UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-36429

ARES MANAGEMENT, L.P.
(Exact name of registrant as specified in its charter)

Delaware	**80-0962035**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2000 Avenue of the Stars, 12th Floor, Los Angeles, CA 90067
(Address of principal executive offices) (Zip Code)
(310) 201-4100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common shares representing limited partner interests	New York Stock Exchange
Preferred shares	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section §232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common shares held by non-affiliates of the registrant on June 30, 2017 , based on the closing price on that date of $18.00 on the New York Stock Exchange, was approximately $858,409,578. As of February 15, 2018 , there were 82,758,558 of the registrant's common shares representing limited partner interests outstanding.

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Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as “outlook,” “believes,” “expects,” “potential,” “continues,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of those words or other comparable words. The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. Some of these factors are described in this Annual Report on Form 10-K under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors.” These factors should not be construed as exhaustive and should be read in conjunction with the risk factors and other cautionary statements that are included in this Annual Report on Form 10-K and in our other periodic filings. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these forward-looking statements. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. Therefore, you should not place undue reliance on these forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Unless the context suggests otherwise, references in this Annual Report on Form 10-K to (1) “Ares,” “we,” “us” and “our” refer to our businesses, both before and after the consummation of our reorganization into a holding partnership structure and (2) our “Predecessors” refer to Ares Holdings Inc. (“AHI”) and Ares Investments LLC (“AI”), our accounting predecessors, as well as their wholly owned subsidiaries and managed funds, in each case prior to the Reorganization. References in this Annual Report on Form 10-K to “our general partner” refer to Ares Management GP LLC, an entity wholly owned by Ares Partners Holdco LLC, which is in turn owned and controlled by Holdco Members. References in this Annual Report on Form 10-K to the “Ares Operating Group” refer to, collectively, Ares Holdings L.P. (“Ares Holdings”), Ares Offshore Holdings L.P. (“Ares Offshore”) and Ares Investments L.P. (“Ares Investments”). References in this Annual Report on Form 10-K to an “Ares Operating Group Unit” or an “AOG Unit” refer to, collectively, a partnership unit in each of the Ares Operating Group entities. References in this Annual Report on Form 10-K to (1) “common units” or “common shares” and “preferred units” or “preferred shares” outstanding prior to March 1, 2018 refer to our common units and preferred units, respectively, previously outstanding prior to March 1, 2018 and (2) “common unitholders” or “common shareholders” and “preferred unitholders” or “preferred shareholders” prior to March 1, 2018 refer to our common unitholders and preferred unitholders, respectively, prior to March 1, 2018. Note that the terms of our common shares and preferred shares, and the associated rights, remain unchanged.

Under generally accepted accounting principles in the United States (“GAAP”), we are required to consolidate (a) entities other than limited partnerships and entities similar to limited partnerships in which we hold a majority voting interest or have majority ownership and control over the operational, financial and investing decisions of that entity, including Ares-affiliates and affiliated funds and co-investment entities, for which we are presumed to have controlling financial interests, and (b) entities that we concluded are variable interest entities (“VIEs”), including limited partnerships and collateralized loan obligations, for which we are deemed to be the primary beneficiary. When an entity is consolidated, we reflect the assets, liabilities, revenues, expenses and cash flows of the entity in our consolidated financial statements on a gross basis, subject to eliminations from consolidation, including the elimination of the management fees, performance fees and other fees that we earn from the entity. However, the presentation of performance fee compensation and other expenses associated with generating such revenues is not affected by the consolidation process. In addition, as a result of the consolidation process, the net income attributable to third-party investors in consolidated entities is presented as net income attributable to redeemable interests and non-controlling interests in Consolidated Funds in our Consolidated Statements of Operations.

In this Annual Report on Form 10-K, in addition to presenting our results on a consolidated basis in accordance with GAAP, we present revenues, expenses and other results on a (i) “segment basis,” which deconsolidates these entities and therefore shows the results of our reportable segments without giving effect to the consolidation of the entities and (ii) “Unconsolidated Reporting basis,” which shows the results of our reportable segments on a combined segment basis together with our Operations Management Group. In addition to our three segments, we have an Operations Management Group (the “OMG”) that consists of five independent, shared resource groups to support our reportable segments by providing infrastructure and administrative support in the areas of accounting/finance, operations/information technology, business development/corporate strategy, legal/compliance and human resources. The OMG’s expenses are not allocated to our three reportable segments but we consider the cost structure of the OMG when evaluating our financial performance. This information constitutes non-GAAP financial information within the meaning of Regulation G, as promulgated by the SEC. Our management uses this information to assess the performance of our

reportable segments and our OMG, and we believe that this information enhances the ability of shareholders to analyze our performance. For more information, see "Notes to the Consolidated Financial Statements - Note 18. Segment Reporting."

Glossary

When used in this Annual Report on Form 10-K, unless the context otherwise requires:

- "ARCC Part I Fees" refers to a quarterly performance fee on the investment income from Ares Capital Corporation (NASDAQ: ARCC) ("ARCC");
- "Ares Operating Group Unit" or an "AOG Unit" refer to, collectively, a partnership unit in each of the Ares Operating Group entities;
- "assets under management" or "AUM" refers to the assets we manage. For our funds other than CLOs, our AUM represents the sum of the net asset value of such funds, the drawn and undrawn debt (at the fund-level including amounts subject to restrictions) and uncalled committed capital (including commitments to funds that have yet to commence their investment periods). For our funds that are CLOs, our AUM represents subordinated notes (equity) plus all drawn and undrawn debt tranches;
- "available capital" is comprised of uncalled committed capital and undrawn amounts under credit facilities and may include AUM that may be canceled or not otherwise available to invest (also referred to as "dry powder").
- "CLOs" refers to "our funds" which are structured as collateralized loan obligations;
- "Consolidated Funds" refers collectively to certain Ares-affiliated funds, co-investment entities and certain CLOs that are required under GAAP to be consolidated in our consolidated financial statements;
- "Co-Founders" refers to Michael Arougheti, David Kaplan, John Kissick, Antony Ressler and Bennett Rosenthal;
- "Credit Facility" refers to the revolving credit facility of the Ares Operating Group;
- "distributable earnings" or "DE", a non-GAAP measure, is an operating metric that assesses our performance without the effects of our consolidated funds and the impact of unrealized income and expenses, which generally fluctuate with fair value changes. Among other things, this metric also is used to assist in determining amounts potentially available for distribution. However, the declaration, payment, and determination of the amount of distributions to shareholders, if any, is at the sole discretion of our Board of Directors, which may change our distribution policy at any time. Distributable earnings is calculated as the sum of fee related earnings, realized performance fees, realized performance fee compensation, realized net investment and other income, and is reduced by expenses arising from transaction costs associated with acquisitions, placement fees and underwriting costs, expenses incurred in connection with corporate reorganization and depreciation. Distributable earnings differs from income before taxes computed in accordance with GAAP as it is typically presented before giving effect to unrealized performance fees, unrealized performance fee compensation, unrealized net investment income, amortization of intangibles, and equity compensation expense. DE is presented prior to the effect of income taxes attributable to Ares Holdings, Inc. and to distributions made to our preferred shareholders, unless otherwise noted;
- "economic net income" or "ENI", a non-GAAP measure, is an operating metric used by management to evaluate total operating performance, a decision tool for deployment of resources, and an assessment of the performance of our business segments. ENI differs from net income by excluding (a) income tax expense, (b) operating results of our Consolidated Funds, (c) depreciation and amortization expense, (d) the effects of changes arising from corporate actions, and (e) certain other items that we believe are not indicative of our total operating performance. Changes arising from corporate actions include equity-based compensation expenses, the amortization of intangible assets, transaction costs associated with mergers, acquisitions and capital transactions, placement fees and underwriting costs and expenses incurred in connection with corporate reorganization;
- "fee paying AUM" or "FPAUM" refers to the AUM on which we directly earn management fees. Fee paying AUM is equal to the sum of all the individual fee bases of our funds that directly contribute to our management fees;
- "fee related earnings" or "FRE", a non-GAAP measure, refers to a component of ENI that is used to assess core operating performance by determining whether recurring revenue, primarily consisting of management fees, is

sufficient to cover operating expenses and to generate profits. FRE differs from income before taxes computed in accordance with GAAP as it adjusts for the items included in the calculation of ENI and excludes performance fees, performance fee compensation, investment income from our Consolidated Funds and non-consolidated funds and certain other items that we believe are not indicative of our core operating performance;

