

State Law Corporate Conversion and Tax FAQs

1. When did the state law conversion become effective?

Although Ares already elected to be taxed as a corporation on March 1, 2018, the state law conversion became effective at 12:01 a.m. (Eastern Time) on November 26, 2018. As a result of the conversion, Ares Management, L.P. (a Delaware limited partnership) (the "**Partnership**") is now a Delaware corporation named Ares Management Corporation (the "**Corporation**").

A certificate of conversion, together with the Corporation's Certificate of Incorporation, have been filed with the Secretary of State of the State of Delaware. The Corporation has also adopted bylaws and has amended a number of agreements in connection with the conversion to reflect the Corporation's status as a corporation.

As of the open of business on Monday, November 26, 2018, the NYSE ceased trading of the Class A common shares and Series A preferred shares of the Partnership and commenced trading of shares of Class A common stock, \$0.01 per value per share, of the Corporation (the "Class A Common Stock") (CUSIP: 03990B 101) and shares of preferred stock \$0.01 par value per share, of the Corporation designated as "7.000% Series A Preferred Stock" (the "Series A Preferred Stock") (CUSIP: 03990B 200) under the existing ticker symbols "ARES" and "ARES.PRA", respectively.

2. Why did you undertake the state law conversion to a Delaware corporation?

We believe the state law conversion will enable potential inclusion on certain equity index funds and lead to greater liquidity and broader institutional ownership for our Class A Common Stock.

3. Will this legal conversion have any financial or tax implications?

No material financial or tax implications are expected from the state law conversion. The Partnership already elected to be taxed as a corporation for U.S. federal income and state tax purposes effective March 1, 2018. As such, distributions to applicable stockholders after March 1, 2018 are reported as dividends on Form 1099-DIV.

4. What is the capital structure of Ares following the conversion? What voting rights do public stockholders have?

Following the conversion, the Corporation has the following three classes of common stock and series of preferred stock:

- i. **Class A Common Stock** – Common shares (f/k/a Class A common units) of the Partnership have converted on a 1:1 basis into shares of Class A Common Stock. Except as otherwise expressly provided in the Corporation's Certificate of Incorporation, holders of Class A Common Stock are entitled to one vote per share on all matters on which stockholders of a corporation are generally entitled to vote under the Delaware General Corporation Law (the "DGCL"), including the election of the board of directors of the Corporation. The Class A Units of each of the Corporation's three operating group subsidiaries (such units, collectively, "**OGUs**" and such subsidiaries, the "Ares Operating Group Partnerships") are exchangeable on a 1:1 basis into shares of Class A Common Stock. This is the same ratio at which OGUs were previously exchangeable for common shares of the Partnership prior to the conversion.
- ii. **Class B Common Stock** – The general partner share of the Partnership held by Ares Management GP LLC, the general partner of the Partnership (the "**General Partner**"), has

- converted into 1,000 shares of Class B common stock, \$0.01 par value per share, of the Corporation (the “**Class B Common Stock**”). The Class B Common Stock is “non-economic” and is not entitled to dividends or to receive any assets upon any liquidation, dissolution or winding up of the Corporation. On January 31 of each year, the Corporation’s board of directors will determine whether the total voting power held by (i) holders of Class C Common Stock (as defined below), (ii) then-current or former Ares personnel (including indirectly through related entities) and (iii) Ares Owners Holdings L.P. (“Ares Owners”), without duplication, is at least 10% of the voting power of the Class A Common Stock and Class C Common Stock, voting together as a single class (the “Ares Ownership Condition”). For purposes of determining whether the Ares Ownership Condition is satisfied, the Corporation’s board of directors will treat as outstanding, and as held by the foregoing persons, all shares of common stock deliverable to such persons pursuant to equity awards granted to such persons. On any date on which the Ares Ownership Condition is satisfied, holders of Class B Common Stock are entitled to a number of votes, in the aggregate, equal to (x) four times the aggregate number of votes attributable to the Class A Common Stock minus (y) the aggregate number of votes attributable to the Class C Common Stock. On any date on which the Ares Ownership Condition is not satisfied, holders of Class B Common Stock will not be entitled to vote on any matter submitted to a vote of the Corporation’s stockholders. Note that the number of votes attributable to the Class B Common Stock is tied to the number of votes attributable to the Class A Common Stock and therefore will increase or decrease as the number of shares of Class A Common Stock held by stockholders of the Corporation increases or decreases.
- iii. **Class C Common Stock** – The special voting share of the Partnership held by Ares Voting LLC, has converted into one share of Class C Common Stock, \$0.01 par value per share, of the Corporation (the “**Class C Common Stock**”). The Class C Common Stock is “non-economic” and is not entitled to dividends or to receive any assets upon any liquidation, dissolution or winding up of the Corporation. Ares Voting LLC, the initial holder of Class C Common Stock upon the Corporation’s conversion from a Delaware limited partnership, is generally entitled to a number of votes equal to the number of OGUs held of record by each limited partner of the Ares Operating Group Partnerships (as defined below) (other than Ares and its subsidiaries). If in the future other persons are admitted as a limited partner to the Ares Operating Group Partnerships and are issued shares of Class C Common Stock, such other holders of Class C Common Stock will be entitled, in the aggregate, to a number of votes equal to the number of OGUs held of record by such holder of Class C Common Stock. If the ratio at which OGUs are exchangeable for shares of Class A Common Stock changes from a 1:1 basis, the number of votes to which the holders of Class C Common Stock are entitled will be adjusted accordingly.
- iv. **Series A Preferred Stock** – The 7.000% Series A preferred shares of the Partnership have converted on a 1:1 basis into shares of the Series A Preferred Stock. Except as provided in the Corporation’s Certificate of Incorporation and Bylaws and under the DGCL and the rules of the New York Stock Exchange (the “NYSE”), shares of the Series A Preferred Stock are generally non-voting, substantially consistent with the 7.000% Series A preferred shares of the Partnership.

