
THE CARLYLE GROUP

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

FREQUENTLY ASKED QUESTIONS – PARTNERSHIP TAX TREATMENT

The following FAQs relate to *periods up to January 1, 2020*, when The Carlyle Group Inc. (f/k/a The Carlyle Group L.P.) (“CG”) was treated as a partnership 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. In addition, on October 7, 2019, CG redeemed all of its outstanding 5.875% Series A Preferred Units (“TCGP”).

For tax periods beginning on or after January 1, 2020, when CG is treated as a corporation for U.S. federal and state income tax purposes, please refer to the separate Corporate 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 who held CG units during the period from January 1, 2019 to December 31, 2019 with a Schedule K-1. In addition, CG is required to provide all persons who held units at the close of trading on December 31, 2019 with a Schedule K-1 for the period beginning 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 THE CARLYLE GROUP INC. 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.

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THE CARLYLE GROUP

Will every unitholder receive a Schedule K-1 regardless of the amount of time they have held their units?

Yes. Every unitholder will receive a Schedule K-1 for periods prior to the Conversion reflecting their allocable share of the partnership's income, gain, deduction, loss, and credit for CG common unitholders and gross income and gains for TCGP unitholders for the period the units were held.

When will my Schedule K-1 be available for the current tax year?

Schedule K-1 Tax Packages will be available electronically in late March following the tax year ended on December 31st. You may obtain your Schedule K-1 Tax Package electronically by accessing Carlyle's Tax Package Support website (www.taxpackagesupport.com/carlyle) or by calling Carlyle's Tax Package Support call center at (855) 886-9762. Following the release of electronic copies of your Schedule K-1 Tax Package, hard copies will be mailed as soon as is practicable.

What will be covered by the Final Schedule K-1s?

The Carlyle Group L.P. converted from a limited partnership to a corporation named The Carlyle Group Inc. on January 1, 2020. If you owned CG partnership units at the close of trading on December 31, 2019, your 2019 CG Tax Package will include two Schedule K-1s: one Schedule K-1 for the portion of the 2019 tax year that you held your units, and a second, **final** Schedule K-1 for the tax period beginning January 1, 2020 and ending at the time of the Conversion on January 1, 2020. No income, gain, deduction, loss, or credit will be reported on the final Schedule K-1s. Your 2019 CG Tax Package will be available in late March 2020. The 2019 CG Tax Package will include the **final** Schedule K-1 you will receive from CG.

In addition, on October 7, 2019, CG redeemed all of its outstanding TCGP units. If you owned TCGP units during 2019 you will receive a 2019 final Schedule K-1 for the portion of the 2019 tax year that you held TCGP units. This will be the **final** Schedule K-1 you receive from CG in respect of TCGP units. For TCGP unitholders who received the redemption distribution on October 7, 2019 (as applicable), such distribution will be reported on your 2019 final Schedule K-1 as a distribution on line 19A. It is generally anticipated that no return of information [i.e., no Form 1099-B] is required to be provided by your bank or broker with respect to the redemption. If you received a Form 1099-B from your bank or broker with respect to the redemption, please contact them directly for any questions.

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THE CARLYLE GROUP

There is a problem with the number of units owned, SSN, address, etc. on my Schedule K-1. What can I do?

If you determine any of the information in your Schedule K-1 Tax Package to be incomplete or inaccurate, please contact us immediately. Your Schedule K-1 is prepared based upon information provided to us by your bank or broker. The taxable income allocations shown on your Schedule K-1 are based on the number of units reported on your Ownership Schedule, attached to your Schedule K-1, and the dates bought and sold. If any information on your Ownership schedule is incomplete or inaccurate, the taxable allocations shown on the Schedule K-1 may be impacted. To request corrections, please contact Carlyle's Tax Package Support at (855) 886-9762. You can also request Ownership Schedule changes directly on Carlyle's Tax Package Support website (www.taxpackagesupport.com/carlyle) by clicking the Update Ownership Information icon under Actions. A revised Schedule K-1 is issued generally within 24 hours of reporting the issue to Tax Package Support. Changes to this information should also be requested by contacting your bank or broker directly.

Why do I receive a Schedule K-1 from my retirement plan's account?