- “Holdco Members” refers to Messrs. Arougheti, Kaplan, Ressler and Rosenthal and Ryan Berry, R. Kipp deVeer, and Michael McFerran;
- “Incentive generating AUM” or “IGAUM” refers to the AUM of our funds that are currently generating, on a realized or unrealized basis, performance fee revenue. It generally represents the NAV of our funds for which we are entitled to receive a performance fee, excluding capital committed by us and our professionals (which generally is not subject to a performance fee). With respect to ARCC, only ARCC Part II Fees can be generated from IGAUM;
- “Incentive eligible AUM” or “IEAUM” refers to the AUM of our funds that are eligible to produce performance fee revenue, regardless of whether or not they are currently generating performance fees. It generally represents the NAV plus uncalled equity of our funds for which we are entitled to receive a performance fee, excluding capital committed by us and our professionals (which generally is not subject to a performance fee);
- “management fees” refers to fees we earn for advisory services provided to our funds, which are generally based on a defined percentage of total commitments, invested capital, net asset value, net investment income, total assets, fair value of assets, or par value of the investment portfolios managed by us and also include ARCC Part I Fees that are classified as management fees as they are predictable and recurring in nature, not subject to contingent repayment and generally cash‑settled each quarter;
- “net inflows of capital” refers to net new commitments during the period, including equity and debt commitments and gross inflows into our open-ended managed accounts and sub-advised accounts, as well as equity offerings by our publicly traded vehicles minus redemptions from our open-ended funds, managed accounts and sub-advised accounts.
- “net performance fees” refers to performance fees net of performance fee compensation, which is the portion of the performance fees earned from certain funds that is payable to professionals;
- “our funds” refers to the funds, alternative asset companies, co-investment vehicles and other entities and accounts that are managed or co‑managed by the Ares Operating Group, and which are structured to pay fees. It also includes funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of ARCC, and a registered investment adviser;
- “permanent capital” refers to capital of our funds that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law, which funds currently consist of ARCC, Ares Commercial Real Estate Corporation (“ACRE”) and Ares Dynamic Credit Allocation Fund, Inc. (“ARDC”). Such funds may be required, or elect, to return all or a portion of capital gains and investment income;
- “performance fees” refers to fees we earn based on the performance of a fund, which are generally based on certain specific hurdle rates as defined in the fund’s investment management or partnership agreements and may be either an incentive fee or carried interest;
- “performance related earnings” or “PRE”, a non-GAAP measure, is used to assess our investment performance net of performance fee compensation. PRE differs from income (loss) before taxes computed in accordance with GAAP as it only includes performance fees, performance fee compensation and total investment and other income that we earn from our Consolidated Funds and non-consolidated funds;
- “realized income” or “RI”, a non-GAAP measure, is an operating metric used by management to evaluate performance of the business based on tangible operating performance and the contribution of each of the business segments to that performance, while removing the fluctuations of unrealized income and expenses, which may or may not be eventually realized at the levels presented and whose realizations depend more on future outcomes than current business operations. RI differs from net income by excluding (a) income tax expense, (b) operating results of our Consolidated Funds, (c) depreciation and amortization expense, (d) the effects of changes arising from corporate

actions, (e) unrealized gains and losses related to performance fees and investment performance and (e) certain other items that we believe are not indicative of our tangible operating performance. Changes arising from corporate actions include equity-based compensation expenses, the amortization of intangible assets, transaction costs associated with mergers, acquisitions and capital transactions, placement fees and underwriting costs and expenses incurred in connection with corporate reorganization;

- “SEC” refers to the Securities and Exchange Commission;

- “Senior Notes” or the "AFC Notes" refers to senior notes of a wholly owned subsidiary of Ares Holding;

- “Term Loans” refers to term loans of a wholly owned subsidiary of Ares Management LLC (“AM LLC”).

Many of the terms used in this Annual Report on Form 10-K, including AUM, FPAUM, ENI, FRE, PRE, RI and DE, may not be comparable to similarly titled measures used by other companies. In addition, our definitions of AUM and FPAUM are not based on any definition of AUM or FPAUM that is set forth in the agreements governing the investment funds that we manage and may differ from definitions of AUM or FPAUM set forth in other agreements to which we are a party. Further, ENI, FRE, PRE, RI and DE are not measures of performance calculated in accordance with GAAP. We use ENI, FRE, PRE, RI and DE as measures of operating performance, not as measures of liquidity. ENI, FRE, PRE, RI and DE should not be considered in isolation or as substitutes for operating income, net income, operating cash flows, or other income or cash flow statement data prepared in accordance with GAAP. The use of ENI, FRE, PRE, RI and DE without consideration of related GAAP measures is not adequate due to the adjustments described above. Our management compensates for these limitations by using ENI, FRE, PRE, RI and DE as supplemental measures to our GAAP results. We present these measures to provide a more complete understanding of our performance as our management measures it. Amounts and percentages throughout this report may reflect rounding adjustments and consequently totals may not appear to sum.

PART I.

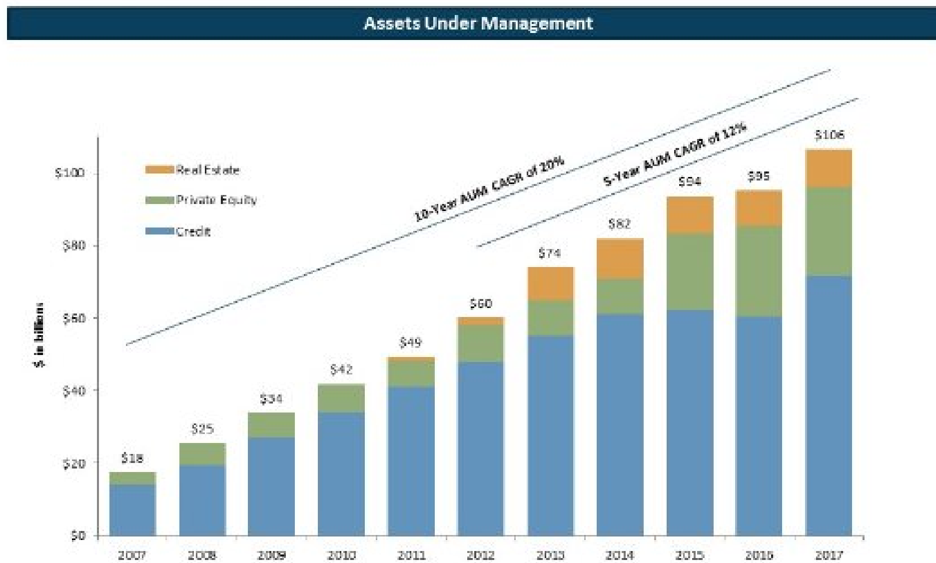
Item 1. Business

BUSINESS

Overview

Ares is a leading global alternative asset manager with approximately $106.4 billion of assets under management and over 1,000 employees in over 15 offices across the United States, Europe, Asia and Australia. We offer our investors a range of investment strategies and seek to deliver attractive performance to a growing investor base that includes approximately 785 direct institutional relationships and a significant retail investor base across our publicly traded and sub-advised funds. Since our inception in 1997, we have adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns through market cycles. Ares believes each of its three distinct but complementary investment groups in Credit, Private Equity and Real Estate is a market leader based on assets under management and investment performance. We believe we create value for our stakeholders not only through our investment performance but also by expanding our product offering, enhancing our distribution channels, increasing our global presence, investing in our non-investment functions, securing strategic partnerships and completing accretive acquisitions and portfolio purchases.

A s shown in the chart below, over the past five and ten years, our assets under management have achieved a compound annual growth rate (“CAGR”) of 12% and 20%, respectively. Our AUM has grown to approximately $106.4 billion as of December 31, 2017 , from approximately $18.0 billion a decade earlier.



We have an established track record of delivering strong risk-adjusted returns through market cycles. We believe our consistent and strong performance in a broad range of alternative assets has been shaped by several distinguishing features of our platform:

- ***Robust Sourcing Model:*** our investment professionals’ local market presence and ability to effectively cross-source for other investment groups generates a robust pipeline of high-quality investment opportunities across our platform.

- ***Comprehensive Multi-Asset Class Expertise and Flexible Capital:*** our proficiency at evaluating every level of the capital structure, from senior debt to common equity, across companies, structured assets, power and energy assets, and real estate projects enables us to effectively assess relative value. This proficiency is complemented by our flexibility in deploying capital in a range of structures and different market environments to maximize risk-adjusted returns.

- ***Differentiated Market Intelligence:*** our proprietary research on approximately 60 industries and insights from a broad, global investment portfolio enable us to more effectively diligence and structure our products and investments.

- ***Consistent Investment Approach:*** we believe our rigorous, credit-oriented investment approach across each of our investment groups is a key contributor to our strong investment performance and ability to expand our product offering.

- ***Talented and Committed Professionals:*** we attract, develop and retain highly accomplished investment professionals who not only demonstrate deep and broad investment expertise but also have a strong sense of commitment to our firm.

- ***Collaborative Culture:*** we share ideas, relationships and information across our investment groups, which enables us to more effectively source, evaluate and manage investments.

Integrated Investment Platform

We operate our increasingly diversified and global firm as an integrated investment platform with a collaborative culture that emphasizes sharing of knowledge and expertise. We believe the exchange of information enhances our ability to analyze investments, deploy capital and improve the performance of our funds and portfolio companies. Through collaboration, we drive value by leveraging our capital markets relationships and access to deal flow. The management of our operating businesses is currently overseen by our Management Committee, which is comprised of our executive officers and other heads of various investment and operating groups, and ultimately by the Holdco Members. The Management Committee meets monthly to discuss asset deployment, strategy and fundraising. Within this framework, we have established deep and sophisticated independent research capabilities in approximately 60 industries and insights from active investments in approximately 1,480 companies, 505 structured assets and over 170 properties. Further, our extensive network of investment professionals includes local and geographically positioned individuals with the knowledge, experience and relationships that enable them to identify and take advantage of a wide range of investment opportunities. These professionals are supported by a highly sophisticated operations management team. We believe this broad and deep platform and our operational infrastructure provide us with a scalable foundation to expand our product offerings, geographic scope and profitability.