Following the conversion, the Class A Shares initially represent 20% of the vote on all matters submitted to stockholders of the Corporation. The Class B Shares and Class C shares initially represent the remaining 80% of the vote on all matters submitted to stockholders of the Corporation.

5. What are some of the benefits to stockholders of the conversion?

Unlike holders of the Partnership’s common shares, except as otherwise expressly provided in the Corporation’s Certificate of Incorporation, holders of common stock of the Corporation are now entitled to vote on all matters on which stockholders of a Delaware corporation generally are entitled

to vote under the DGCL, including the election of the board of directors of the Corporation. The Corporation will hold annual meetings of stockholders to solicit votes for the election of directors and certain other matters. In addition, the shares of Class A Common Stock Class A Shares could be eligible for index inclusion, which, in turn, could increase liquidity and broaden ownership in the Class A Common Stock.

6. On what matters do stockholders have voting rights?

Except as otherwise expressly provided in the Corporation's Certificate of Incorporation, holders of common stock of the Corporation are entitled to vote on all matters on which stockholders of a Delaware corporation generally are entitled to vote under the DGCL, including the election of the board of directors of the Corporation.

7. Have there been any personnel changes to the management team or the board in connection with the conversion?

The directors and executive officers of the General Partner immediately prior to the conversion became the directors and executive officers of the Corporation upon the conversion. In addition, the committees of the board of directors of the General Partner, and the membership thereof, immediately prior to the conversion, have generally been replicated at the board of directors of the Corporation upon the conversion.

Upon the conversion, two director classes were established under the Corporation's bylaws – Class I and Class II Directors

- Class I and Class II Directors vote together on all matters
- So long as the Ares Ownership Condition is satisfied, board actions require a majority of all directors, which majority must include the Class I Director
- Antony P. Ressler is the only Class I Director and will continue to be a Class I Director until his ownership of the Corporation's common stock decreases below certain specified thresholds

8. Will there be an annual meeting of stockholders held each year?

Yes, the Corporation plans to hold annual meetings of stockholders to elect directors and for other governance matters. Since holders of Class B Common Stock and Class C Common Stock hold 80% of the aggregate voting power of the Common Stock of the Corporation, a quorum will be satisfied through the attendance in person or by proxy of the holders of Class B Common Stock and Class C Common Stock.

9. What happens when current and former Ares employees and their affiliated entities own less than 10% of the outstanding equity?

Once current and former Ares employees and their affiliated entities no longer own 10% of the voting power of the Class A Common Stock and Class C Common Stock, the Class B Common Stock will no longer have any voting rights. Additionally, directors of the Corporation will no longer be classified as Class I and Class II Directors. At such time, actions by the Board of Directors will require a simple majority of directors. In addition, the directors will serve for staggered terms.

10. Will there be any changes to the Series A Preferred Stock as a result of the conversion?

No, preferred shares of the Partnership were converted on a 1:1 basis into shares of Series A Preferred Stock, with substantially similar rights and privileges to the preferred shares of the Partnership immediately prior to the conversion.

11. Where can I find more information?

Please refer to the Corporation's public filings available on the SEC's website for more information regarding the effects of the conversion.

The following FAQs are relevant for investors investing in Ares on March 1, 2018 and beyond (updated on 11/26/18).

12. When did Ares begin to be taxed as a corporation?

Ares elected to be taxed as a corporation starting March 1, 2018. Common and preferred stockholders will receive a final Schedule K-1 for the period from January 1, 2018 through February 28, 2018. Final Schedule K-1s are now available on our website, and should be reported on stockholders' 2018 tax returns.

13. How did electing corporate tax status impact the Ares stockholder?

Dividends paid after March 1, 2018 will be reported on Form 1099-DIV and will generally constitute "qualified dividend income" for U.S. individuals, potentially qualifying for the same preferential U.S. federal rates as long term capital gains if other requirements are met.

These FAQs address only certain U.S. federal income tax consequences applicable to Ares' stockholders generally. Ares does not provide tax advice and nothing herein should be considered as such. Each recipient should consult its own tax advisor concerning the particular U.S. federal income, U.S. federal estate or gift, state, local, foreign and other tax consequences to it.