



Ares Management Corporation
Frequently Asked Tax Questions – Corporate Tax Treatment

The following FAQs relate to periods beginning March 1, 2018, when Ares Management Corporation (fka Ares Management, L.P., “ARES”) is treated as a corporation for U.S. federal and state income tax purposes. ARES made an election to be treated as a corporation for U.S. federal and state income tax purposes, effective March 1, 2018. ARES converted to a state law corporation and changed its name to Ares Management Corporation, effective November 26, 2018.

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

Where’s my Form 1099?

For periods beginning March 1, 2018, stockholders will receive an IRS Form 1099-DIV rather than a Schedule K-1. The initial Form 1099-DIV should be available in late January 2019 covering dividends¹ made to applicable stockholders during the period from March 1, 2018 to December 31, 2018.

Are adjustments to my tax basis maintained by ARES?

No. Stockholders should maintain their own tax records to track basis.

Are dividends from ARES subject to U.S. withholding?

Yes. Dividends from ARES are considered “fixed, determinable, annual or periodic” (“FDAP”) income and will be subject to withholding for non-U.S. stockholders, unless an exception is available.

I am a U.S. tax-exempt investor owning shares of ARES capital stock. Does ARES generate “unrelated business taxable income” (“UBTI”)?

Effective March 1, 2018, ARES changed its tax classification from a partnership to a corporation for U.S. federal income tax purposes. Thus, beginning March 1, 2018, a tax-exempt stockholder holding shares of ARES capital stock should not derive income from ARES that would otherwise typically be treated as UBTI. ARES’ conversion into a state law corporation and name change, effective November 26, 2018, does not alter such treatment.

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 ARES capital stock that may otherwise create UBTI.

I am a non-U.S. stockholder owning shares of ARES capital stock. 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)?

Beginning March 1, 2018, your holding of shares of ARES capital stock should not generate any ECI or FIRPTA income.

¹ Cash distributions from ARES to applicable holders of shares of ARES capital stock are generally referred to as “dividends.” Such dividends may constitute “qualified dividend income” for U.S. individuals and be eligible for a preferential U.S. federal rate.

Does my holding of shares of ARES capital stock subject me to U.S. non-resident state tax filing requirements?

No. Beginning March 1, 2018, holders of shares of certain classes of Ares capital stock only receive corporate dividends and so should no longer have U.S. non-resident state filing requirements solely as a result of holding shares of ARES capital stock.

How are you treating shares of ARES capital stock with regards to special or split holding periods for your assets following your corporate tax status election?

We intend to take the position that all of the assets held by ARES gave rise to a long-term holding period for stockholders (and not a split holding period).

Why did Ares Management Corporation file a Form 9937?

In years where a company's total cash distributions exceed its E&P (defined below), the IRS requires that the company prepare Form 9937 and make it available to stockholders on the company's website. As a result of Ares Management Corporation's (f/k/a Ares Management, L.P.) (the "Company" or "ARES") election to be treated as a corporation for U.S. tax purposes, effective March 1, 2018 (the "Effective Date"), all distributions received by the Company's Class A common stockholders subsequent to the Effective Date will be reflected on Form 1099-DIV. To the extent that ARES has earnings and profits for tax purposes ("E&P"), distributions will be taxable as dividends and are expected to be treated as "qualified dividends" (subject to stockholders meeting certain eligibility requirements). Distributions in excess of E&P will be treated as a tax-free return of capital to the extent of the stockholders' tax basis in their shares of ARES's Class A common stock. Any distribution in excess of both E&P and a stockholder's cost basis will be treated as capital gains. Based on the best estimates available at this time, ARES currently estimates that approximately 20% of its cash distributions paid to Class A common stockholders after the Effective Date will be deemed a non-taxable return of capital, and accordingly, reduce stockholders' tax basis in their Class A common stock. Please refer to the Form 9937 posted to the Company's website to determine the portion of the quarterly Class A distribution that is deemed to be a return of capital for each specific distribution occurring after the Effective Date.

The determination of the amount of ARES' quarterly Class A distributions is based on its after-tax fee related earnings, which is a different determination than E&P for U.S. tax purposes. Taxable E&P is reduced by non-cash tax deductions, including equity or stock compensation expense (which is influenced by the timing and trading price of stock on the vesting dates), amortization of basis step ups and other non-cash expenses. On the other hand, fee related earnings (a non-GAAP metric that is the primary basis for the determination of quarterly distribution levels) is not reduced by these non-cash deductions. Consequently, ARES's estimated after-tax fee related earnings – and therefore its distributions to stockholders – are typically greater than its E&P and its taxable income calculated under U.S. federal income tax principles.

The determination of the portion of the Class A distributions that will be treated as taxable dividends does not impact ARES' liquidity or its or its affiliates' ability to pay distributions to its stockholders. The fact that a distribution may be treated as a return of capital does not impact the Company's current distribution policy or the Company's financial results for either GAAP or non-GAAP earnings.

All cash distributions paid to 7.00% Series A Preferred stockholders are expected to be treated as taxable dividends.

This information is not intended to be all-inclusive or to render specific professional tax advice and stockholders are urged to consult with their own tax advisors to determine the consequences of a return of capital distribution including the adjustment to the tax basis of their Class A common stock, for federal income tax purposes as well as the impact for any state, local or foreign tax jurisdictions.