Breadth, Depth and Tenure of our Senior Management

Ares was built upon the fundamental principle that each of our distinct but complementary investment groups benefits from being part of our broader platform. We believe that our strong performance, consistent growth and high talent retention through economic cycles is due largely to the effective application of this principle across our broad organization of over 1,000 employees. We do not have a centralized investment committee and instead our investment committees are structured with overlapping membership from different investment groups to ensure consistency of approach. Each of our investment groups is led by its own deep leadership team of highly accomplished investment professionals, who average 25 years of experience managing investments in, advising, underwriting and restructuring companies. While primarily focused on managing strategies within their own investment group, these senior professionals are integrated within our platform through economic, cultural and structural measures. Our senior professionals have the opportunity to participate in the incentive programs of multiple investment groups to reward collaboration across our investment activities. This collaboration takes place on a daily basis but is formally promoted through sophisticated internal systems and widely attended weekly or monthly meetings.

2017 Highlights

Fundraising

In 2017 , we raised $16.7 billion in gross new capital for more than 65 different funds. Of the $16.7 billion, $10.7 billion was raised directly from 146 institutional investors (68 existing and 78 new to Ares) and $6.0 billion was raised through intermediaries.

- In our Credit Group, we raised $14.9 billion of gross capital commitments across a variety of our credit strategies comprised of $4.3 billion in Syndicated Loans, $558.0 million in High Yield, $66.0 million in Credit Opportunities and $284.0 million in Structured Credit. In our Direct Lending strategy, we raised $7.7 billion of gross capital in our U.S.

and E.U. Direct Lending funds and $738.0 million in aggregate new debt commitments for ARCC, our publicly traded business development company, and its affiliated funds and vehicles.

- In our Private Equity Group, we raised $55.6 million of gross new capital commitments for an Asian private equity fund and $300.0 million of gross new capital commitments for our fifth power and infrastructure fund.
- In our Real Esta te Group, we raised $934.2 million of gross new capital commitments for our U.S. real estate private equity funds. Additionally, we raised $508.9 million in our real estate debt strategy.

Capital Deployment

W e took advantage of our diverse global platform to invest more than $16.4 billion (excluding permanent capital) globally in 2017 as shown in the following table (dollars in billions):

Strategy		Invested Amount
Syndicated Loans	$	2.9
High Yield Bonds		0.4
Credit Opportunities		0.3
Structured Credit		1.4
U.S. Direct Lending		3.8
E.U. Direct Lending		3.3
Corporate Private Equity		2.5
U.S. Power & Energy Infrastructure		0.4
Special Situations		0.5
Real Estate Equity & Debt		0.9
Total	**$**	**16.4**

Of the $16.4 billion invested, $12.6 billion was tied to our drawdown funds. Of the $12.6 billion, $6.8 billion was driven by investments in E.U. and U.S. direct lending, $1.3 billion driven by investment in structured credit, $0.2 billion was driven by investments in various credit strategies, $3.4 billion was driven by investments in corporate private equity, U.S. power and energy infrastructure and special situations, and $0.9 billion was driven by investments in real estate debt and equity strategies.

Investment Groups

Each of our investment groups employs a disciplined, credit-oriented investment philosophy and is managed by a seasoned leadership team of senior professionals with extensive experience investing in, advising, underwriting and restructuring companies, power and energy assets, or real estate properties.

	CREDIT	PRIVATE EQUITY	REAL ESTATE
	A leading participant in the non-investment grade corporate credit markets	*One of the most consistent private equity managers in the U.S. with a growing international presence*	*A leading participant in the real estate private equity markets and a growing direct lender*
Assets Under Management	$71.7 billion	$24.5 billion	$10.2 billion
Key Strategies	Syndicated Loans High Yield Bonds Structured Credit Credit Opportunities Direct Lending	Corporate Private Equity U.S. Power & Energy Infrastructure Special Situations	Real Estate Debt Real Estate Private Equity
Investment Funds	139 active funds	21 active funds	42 active funds
Investment Personnel	~235 professionals	~95 professionals	~70 professionals
Local Market Presence	U.S. & Europe	U.S., Europe & China	U.S. & Europe
Current Portfolio	~1,450	33 companies 63 power and energy assets	170+ properties

Cr edit Group

Our Credit Group is a leading manager of credit strategies across the non-investment grade credit universe, with approximately $71.7 billion of AUM and approximately 139 funds as of December 31, 2017 . The Credit Group provides solutions for fixed income investors seeking to access the syndicated loan and high yield bond markets and capitalizes on opportunities across traded corporate and structured credit. It additionally provides investors access to directly originated fixed and floating rate credit assets and the ability to capitalize on illiquidity premiums across the credit spectrum.

The Credit Group offers a range of credit strategies across the liquid and illiquid spectrum, including syndicated loans, high yield bonds, credit opportunities, structured credit investments and U.S. and European direct lending.

Syndicated Loans: Our syndicated loans strategy delivers a diversified portfolio of liquid, traded non-investment grade secured loans to corporate issuers. We focus on evaluating individual credit opportunities related primarily to non-investment grade senior secured loans and primarily target first lien secured debt, with a secondary focus on second lien loans, mezzanine loans, high yield bonds and unsecured loans.

High Yield Bonds: Our high yield bonds strategy employs a value-driven philosophy, utilizing fundamental research to identify non-investment grade corporate issuers. We primarily seek a diversified portfolio of liquid, traded non-investment grade corporate bonds. This incorporates secured, unsecured and subordinated debt instruments of issuers in both North America and Europe.

Credit Opportunities: Our credit opportunities strategy has an event-oriented credit mandate that seeks to generate attractive risk-adjusted returns across market cycles by capitalizing on market inefficiencies and relative value opportunities in the non-investment grade corporate credit market. We principally invest or take short positions in U.S. and European debt securities across the capital structure, including opportunistic liquid credit, special situations and structured products. Our "all weather" strategy seeks to dynamically manage duration, which is critical to realizing attractive performance during various interest rate environments.

Structured Credit: Our structured credit strategy invests across the capital structure of syndicated CLO vehicles and in directly-originated asset-backed investments comprised of diversified portfolios of consumer and commercial assets. We seek to

construct portfolios of asset-backed investments that benefit from having downside protection, less correlation with the broader credit markets and diversification.

Direct Lending: Our direct lending strategy is one of the largest self-originating direct lenders to the U.S. and European markets, with approximately $42.4 billion of assets under management across approximately 65 funds or investment vehicles as of December 31, 2017 . Our direct lending strategy has a multi-channel origination strategy designed to address a broad set of investment opportunities in the middle market. We focus on being the lead or sole lender to our portfolio companies, which we believe allows us to exert greater influence over deal terms, capital structure, documentation, fees and pricing, while at the same time securing our position as a preferred source of financing for our transaction partners. The group maintains a flexible investment strategy, with the capability to invest in revolving credit facilities, first and second lien senior loans, mezzanine debt and non-control equity co-investments in middle market companies and power generation projects. We manage various types of funds within our U.S. and European direct lending teams that include commingled funds, separately managed accounts for large institutional investors seeking tailored investment solutions and joint venture lending programs.

U.S. Direct Lending: Our U.S. team is comprised of approximately 130 investment professionals in seven offices. Our team maintains an active dialogue with more than 480 financial sponsors and provides a wide range of financing solutions to middle-market companies that typically range from $10.0 to $150.0 million in earnings before interest, tax, depreciation and amortization (“EBITDA”). As of December 31, 2017 , our U.S. direct lending team and its affiliates advised 46 funds totaling, in aggregate, approximately $30.6 billion in AUM. Our U.S. direct lending team manages corporate lending activities primarily through our inaugural vehicle and publicly traded business development company, ARCC, as well as private commingled funds and separately managed accounts.

Primary areas of focus for our U.S. Direct Lending teams include:

- *Ares Capital Corporation:* ARCC is a leading specialty finance company that provides one-stop debt and equity financing solutions to U.S. middle market companies and power generation projects. As of December 31, 2017 , ARCC was the largest business development company by both total assets and market capitalization.

- *Other U.S. funds:* Outside of ARCC and its controlled affiliates, U.S. direct lending also generates fees from other funds, including Ares Commercial Finance, which makes asset-based and cash flow loans to middle-market and specialty finance companies, Ares Private Credit Solutions, which makes junior debt investments in upper middle-market companies, and separately managed accounts for large institutional investors. AUM for these other U.S. direct lending funds totaled $10.5 billion as of December 31, 2017 .

E.U. Direct Lending: Our European team is comprised of approximately 40 investment professionals in five offices. Our team covers over 200 financial sponsors and is one of the most significant participants in the European middle-market. We provide a wide range of financing opportunities to middle-market companies that typically range from €10.0 to €100.0 million in EBITDA. As of December 31, 2017 , our E.U. direct lending team advised 19 commingled funds and managed accounts, aggregating approximately $11.8 billion in AUM .