U.S. Federal tax law requires that a Schedule K-1 be sent to every unitholder that held a partnership interest during the tax year. If you held CG or TCGP units in a tax advantaged retirement account (Roth IRA, Traditional IRA, 401(k), etc.) prior to January 1, 2020, amounts reported on the Schedule K-1 are generally not reportable on your income tax return. Tax-exempt organizations (including IRAs, Keogh, and other qualified retirement plans) are required to file Form 990-T if they have gross income from an unrelated trade or business of \$1,000 or more. You should consult the Custodian of your account to determine who is responsible for filing the appropriate tax forms, as required.

Where is my Form 1099?

Carlyle did not issue Forms 1099 to its unitholders prior to January 1, 2020 because The Carlyle Group L.P. was a limited partnership, not a corporation, prior to that date. The units you owned in CG or TCGP prior to January 1, 2020 represented a limited partner interest in a partnership. As a limited partner in a partnership, you are taxed on your allocable share of the partnership's income. For periods prior to the Conversion on January 1, 2020, your allocable share of the partnership's income, gain, deduction, loss, and credit for CG unitholders or gross income and gains for TCGP unitholders for the period the units are held is reported to you annually on your Schedule K-1.

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THE CARLYLE GROUP

Are adjustments to my tax basis maintained by CG and TCGP?

No. Each unitholder should maintain his or her own individual tax records. CG and TCGP will provide an estimate of the adjustments to the tax basis of units sold as part of the Schedule K-1 Tax Package. However, this estimate is for informational purposes only and may not represent all required basis adjustments to your units.

The trading price of CG or TCGP units dropped since I purchased those units. Why do I owe tax?

As a limited partner in a partnership prior to January 1, 2020, you are taxed on your allocable share of the partnership's income, gain, deduction, loss, and credits for CG unitholders or gross income and gains for TCGP unitholders for the period the units are held. Your allocable share of these items reported on your Schedule K-1 must be included on your current year tax return regardless of the trading price of the units or whether cash distributions were made to you. You will also be required to report on your tax return any gain or loss recognized if you disposed of CG or TCGP units prior to January 1, 2020, or when you dispose of the common stock into which such units have been converted. The gain or loss will depend upon your adjusted tax basis and the price at which you sell the units or stock. You should consult your tax advisor for additional guidance.

I am unclear about the tax treatment of the quarterly cash distributions. Could you please clarify the nature of these payments?

Although commonly (and mistakenly) referred to as "dividends," cash payments made by CG or TCGP to its unitholders prior to January 1, 2020 are considered partnership distributions under the tax laws of the U.S. In general, cash distributions from CG or TCGP should not be taxable, except to the extent that the amount distributed exceeds your adjusted tax basis in the units. For periods prior to January 1, 2020, the share of the partnership's income, gain, deduction, loss, and credit for CG unitholders or gross income and gains for TCGP unitholders for the period the units are held are reported to you annually on your Schedule K-1.

Are the cash distributions from CG or TCGP subject to U.S. withholding?

While distributions from U.S. partnerships are generally not subject to U.S. withholding, certain U.S. source income (such as dividends and some interest paid by U.S. corporations) allocable to non-U.S. persons are subject to U.S. withholding. As a U.S. partnership prior to January 1, 2020, cash payments made by CG or TCGP to its unitholders prior to such date are considered partnership "distributions" and not "dividends."

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THE CARLYLE GROUP

However, CG can directly and indirectly own investments in U.S. corporations. Non-U.S. persons may receive U.S. Forms 1042-S, *Foreign Persons U.S. Income Subject to Withholding*, from the bank or broker with whom you own your units, reporting U.S. tax withheld on certain U.S. source income included on your Schedule K-1. You should consult your tax advisor for additional guidance.

The cash distributions I received during the year are different than the amount reported on my Schedule K-1 Line 19A. What is the difference?

