG generate Effectively Connected Income ("ECI") or income subject to taxation under the Foreign Investment in U.S. Real Property Tax Act ("FIRPTA")?**

From the time of the Conversion on January 1, 2020, your holding of shares of CG common stock should not generate any ECI or FIRPTA income. Please consult your tax advisor.

## **Does my holding of shares of CG common stock subject me to additional U.S. state tax filing requirements?**

From the time of the Conversion on January 1, 2020, holders of shares of CG common stock only receive corporate dividends and should not have additional U.S. state tax filing requirements, other

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than to your state of residency, solely as a result of holding shares of CG common stock. Please consult your tax advisor.

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