



**Ares Management, L.P. (“ARES”)
Frequently Asked Tax Questions – Partnership Tax Treatment**

The following FAQs relate to periods before March 1, 2018, when ARES was treated as a partnership for U.S. federal and state income tax purposes. ARES, a Delaware state law limited partnership, made an election to be treated as a corporation for U.S. federal and state income tax purposes, effective March 1, 2018.

For tax periods beginning March 1, 2018, please refer to the separate Corporate Tax Treatment FAQs.

Where’s my Form 1099?

ARES does not issue Forms 1099 to its unitholders prior to March 1, 2018 because ARES was treated as a partnership for U.S. federal and state income tax purposes.

As a partner in a partnership, you are subject to tax on your allocable share of ARES’ partnership items, regardless of whether cash distributions are made to you. Although commonly referred to as “dividends,” cash payments made by ARES to its unitholders are considered partnership distributions under U.S. tax laws. Your allocable share of ARES’ income, gain, loss, deduction, credits and cash distributions is reported to you annually on IRS Schedule K-1.

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

Yes. Every unitholder will receive a Schedule K-1 reflecting the unitholder’s allocable share of the partnership’s income, gain, loss, or deduction, regardless of the amount of time the unitholder has held units.

When will my ARES Schedule K-1 be available?

Hard copies of the Schedule K-1 packages will be printed and mailed on or around the last week of March. Access to a secure website where you can electronically download your Schedule K-1 and related tax information as well as the ARES K-1 Tax Package Support call center will be live immediately upon release of the Schedules K-1. You may access the tax website through the Tax Information section under the Investor Resources tab on the ARES website.

Can I access my Schedule K-1 prior to receiving it in the mail?

Yes, you can access a PDF version of your Schedule K-1 on a secure website hosted by a third-party provider, at the time that the Schedule K-1 packages are printed and mailed, which will be on or around the last week of March. A link to the Schedule K-1 website and contact phone number is available in the Tax Information section of our website.

Are adjustments to my tax basis maintained by ARES?

No. Each unitholder should maintain its individual tax records to track basis.

I represent a mutual fund (“RIC” or “Investment Company”) that owns ARES units. Does ARES meet the definition of a “Qualified PTP”?

No. The nature of ARES’ income and assets do not allow ARES to be treated as a Qualified PTP for RIC purposes. This status is largely reserved for oil and gas publicly traded partnerships.



Are distributions from ARES 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 U.S. dividends, certain interest paid by U.S. corporations, effectively connected trade or business income) which are allocable to non-U.S. persons are subject to U.S. withholding.

It is important to note that ARES is treated as a partnership and not as a corporation under the laws of the United States. Cash distributions made by ARES to its unitholders are considered partnership “distributions” and not “dividends.” ARES will, however, pass through on Schedule K-1 any U.S. dividend income through its direct and indirect investments in U.S. corporations.

I am a nominee/withholding agent responsible for administering withholding with respect to non-U.S. unitholders of ARES units. Where can I find additional information about ARES’ cash distributions and the components thereof?

When ARES declares a quarterly cash distribution to its unitholders, ARES releases a “Qualified Notice” to its transfer agents and other nominees. Copies of those notices are available in the Distributions section under the Investor Resources area of ARES’ website.

Is ARES a Passive Foreign Investment Company (“PFIC”)?

No. ARES, however, may invest indirectly in entities that are treated as PFICs. ARES will use its best efforts to make qualified electing fund (“QEF”) elections such that any income attributable to these PFICs will be included in your share of income reported on your Schedule K-1. In rare instances, if ARES does not qualify to make this election, ARES will report all necessary items as a footnote to your Schedule K-1 so that each investor can choose to make the election.

Does my investment in ARES units subject me to U.S. state tax filing requirements?

Yes. Funds managed by ARES may make investments that could create multiple U.S. state tax filing requirements. ARES, however, makes efforts to structure these investments so that any U.S. state tax filing requirements will be satisfied by entities owned by ARES.

I am a non-U.S. unitholder that owns ARES units. Does ARES generate “effectively connected income” (“ECI”) or income or gains treated as ECI pursuant to FIRPTA (Foreign Investment in Real Property Tax Act of 1980)?

Non-U.S. unitholders generally may incur ECI for U.S. federal income tax purposes if ARES either receives income other than income from corporate securities or income or gains treated as ECI pursuant to FIRPTA.

As a general matter, ARES’ asset management business, which may give rise to ECI, is operated through a corporate entity that would protect non-U.S. unitholders from being allocated such income. However, certain of ARES’ investments are likely to give rise to some ECI pursuant to the FIRPTA rules. The amount of ECI (including as a result of the FIRPTA rules), if any, that ARES generates will depend on the nature of current and future investments and may vary from year to year.

Ares Management, L.P. is not a tax advisor. All decisions regarding the tax implications of your investments should be made in consultation with your independent tax advisor. Ares Management, L.P. does not provide tax or legal advice.