Your Schedule K-1 is prepared based upon information provided to us by your bank or broker. The cash distributions reported on your Schedule K-1 are based on the number of units reported on your Ownership Schedule, attached to your Schedule K-1, and the dates bought and sold. If any information on your Ownership schedule is incomplete or inaccurate, the cash distributions reported on your Schedule K-1 may be impacted. To request corrections, please contact Carlyle's Tax Package Support at (855) 886-9762. You can also request Ownership Schedule changes directly on Carlyle's Tax Package Support website (www.taxpackagesupport.com/carlyle) by clicking the Update Ownership Information icon under Actions. If you are a non-U.S. person, certain U.S. source income allocable to non-U.S. persons is subject to U.S. withholding. The amount reported on Line 19A includes your allocable share of gross distributions. The actual cash distributions you receive are reduced by U.S. withholding taxes, if any.

I am a nominee / withholding agent responsible for administering withholding with respect to Non-U.S. unitholders of CG or TCGP units. Where can I find additional information about CG or TCGP's cash distributions and the components thereof?

When CG and TCGP declared quarterly cash distributions to its unitholders prior to January 1, 2020, CG and TCGP release Qualified Notices to their transfer agents and other nominees. Copies of these notices are available in the [Public Investors](#) section of the Carlyle website, under [Dividend History](#) (<http://ir.carlyle.com/historical-distributions-cg> or <http://ir.carlyle.com/historical-distributions-tcgp>).

If CG is a U.S. entity, why are foreign tax credits appearing on my Schedule K-1?

CG invests indirectly in foreign entities. Certain distributions from these entities are subject to income tax and withholding taxes by foreign jurisdictions. These foreign taxes may be creditable against your U.S. tax liability. Please consult your tax advisor regarding these calculations.

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THE CARLYLE GROUP

Was The Carlyle Group L.P. a Passive Foreign Investment Company ("PFIC")?

No. However, The Carlyle Group L.P. may invest indirectly in entities that are treated as PFICs. The Carlyle Group L.P. made Qualified Electing Fund ("QEF") elections such that the ordinary income and net capital gains earned by these PFICs will be included currently in your share of income reported on your Schedule K-1, if any. In cases where The Carlyle Group L.P. did not qualify to make this election, the partnership will report any required information to you as a footnote disclosure attached to your Schedule K-1.

I represent a mutual fund ("RIC") that owned CG or TCGP units prior to January 1, 2020. Did The Carlyle Group L.P. meet the definition of a "Qualified PTP"?

No. The nature of its current income and assets does not allow The Carlyle Group L.P. to be treated as a Qualified PTP for RIC purposes.

I represent a tax-exempt entity that owned CG or TCGP units prior to January 1, 2020. Did The Carlyle Group L.P. generate Unrelated Business Taxable Income ("UBTI")?

For the 2019 taxable year, unitholders may be allocated some amount of UBTI, which is expected to be immaterial in proportion to the overall income. The footnotes attached to your Schedule K-1 will include information regarding your share of UBTI, if any.

I represent a Non-U.S. entity that owned CG or TCGP units prior to January 1, 2020. Did The Carlyle Group L.P. generate Effectively Connected Income ("ECI") or income subject to taxation under the Foreign Investment in U.S. Real Property Tax Act ("FIRPTA")?

As a general matter, certain investments owned by CG, which would otherwise give rise to ECI or FIRPTA, were owned through a subsidiary corporate entity in order to minimize or eliminate to impact of any potential ECI at CG. To the extent necessary, this information will be provided to you as a footnote disclosure attached to your Schedule K-1 Tax Package. Please consult your tax advisor.

What is Net Investment Income, and how is it reported on my Schedule K-1?

For tax years beginning after 2012, Internal Revenue Code ("IRC") Section 1411 imposes a 3.8% surtax on certain passive investment income of individuals, trusts, and estates. Your share of income reported on your Schedule K-1 and any gain recognized on the sale of any CG or TCGP units prior to January 1, 2020 may be subject to the surtax. Generally, gross income derived from a trade or business that is a passive

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THE CARLYLE GROUP

activity to the taxpayer is included in net investment income and subject to the surtax. You should consult your tax advisor concerning the impact of IRC Section 1411 to you.

Did my investment in CG or TCGP units subject me to additional U.S. state tax filing requirements?

We currently expect that your investment in CG or TCGP prior to January 1, 2020 is not likely to subject you to U.S. state tax filings, other than to your state of residency. Please consult your tax advisor.

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