The following table presents the Credit Group’s AUM, FPAUM and number of funds as of December 31, 2017 (dollars in billions):

	AUM	FPAUM	Number of Funds
Syndicated Loans	$ 16.5	$ 15.3	35
High Yield Bonds	4.7	4.6	16
Credit Opportunities	3.3	2.8	10
Structured Credit	4.8	3.4	13
U.S. Direct Lending	30.6	16.9	46
E.U. Direct Lending	11.8	6.4	19
Credit Group	**$ 71.7**	**$ 49.4**	**139**

Private Equity Group

Our Private Equity Group has achieved compelling investment returns for a loyal and growing group of high profile limited partners and as of December 31, 2017 had approximately $24.5 billion of AUM. Our Private Equity Group broadly categorizes its investment activities into three strategies: Corporate Private Equity, U.S. Power and Energy Infrastructure and Special Situations. Our private equity professionals have a demonstrated ability to deploy flexible capital, which allows them to stay both active and disciplined in various market environments. The group's activities are managed by three dedicated investment teams in North America, Europe and China. The group manages flagship funds focused primarily on North America and, to a lesser extent, Europe, special situations funds, U.S. power and energy infrastructure funds and related co-investment vehicles and growth funds in China.

- ***Corporate Private Equity:*** Certain of our senior private equity professionals have been working together since 1990 and raised our first corporate private equity fund in 2003. Our team has grown to approximately 65 investment professionals based in Los Angeles, Chicago, London, Shanghai, Chengdu and Hong Kong. In the U.S. and London, we pursue four principal transactions types: prudently leveraged control buyouts, growth equity, rescue/deleveraging capital and distressed buyouts/discounted debt accumulation. This flexible capital approach, together with the broad resources of the Ares platform, widens our universe of potential investment opportunities and allows us to remain active in different markets and be highly selective in making investments across various market environments.

- ***U.S. Power & Energy Infrastructure:*** Our U.S. power and energy infrastructure strategy team of approximately 20 investment professionals targets assets across the U.S. power generation, transmission and midstream sectors, which seek attractive risk-adjusted equity returns with current cash flow and capital appreciation. We believe there are significant investment opportunities for us in this sector as the United States replaces its aging infrastructure and builds new assets to meet capacity needs over the coming decades.

- ***Special Situations:*** Our special situations strategy capitalizes on dislocated assets by flexibly deploying capital across multiple asset classes. We employ our deep credit expertise, proprietary research and robust sourcing model to capitalize on current market trends. This opportunistic approach allows us to invest across a broad spectrum of investments, including public and private, distressed and opportunistic, special situations across a broad range of industries, asset classes and geographies.

The following table presents the Private Equity Group's AUM, FPAUM and number of funds as of December 31, 2017 (dollars in billions):

	AUM	FPAUM	Number of Funds
Corporate Private Equity	$ 18.6	$ 12.1	7
U.S. Power & Energy Infrastructure	4.4	4.0	11
Special Situations	1.5	0.8	3
Private Equity Group funds	**$ 24.5**	**$ 16.9**	**21**

Real Estate Group

Our Real Estate Group manages comprehensive public and private equity and debt strategies, with approximately $10.2 billion of assets under management as of December 31, 2017 . With our experienced team, along with our expansive network of relationships, our Real Estate Group capitalizes on opportunities across both real estate equity and debt investing. Our equity investments focus on implementing hands‑on value creation initiatives to mismanaged and capital‑starved assets, as well as new development, ultimately selling stabilized assets back into the market. Our debt strategies leverage the Real Estate Group's diverse sources of capital to directly originate and manage commercial mortgage investments on properties that range from stabilized to requiring hands-on value creation. The Real Estate Group has achieved significant scale in a short period of time through various acquisitions and successful fundraising efforts. Today, the group provides investors access to its capabilities through several vehicles: U.S. and European real estate private equity commingled funds, real estate equity and debt separately managed accounts and a publicly traded commercial mortgage REIT, ACRE. The group's activities are managed by dedicated equity and debt teams in the U.S. and Europe.

Real Estate Equity: Our real estate equity team, with approximately 50 investment professionals across six offices, has extensive private equity experience in the United States and Europe. Our team primarily invests in new developments and the

repositioning of assets, with a focus on control or majority-control investments primarily in the United States and Western Europe. As of December 31, 2017 , our real estate equity team advised 40 investment vehicles totaling, in aggregate, approximately $7.3 billion in AUM .

Primary areas of focus for our Real Estate Group equity teams include:

- ***Real Estate Equity Value-Add Strategy:*** Our U.S. and European value-add funds focus on undermanaged and under-funded assets, seeking to create value by buying assets at attractive valuations as well as through active asset management of income-producing properties, including multifamily, retail, office, hotel and industrial properties across the United States and Western Europe.

- ***Real Estate Equity Opportunistic Strategy:*** Our U.S. and European opportunistic real estate funds capitalize on increased investor demand for developed and stabilized assets by focusing on manufacturing core assets through development, redevelopment and fixing distressed capital structures across all major property types including multifamily, hotel, office, retail and industrial properties across the United States and Europe.

Real Estate Debt: Our real estate debt team of approximately 20 professionals directly originates and invests in a wide range of self-originated financing opportunities for middle-market owners and operators of U.S. commercial real estate. As of December 31, 2017 , our real estate debt team advised two investment vehicles totaling, in the aggregate, approximately $2.9 billion in AUM. In addition to managing private funds, our real estate debt team makes investments through ACRE, primarily focused on directly originating, managing and servicing a diversified portfolio of commercial real estate debt-related investments.

The following table presents the Real Estate Group's AUM, FPAUM and number of funds as of December 31, 2017 per investment strategy (dollars in billions):

	AUM	FPAUM	Number of Funds
U.S. Real Estate Equity	$ 4.6	$ 3.1	21
E.U. Real Estate Equity	2.7	2.0	19
Real Estate Debt	2.9	1.1	2
Real Estate Group	**$ 10.2**	**$ 6.2**	**42**

Product Offering

To meet investors' growing demand for alternative asset investments, we manage investments in an increasingly comprehensive range of funds across a spectrum of compelling and complementary strategies. We have demonstrated an ability to consistently generate attractive and differentiated investment returns across these investment strategies and through various market environments. We believe the breadth of our product offering, our expertise in various investment strategies and our proficiency in attracting and satisfying our growing institutional and retail client base has enabled and will continue to enable us to increase our assets under management across each of our investment groups in a balanced manner. Our fundraising efforts historically have been spread across investment strategies and have not been dependent on the success of any one strategy. We offer the following strategies for our investors :

Target Net Returns at December 2017(1)	
Credit	
Syndicated Loans(2)	Benchmark Outperformance
High Yield Bonds(2)	Benchmark Outperformance
Credit Opportunities	8 - 12%
Structured Credit	5 - 15%
U.S. Direct Lending	5 - 15%
E.U. Direct Lending	5 - 15%
Private Equity	
Corporate Private Equity	18 - 22%
U.S. Power & Energy Infrastructure	10 - 15%
Special Situations	15 - 20%
Real Estate	
Real Estate Debt	5 - 12%
Real Estate Equity	12 - 18%

(1) Target returns are shown for illustrative purposes only after the effect of any management and performance fees. No assurance can be made that targeted returns will be achieved and actual returns may differ materially. An investment in any of the mandates is subject to the execution of definitive subscription and investment documentation for the applicable funds.

(2) Our funds employing syndicated loan and high yield strategies are typically benchmarked against the Credit Suisse Leveraged Loan Index and the ICE BofAML US High Yield Master II Constrained Index, respectively. Certain of our funds are not benchmarked against any particular index due to fund-specific portfolio constraints.

Investor Base and Fundraising

Our diverse investor base includes direct institutional relationships and a significant number of retail investors. Our high-quality institutional investor base includes large pension funds, sovereign wealth funds, banks and insurance companies, and we have grown the number of these relationships from approximately 200 in 2011 to approximately 785 in 2017 . As of December 31, 2017 , approximately 66.9% of our $106.4 billion in AUM was attributable to our direct institutional relationships.

As of December 31, 2017 , our $106.4 billion of AUM was divided by channel, client type and geographic origin as follows (dollars in millions):

	December 31, 2017	
AUM by Client Type	**AUM**	**%**
Direct Institutional		
Pension	$ 30,320	28.5%
Insurance	11,656	10.9%
Sovereign Wealth Fund	9,732	9.1%
Bank/Private Bank	8,596	8.1%
Investment Manager	3,268	3.1%
Endowment	1,660	1.6%
Other	5,877	5.6%
Total Direct Institutional	**71,109**	**66.9%**
Public Entities and Related	**22,278**	**20.9%**
Institutional Intermediaries	**13,104**	**12.2%**
Total	**$ 106,491**	**100%**

Direct Institutional AUM by Geography	December 31, 2017	
	AUM	%
North America	$ 43,014	60.5%
Europe	13,219	18.6%
Asia & Australia	8,975	12.6%
Middle East	5,510	7.7%
Other	391	0.6%
Total	**$ 71,109**	**100%**

As of December 31, 2017 , approximately 39% of our investors were committed to more than one fund, and approximately 35% were committed to between two and five funds, an increase from 24% and 22%, respectively, from December 31, 2011. We believe that the growing number of multi-fund investors demonstrates our investors' satisfaction with our performance, our disciplined management of their capital and our diverse product offering. Their loyalty has facilitated the growth of our existing businesses and we believe improves our ability to raise new funds and successor funds in existing strategies in the future.

Institutional investors are demonstrating a growing interest in separately managed accounts ("SMAs"), which include contractual arrangements and single investor vehicles, because these accounts can provide investors with greater levels of transparency, liquidity and control over their investments as compared to more traditional commingled funds. As such, we expect our AUM that is managed through SMAs to continue to grow over time. As of December 31, 2017 , approximately $26.5 billion, or 37%, of our direct institutional AUM was managed through SMAs compared to $6.4 billion, or 27%, as of December 31, 2011.

Our publicly traded entities and their affiliates, including ARCC, ACRE and ARDC, account for approximately 21% of our AUM. We have over 600 institutional investors and over 200,000 retail investor accounts across our three publicly traded vehicles.

We believe that client relationships are fundamental to our business and that our performance across our investment groups coupled with our focus on client service has resulted in strong relationships with our investors. Our dedicated and extensive in-house business development team, comprised of approximately 85 professionals located in North America, Europe, Asia and Australia, is dedicated to raising capital globally across all of our funds, servicing existing fund investors and tailoring offerings to meet their needs, developing products to complement our existing offerings, and deepening existing relationships to expand them across our platform. Our senior Relationship Management team maintains an active and transparent dialogue with an expansive list of investors. This team is supported by Product Managers and Investor Relations professionals, with deep experience in each of our three complementary investment groups, who are dedicated to servicing our existing and prospective investors.

Employees

We believe that one of the strengths and principal reasons for our success is the quality and dedication of our employees. We work to attract, develop and retain highly accomplished professionals across the firm. We believe that we employ individuals with a strong sense of commitment to our firm . As of December 31, 2017 , we had over 1,000 employees, comprised of approximately 400 professionals in our investment groups and over 600 operations management professionals, in addition to administrative support, located in over 15 offices across four continents.

Organizational Structure

The simplified diagram below (which omits certain intermediate holding companies) depicts our legal organizational structure. Ownership information in the diagram below is presented as of December 31, 2017 . The diagram also depicts the tax classification election for Ares Management, L.P. to be treated as a corporation for U.S. federal income tax purposes effective March 1, 2018. All entities are organized in the state of Delaware unless otherwise indicated. Ares Management, L.P. is a holding company and, either directly or through direct subsidiaries, is the general partner of each of the Ares Operating Group entities, and operates and controls the business and affairs of the Ares Operating Group. Ares Management, L.P. consolidates the financial results of the Ares Operating Group entities, their consolidated subsidiaries and certain consolidated funds.

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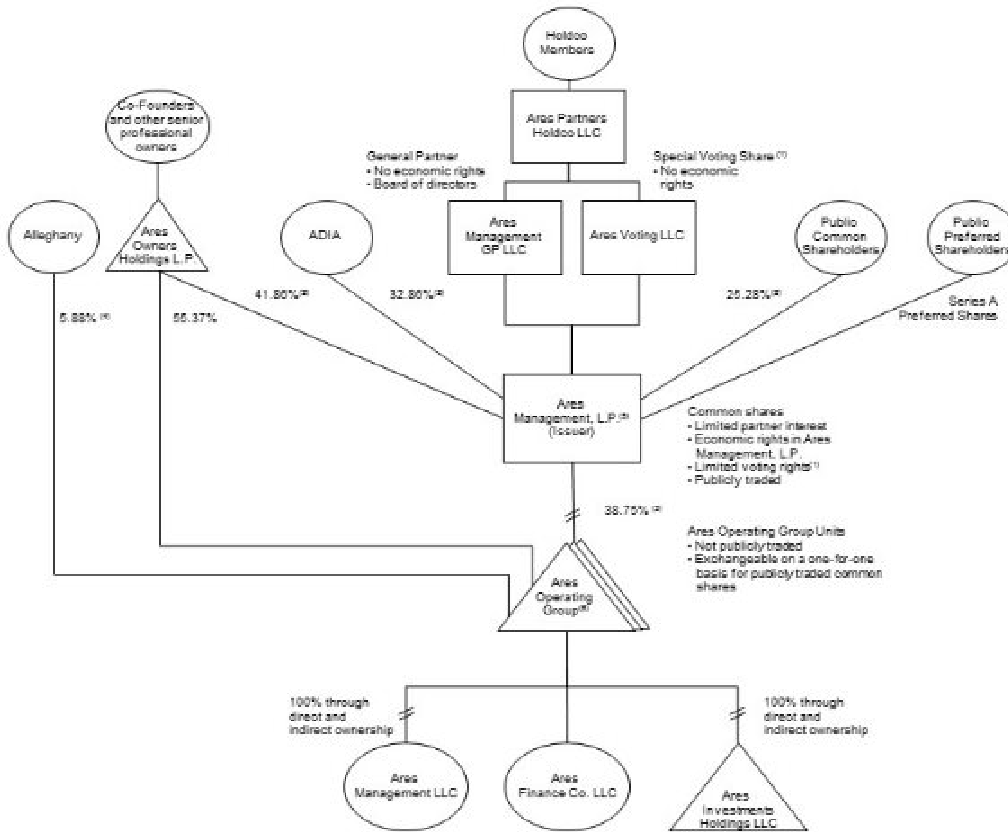


(1) Ares Management, L.P. common shareholders have limited voting rights and have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. On those few matters that may be submitted for a vote of our common shareholders, Ares Voting LLC, an entity owned and controlled by Ares Partners Holdco LLC, which is in turn owned and controlled by the Holdco members, holds a special voting share that provides it with a number of votes, on any matter that may be submitted for a vote of our common shareholders, that is equal to the aggregate number of vested and unvested Ares Operating Group Units held directly or indirectly by the limited partners of the Ares Operating Group that do not directly hold a special voting share. See "Material Provisions of Ares Management, L.P. Partnership Agreement—Withdrawal or Removal of the General Partner," "—Meetings; Voting" and "—Election of Directors of General Partner."

(2) Assuming the full exchange of Ares Operating Group Units for our common shares, Ares Management, L.P. holds 100% of the Ares Operating Group and Ares Owners Holdings L.P., Alleghany, ADIA and the public hold 71.59%, 5.88%, 12.73% and 9.80%, respectively, of Ares Management, L.P.

(3) Each Ares Operating Group entity has both common units and a series of preferred units with economic terms designed to mirror those of the Series A Preferred shares (" **GP Mirror units** ") outstanding.

(4) Alleghany is expected to exchange all of its Ares Operating Group Units for our common shares in 2018.

(5) As of December 31, 2017, Ares Management, L.P. was treated as a partnership for U.S. federal income tax purposes. Effective March 1, 2018, Ares Management, L.P. will be treated as a corporation for U.S. federal income tax purposes. Ares Management, L.P.'s legal structure will remain a Delaware limited partnership.

(6) The Ares Operating Group is comprised of Ares Holdings L.P., Ares Offshore Holdings L.P. and Ares Investments L.P.

Holding Company Structure

The Company has elected to be treated as a corporation for U.S. federal income tax purposes (the "Tax Election") effective March 1, 2018. In connection with the Tax Election, we have amended and restated our partnership agreement to, among other things, reflect our new tax classification and change the name of our common units and preferred units to common shares and preferred shares, respectively. The terms of such common shares and preferred shares, and the associated rights, otherwise remain unchanged. See "Item 1A. Risk Factors – Our common shareholders do not elect our general partner or, except in limited circumstances, vote on our general partner's directors and have limited ability to influence decisions regarding our businesses."

Accordingly, Ares Management, L.P. and any direct subsidiaries of Ares Management, L.P. that are treated as corporations for U.S. federal income tax purposes and that are the holders of Ares Operating Group Units are (and, in the case of Ares Offshore Holdings, Ltd., may be) subject to U.S. federal, state and local income taxes in respect of their interests in the Ares Operating Group entities. Our legal structure will remain a Delaware limited partnership and the distribution provisions under our limited partnership agreement will remain unchanged. The Ares Operating Group entities are treated as partnerships for U.S. federal income tax purposes. An entity that is treated as a partnership for U.S. federal income tax purposes generally incurs no U.S. federal income tax liability at the entity level. Instead, each partner is required to take into account its allocable share of items of income, gain, loss, deduction and credit of the partnership in computing its U.S. federal, state and local income tax liability each taxable year, whether or not cash distributions are made.

Each of the Ares Operating Group entities has an identical number of partnership units outstanding. Ares Management, L.P. holds, directly or through direct subsidiaries, a number of Ares Operating Group Units equal to the number of common shares that Ares Management, L.P. has issued. The Ares Operating Group Units held by Ares Management, L.P. and its subsidiaries are economically identical in all respects to the Ares Operating Group Units that are not held by Ares Management, L.P. and its subsidiaries. Accordingly, Ares Management, L.P. receives the distributive share of income of the Ares Operating Group from its equity interest in the Ares Operating Group.

The Ares Operating Group Units and our common shares held directly or indirectly by our senior professional owners are generally subject to restrictions on transfer and other provisions. See "Item 11. Executive Compensation."

Certain Corporate Governance Considerations

Voting Rights. Unlike the holders of common stock in a corporation, our common shareholders have limited voting rights and have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. On those few matters that may be submitted for a vote of our common shareholders – certain amendments to our limited partnership agreement, mergers and consolidations and in the limited circumstances described below, election of the directors of our general partner – Ares Voting LLC, an entity wholly owned by Ares Partners Holdco LLC, which is in turn owned and controlled by the Holdco Members, holds a special voting share that provides it with a number of votes, on any matter that may be submitted for a vote of our common shareholders, that is equal to the aggregate number of Ares Operating Group Units held by the limited partners of the Ares Operating Group entities that do not hold a special voting share. We refer to our common shares (other than those held by any person whom our general partner may from time to time, with such person's consent, designate as a non-voting common shareholder) and our special voting shares as "voting shares." Accordingly, on those few matters that may be submitted for a vote of our common shareholders, our public shareholders (other than ADIA) collectively have 9.79% of the voting power of Ares Management, L.P, and the Holdco Members, through Ares Owners Holdings L.P. and the special voting share held by Ares Voting LLC, have approximately 71.59% of the voting power of Ares Management, L.P. Our common shareholders' voting rights are further restricted by the provision in our partnership agreement stating that any common shares held by a person that beneficially owns 20% or more of any class of our common shares then outstanding (other than our general partner, Ares Owners Holdings L.P., a member of Ares Partners Holdco LLC or their respective affiliates, a direct or subsequently approved transferee of our general partner or its affiliates or a person who acquired such common shares with the prior approval of our general partner) cannot vote on any matter.

Election of Directors. In general, our common shareholders have no right to elect the directors of our general partner. However, when the Holdco Members and other then-current or former Ares personnel directly or indirectly hold less than 10% of the limited partner voting power, our common shareholders will have the right to vote in the election of the directors of our general partner. This voting power condition will be measured on January 31 of each year, and will be triggered if the total voting power held collectively by (i) holders of the special voting shares in Ares Management, L.P. (including our general partner, members of Ares Partners Holdco LLC and their respective affiliates), (ii) then-current or former Ares personnel (including indirectly through related entities) and (iii) Ares Owners Holdings L.P. is less than 10% of the voting power of the outstanding voting shares of Ares Management, L.P. For purposes of determining whether the Ares control condition is satisfied, our general partner will treat as

outstanding, and as held by the foregoing persons, all voting shares deliverable to such persons pursuant to equity awards granted to such persons. Unless and until the foregoing voting power condition is satisfied, our general partner's board of directors will be elected in accordance with its limited liability company agreement, which provides that directors generally may be appointed and removed by the member of our general partner, an entity owned and controlled by the Holdco Members. Unless and until the foregoing voting power condition is satisfied, the board of directors of our general partner has no authority other than that which its member chooses to delegate to it. In the event that the voting power condition is satisfied, the board of directors of our general partner will be responsible for the oversight of our business and operations.

Conflicts of Interest and Duties of Our General Partner. Although our general partner does not engage in any business activities other than the management and operation of our businesses, conflicts of interest may arise in the future between us or our common shareholders, on the one hand, and our general partner or its affiliates or associates, on the other. The resolutions of these conflicts may not always be in our best interests or that of our common shareholders. In addition, we have fiduciary and contractual obligations to the investors in our funds and we expect to regularly take actions with respect to the purchase or sale of investments in our funds, the structuring of investment transactions for those funds or otherwise that are in the best interests of the investors in those funds but that might at the same time adversely affect our near term results of operations or cash flow.

Our partnership agreement limits the liability of, and reduces or eliminates the duties (including fiduciary duties) owed by, our general partner and its affiliates and associates to us and our common shareholders. Our partnership agreement also restricts the remedies available to common shareholders for actions that might otherwise constitute breaches of our general partner's or its affiliates' or associates' duties (including fiduciary duties). Common shareholders are treated as having consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law.

Operations Management Group

The OMG consists of five independent, shared resource groups to support our reportable segments by providing infrastructure and administrative support in the areas of accounting/finance, operations/information technology, business development/corporate strategy, legal/compliance and human resources. Our clients seek to partner with investment management firms that not only have compelling investment track records across multiple investment products but also possess seasoned infrastructure support functions. As such, significant investments have been made to develop the OMG. We have successfully launched new business lines, integrated acquired businesses into the operations and created scale within the OMG to support a much larger platform in the future.

Structure and Operation of our Funds

We conduct the management of our funds and other similar private vehicles primarily through organizing a partnership or limited liability structure in which entities organized by us accept commitments and/or funds for investment from institutional investors and (to a limited extent) high net worth individuals. Such commitments are generally drawn down from investors on an as needed basis to fund investments over a specified term. Our Credit Group funds also include hedge funds or structured funds in which the investor's capital is fully funded into the fund upon or soon after the subscription for interests in the fund. The CLOs that we manage are structured investment vehicles that are generally private companies with limited liability. Our drawdown funds and hedge funds are generally organized as limited partnerships or limited liability companies. However there are non-U.S. funds that are structured as corporate or non-partnership entities under applicable law. We also advise a number of investors through SMA relationships structured as contractual arrangements or single investor vehicles. In the case of our SMAs that are not structured as single investor vehicles, the investor, rather than us, generally controls custody of the investments with respect to which we advise. Three of the vehicles that we manage are publicly traded corporations. The publicly traded corporations do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law (including distribution requirements that must be met to maintain RIC or REIT status). However, ACRE's charter includes certain limitations relating to the ownership or purported transfer of its common stock in violation of the REIT ownership requirements.

Our funds are generally advised by Ares Management LLC, which is registered under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act") or a wholly owned subsidiary thereof. Responsibility for the day-to-day operations of each investment vehicle is typically delegated to the Ares entity serving as investment adviser pursuant to an investment advisory (or similar) agreement. Generally, the material terms of our investment advisory agreements relate to the scope of services to be rendered by the investment adviser to the applicable vehicle, the calculation of management fees to be borne by investors in our investment vehicles and certain rights of termination with respect to our investment advisory agreements. With the exception of certain of the publicly traded corporations, the investment vehicles themselves do not generally register as investment companies under the Investment Company Act of 1940, as amended (the "Investment Company Act"), in reliance on applicable exemptions thereunder.

The investment management agreements we enter into with clients in connection with contractual SMAs may generally be terminated by such clients with reasonably short prior written notice. Our investment management agreement with ARCC generally must be approved annually by such company's board of directors (including a majority of such company's independent directors). In addition to other termination provisions, each investment advisory and management agreement will automatically terminate in the event of its assignment and may be terminated by either party without penalty upon 60 days' written notice to the other party.

The governing agreements of many of our funds provide that, subject to certain conditions, third-party investors in those funds have the right to terminate the investment period or the fund without cause. The governing agreements of some of our funds provide that, subject to certain conditions, third-party investors have the right to remove the general partner. In addition, the governing agreements of certain of our funds provide that upon the occurrence of certain events, including in the event that certain "key persons" in our funds do not meet specified time commitments, the investment period will be suspended or the investors have the right to vote to terminate the investment period in accordance with specified procedures.

Fee Structure

Management Fees

The investment adviser of each of our funds and certain separately managed accounts generally receives an annual management fee based upon a percentage of the fund's capital commitments, contributed capital, net assets value or invested capital during the investment period and the fund's invested capital after the investment period, except for the investment advisers to certain of our hedge funds and separately managed accounts receive an annual management fee that is based upon a percentage of invested capital, contributed capital or net asset value throughout the term of the fund or separately managed account. From time to time we also may receive special fees, including commitment, arrangement, underwriting, agency, portfolio management, monitoring and other similar fees, some of which may be accelerated upon a sale of the underlying portfolio investment. In certain circumstances we are contractually required to offset certain amounts of such special fees against future management fees relating to the applicable fund. In addition, we may receive transaction fees from certain affiliated funds for activities related to fund transactions, such as loan originations. These fees are either recognized as other revenue in the period the transaction related services are rendered or amortized over the life of the investment.

The investment adviser of each of our CLOs typically receives annual management fees based upon a percentage of each CLO's total assets, subject to certain performance measures related to the underlying assets the vehicle owns, and additional management fees which are incentive-based (that is, subject to meeting certain return criteria). We also classify the ARCC Part I Fees as management fees due to their predictability and frequency of payments without risk of contingent repayment. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Components of Consolidated Results of Operations—Revenues."

The management fees we receive from our drawdown style funds are typically payable on a quarterly basis over the life of the fund and do not depend on the investment performance of the fund (other than to reflect the disposition or decrease in value of assets where the management fees are based on invested capital). The management fees we receive from our hedge funds have similar characteristics, except that such funds often afford investors increased liquidity through annual, semi-annual or quarterly withdrawal or redemption rights following the expiration of a specified period of time when capital may not be withdrawn and the amount of management fees to which the investment adviser is entitled with respect thereto will proportionately increase as the net asset value of each investor's capital account grows and will proportionately decrease as the net asset value of each investor's capital account decreases. The management fees we receive from our SMAs are generally paid on a periodic basis (typically quarterly, subject to the termination rights described above) and may alternatively be based on invested capital or proportionately increase or decrease based on the net asset value of the separately managed account.

We also receive management fees in accordance with the investment advisory and management agreements we have with the publicly traded vehicles we manage. Base management fees we receive from ARCC are paid quarterly and proportionately increase or decrease based on ARCC's total assets (other than cash and cash equivalents). ARCC Part I Fees are also generally paid quarterly and proportionately increase or decrease based on ARCC's net investment income (before ARCC Part I Fees and ARCC Part II Fees (as defined in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Components of Consolidated Results of Operations—Revenues")), subject to a fixed hurdle rate. Management fees we receive from ARDC are generally paid on a regular basis (typically monthly) and proportionately increase or decrease based on the closed-end funds' total assets minus such funds' liabilities (other than liabilities relating to indebtedness). Management fees we receive from ACRE are generally paid on a quarterly basis and proportionately increase or decrease based on ACRE's stockholders' equity (as calculated pursuant to the ACRE management agreement).

Performance Fees

We may also receive performance fees from a majority of our funds, which may be either an incentive fee or a special allocation of income, which we refer to as a carried interest, in the event that specified investment returns are achieved by the fund. We may, and do in certain cases, award our senior professionals with participation in such performance fees.

Incentive Fees

The general partners or similar entities of certain of our funds receive performance-based allocation fees ranging from 10% to 20% of the applicable fund's net capital appreciation per annum, subject to certain net loss carry-forward provisions (known as a "high-watermark"). In some cases, the investment adviser of each of our hedge funds and certain SMAs is entitled to an incentive fee generally up to 20% of the applicable fund's net appreciation per annum, subject to a high-watermark and in some cases a preferred return. Realized incentive fees are generally higher during the second half of the year due to the nature of certain Credit Group funds that typically realize incentive fees annually. Once realized, the fees earned by our hedge funds generally are not subject to a contingent repayment obligation. Incentive fees are realized at the end of a measurement period, typically quarterly or annually.

Incentive Fees from Publicly Traded Vehicles

We also are entitled to receive incentive fees in accordance with the investment advisory and management agreements we have with ARCC and ACRE. We may receive ARCC Part II Fees, which are calculated at the end of each applicable year by subtracting (a) the sum of ARCC's cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (b) its cumulative aggregate realized capital gains, in each case calculated from October 8, 2004. Incentive fees we receive from ACRE are based on a percentage of the difference between ACRE's core earnings (as defined in ACRE's management agreement) and an amount derived from the weighted average issue price per share of ACRE's common stock in its public offerings multiplied by the weighted average number of shares of common stock outstanding. We are not entitled to receive incentive fees from ARDC.

Carried Interest

The general partner or an affiliate of certain of our funds may be entitled to receive carried interest from a fund. Carried interest entitles the general partner (or an affiliate) to a special allocation of income and gains from a fund, and is typically structured as a net profits interest in the applicable fund. Carried interest is generally calculated on a "realized gain" basis, and the general partner of a fund is generally entitled to a carried interest between 10% and 20% of the net realized income and gains (generally taking into account unrealized losses) generated by such fund. Net realized income or loss is not netted between or among funds.

For most funds, the carried interest is subject to a preferred return ranging from 5% to 8%, subject in most cases to a catch-up allocation to the general partner. Generally, if at the termination of a fund (and in some cases at interim points in the life of a fund), the fund has not achieved investment returns that generally exceed the preferred return threshold or the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, the general partner will be obligated to repay an amount equal to the extent to which performance fees that were previously distributed to it exceeds the amounts to which the general partner is ultimately entitled. These repayment obligations may be related to amounts previously distributed to us and our senior professionals and are generally referred to as contingent repayment obligations.

Although a portion of any distributions by us to our common shareholders may include carried interest received by us, we do not intend to seek fulfillment of any contingent repayment obligation by seeking to have our common shareholders return any portion of such distributions attributable to carried interest associated with any contingent repayment obligation. Contingent repayment obligations operate with respect to a given fund's own net investment performance only and performance fees of other funds are not netted for determining this contingent obligation. Although a contingent repayment obligation is several to each person who received a distribution, and not a joint obligation, the governing agreements of our funds generally provide that, if a recipient does not fund his or her respective share, we may have to fund such additional amounts beyond the amount of performance fees we retained, although we generally will retain the right to pursue remedies against those performance fee recipients who fail to fund their obligations.

For additional information concerning the contingent repayment obligations we could face, see "Item 1A. Risk Factors—We may need to pay these contingent obligations if and when they are triggered under the governing agreements with our investors."

Capital Invested In and Through Our Funds

To further align our interests with those of investors in our funds, we have invested the firm's capital and that of our professionals in the funds we sponsor and manage. General partner capital commitments to our funds are determined separately with respect to our funds and, generally, are less than 5% of the total commitments of any particular fund. We determine the general partner capital commitments based on a variety of factors, including regulatory requirements, investor requirements, estimates regarding liquidity over the estimated time period during which commitments will be funded, estimates regarding the amounts of

capital that may be appropriate for other opportunities or other funds we may be in the process of raising or are considering raising, prevailing industry standards with respect to sponsor commitments and our general working capital requirements. We may from time to time offer to our senior professionals a part of the general partner commitments to our funds. Our general partner capital commitments are typically funded with cash and not with carried interest or deferral of management fees. For more information, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and Uses of Liquidity."

Regulatory and Compliance Matters

Our businesses, as well as the financial services industry, generally are subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations or exchanges in the U.S. and foreign jurisdictions in which we operate relating to, among other things, antitrust laws, anti-money laundering laws, anti-bribery laws relating to foreign officials, and privacy laws with respect to client information, and some of our funds invest in businesses that operate in highly regulated industries. Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. Any failure to comply with these rules and regulations could expose us to liability and/or reputational damage. In addition, additional legislation, increasing global regulatory oversight of fundraising activities, changes in rules promulgated by self-regulatory organizations or exchanges or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect our mode of operation and profitability. See "Item 1A. Risk Factors-Risks Related to Our Businesses-Extensive regulation in the United States affects our activities and creates the potential for significant liabilities and penalties that could adversely affect our businesses and results of operations," "-Failure to comply with "pay to play" regulations implemented by the SEC, FINRA and certain states, and changes to the "pay to play" regulatory regimes, could adversely affect our businesses," "-Regulatory changes and other developments in the United States and regulatory compliance failures could adversely affect our reputation, businesses and operations" and "-Regulatory changes in jurisdictions outside the United States could adversely affect our businesses."

Rigorous legal and compliance analysis of our businesses and investments is important to our culture. We strive to maintain a culture of compliance through the use of policies and procedures such as oversight compliance, codes of ethics, compliance systems, communication of compliance guidance and employee education and training. We have a compliance group that monitors our compliance with the regulatory requirements to which we are subject and manages our compliance policies and procedures. Our Chief Compliance Officer, together with our Chief Legal Officer, supervises our compliance group, which is responsible for monitoring all regulatory and compliance matters that affect our activities. Our compliance policies and procedures address a variety of regulatory and compliance risks such as the handling of material non-public information, position reporting, personal securities trading, valuation of investments on a fund-specific basis, document retention, potential conflicts of interest and the allocation of investment opportunities.

United States

The SEC oversees the activities of our subsidiaries that are registered investment advisers under the Investment Advisers Act. The Financial Industry Regulatory Authority ("FINRA") oversees the activities of our subsidiary Ares Investor Services LLC ("AIS") as a registered broker-dealer. In connection with certain investments made by funds in our Private Equity Group, certain of our subsidiaries and funds are subject to audits by the Defense Security Service to determine whether we are under foreign ownership, control or influence. In addition, we regularly rely on exemptions from various requirements of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Investment Company Act, the Commodity Exchange Act and ERISA. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties who we do not control.

All of our funds are advised by investment advisers that are registered with the SEC (or wholly owned subsidiaries thereof). Registered investment advisers are subject to more stringent requirements and regulations under the Investment Advisers Act than unregistered investment advisers. Such requirements relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, managing conflicts of interest and general anti-fraud prohibitions. In addition, the SEC requires investment advisers registered or required to register with the SEC under the Investment Advisers Act that advise one or more private funds and have at least $150 million in private fund assets under management to periodically file reports on Form PF. We have filed, and will continue to file, quarterly reports on Form PF.

ARCC is a registered investment company that has elected to be treated as a business development company under the Investment Company Act. ARDC and certain other funds are registered investment companies under the Investment Company Act. Each of the registered investment companies has elected, for U.S. federal tax purposes, to be treated as a regulated investment company under Subchapter M of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). As such, each registered investment company is required to distribute at least 90% of its ordinary income and realized, net short-term capital gains in excess of realized net long-term capital losses, if any, to its shareholders. In addition, to avoid excise tax, each registered investment

company is required to distribute at least 98% of its income (such income to include both ordinary income and net capital gains), which would take into account short-term and long-term capital gains and losses. Each registered investment company, at each of its discretions, may carry forward taxable income in excess of calendar year distributions and pay an excise tax on this income. In addition, as a business development company, ARCC must not acquire any assets other than “qualifying assets” specified in the Investment Company Act unless, at the time the acquisition is made, at least 70% of ARCC’s total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in “eligible portfolio companies.”

ACRE has elected and qualified to be taxed as a real estate investment trust, or REIT, under the Code. To maintain its qualification as a REIT, ACRE must distribute at least 90% of its taxable income to its shareholders and meet, on a continuing basis, certain other complex requirements under the Code.

AIS, our wholly owned subsidiary, is registered as a broker-dealer with the SEC, and is a member of FINRA. As a broker-dealer, this subsidiary is subject to regulation and oversight by the SEC and state securities regulators. In addition, FINRA, a self-regulatory organization that is subject to oversight by the SEC, promulgates and enforces rules governing the conduct of, and examines the activities of, its member firms. Due to the limited authority granted to our subsidiary in its capacity as a broker-dealer, it is not required to comply with certain regulations covering trade practices among broker-dealers and the use and safekeeping of customers’ funds and securities. As a registered broker-dealer and member of a self-regulatory organization, AIS is, however, subject to the SEC’s uniform net capital rule. Rule 15c3-1 of the Exchange Act specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer’s assets be kept in relatively liquid form.

The SEC and various self-regulatory organizations have in recent years increased their regulatory activities in respect of investment management firms. In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law and has imposed significant regulations on nearly every aspect of the U.S. financial services industry.

In October 2011, the Federal Reserve and other federal regulatory agencies issued a proposed rule implementing a section of the Dodd-Frank Act that has become known as the “Volcker Rule.” The Volcker Rule generally prohibits insured banks or thrifts, any bank holding company or savings and loan holding company, any non-U.S. bank with a U.S. branch, agency or commercial lending company and any subsidiaries and affiliates of such entities, regardless of geographic location, from investing in or sponsoring “covered funds,” which include private equity funds or hedge funds. The final Volcker Rule became effective on April 1, 2014, and , except with respect to certain foreign banking entities, the conformance period ended on July 21, 2017. It contains exemptions for certain “permitted activities” that would enable certain institutions subject to the Volcker Rule to continue investing in covered funds under certain conditions.

In 2013, the Office of the Comptroller of the Currency, the Department of the Treasury, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation published revised guidance regarding expectations for banks’ leveraged lending activities. This guidance, in addition to the Dodd-Frank Act risk retention rules approved in October 2014, could further restrict credit availability, as well as potentially restrict the activities of certain funds who invest in broadly syndicated loans in our Credit Group, which supports many of its portfolio investments from banks’ lending activities.

Pursuant to the Dodd-Frank Act, regulation of the derivatives market is bifurcated between the U.S. Commodities Futures Trading Commission (the “CFTC”) and the SEC. Under the Dodd-Frank Act, the CFTC has jurisdiction over swaps and the SEC has jurisdiction over security-based swaps. As part of its Dodd-Frank Act related rule-making process, the CFTC made changes to its rules with respect to the registration and oversight of commodity pool operators (“CPOs”). Such rules require that an entity that is a CPO must register with the CFTC unless an exemption from registration is available. Previously, the CPO registration rules had applied to the operator of a fund invested in “commodity interests,” meaning that the fund entered into futures or options with respect to commodities. As a result of the CFTC’s revisions to these rules, all swaps (other than security-based swaps) are now included in the definition of commodity interests. As a result, funds that utilize swaps (whether or not related to a commodity) as part of their business model may fall within the statutory definition of a commodity pool. If a fund qualifies as a commodity pool, then, absent an available exemption, the operator of such a fund is required to register with the CFTC as a CPO. Registration with the CFTC renders such CPO subject to regulation, including with respect to disclosure, reporting, recordkeeping and business conduct.

Certain of our funds may from time to time, directly or indirectly, invest in instruments that meet the definition of a “swap” under the Commodity Exchange Act and the CFTC’s rules promulgated thereunder. As a result, such funds may qualify as commodity pools, and the operators of such funds may need to register as CPOs unless an exemption applies such as the so-called “de minimis” exemption, codified in CFTC rule 4.13(a)(3). If any of our funds cease to qualify for this (or another applicable) exemption, certain Ares entities associated with and/or affiliated with those funds will be required to register with the CFTC as commodity pool operators.

The Dodd-Frank Act requires the CFTC, the SEC and other regulatory authorities to promulgate certain rules relating to the regulation of the derivatives market. Such rules require or will require the registration of certain market participants, the clearing of certain derivatives contracts through central counterparties, the execution of certain derivatives contracts on electronic platforms, as well as reporting and recordkeeping. The Dodd-Frank Act also provides expanded enforcement authority to the CFTC and SEC. While certain rules have been promulgated and are already in effect, the rulemaking and implementation process is still ongoing. In particular, the CFTC has finalized most of its rules under the Dodd-Frank Act, and the SEC has proposed a number of rules regarding security-based swaps but has only finalized some of these rules. We cannot therefore yet predict the ultimate effect of the rules and regulations on our business.

Under CFTC and SEC rules, an entity may be required to register as a major swap participant ("MSP") or major security-based swap participant ("MSBSP") if it has substantial swaps or security-based swaps positions or has substantial counterparty exposure from its swaps or security-based swaps positions. If any of our funds were required to register as an MSP or MSBSP, it could make compliance more expensive, affect the manner in which we conduct our businesses and adversely affect our profitability. Additionally, if any of our funds qualify as "special entities" under CFTC rules, it could make it more difficult for them to enter into derivatives transactions or make such transactions more expensive.

The CFTC has issued final rules imposing reporting and recordkeeping requirements on swaps market participants. Such rules are currently effective and could significantly increase operating costs. These additional recordkeeping and reporting requirements may require additional compliance resources and may also have a negative effect on market liquidity, which could negatively impact commodity prices and our ability to hedge our price risks.

Pursuant to rules finalized by the CFTC in December 2012 and September 2016, certain classes of interest rate swaps and certain classes of credit default swaps are subject to mandatory clearing, unless an exemption applies. Many of these swaps are also subject to mandatory trading on designated contract markets or swap execution facilities. At this time, the CFTC has not proposed any rules designating other classes of swaps for mandatory clearing, but it may do so in the future. Mandatory clearing and trade execution requirements may change the cost and availability of the swaps that we use, and exposes us to the credit risk of the clearing house through which any cleared swap is cleared. In addition, federal bank regulatory authorities and the CFTC have adopted initial and variation margin requirements for swap dealers, security-based swap dealers, MSPs and MSBSPs ("swap entities"), including permissible forms of margin, custodial arrangements and documentation requirements, for uncleared swaps and security-based swaps. As a result, swap entities will be required to collect margin for transactions and positions in uncleared swaps and security-based swaps by financial end users. The new rules became effective for end users on March 1, 2017. The CFTC's Division of Swap Dealer and Intermediary Oversight subsequently extended, until September 1, 2017, the time to comply with the variation margin requirements for swaps that are subject to a March 1, 2017 compliance date. The effect of the regulations on us is not fully known at this time. However, these rules may increase the cost of our activity in uncleared swaps and security-based swaps to the extent we are determined to be a financial end user.

In December 2016, the CFTC reproposed rules that would set federal position limits for certain core physical commodity futures, options and swap contracts ("referenced contracts"), and issued final rules on aggregation among entities under common ownership or control, unless an exemption applies, for position limits on certain futures and options contracts that would apply to the proposed position limits on referenced contracts. It is possible that the CFTC could propose to expand such requirements to other types of contracts in the future. The proposal could affect our ability and the ability for our funds to enter into derivatives transactions if and when the CFTC's position limits rules become effective.

The CFTC has finalized regulations requiring collateral used to margin cleared swaps to be segregated in a manner different from that applicable to the futures market and has finalized other rules allowing parties to an uncleared swap to require that any collateral posted as initial margin be segregated with a third party custodian. Collateral segregation may impose greater costs on us when entering into swaps.

Finally, the Dodd-Frank Act gave the CFTC expanded anti-fraud and anti-manipulation authority, including authority over disruptive trading practices and insider trading. Several investigations have commenced in the United States related to manipulation of the foreign exchange, LIBOR and indices markets. It is possible that new standards will emerge from these proceedings that could impact the way that we trade.

The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk-taking by covered financial institutions. In 2016, federal bank regulatory authorities and the SEC revised and re-proposed a rule that generally (1) prohibits incentive-based payment arrangements that they determine encourage inappropriate risks by certain financial institutions by providing excessive compensation or that could lead to material financial loss and (2) requires those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate federal regulator.

The Dodd-Frank Act also directs the SEC to adopt a rule that requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the contingent repayment obligations of related incentive compensation from current and former executive officers. The SEC has proposed but not yet adopted such rule. To the extent the aforementioned rules are adopted, our ability to recruit and retain investment professionals and senior management executives could be limited.

The Dodd-Frank Act amends the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

Many of these provisions are subject to further rulemaking and to the discretion of regulatory bodies, such as the Council and the Federal Reserve. Many of these provisions are subject to further rulemaking and to the discretion of regulatory bodies, such as the Council and the Federal Reserve. On February 3, 2017, President Trump signed Executive Order 13772 (the “Executive Order”) announcing the new administration’s policy to regulate the U.S. financial system in a manner consistent with certain “Core Principles,” including regulation that is efficient, effective and appropriately tailored. The Executive Order directed the Secretary of the Treasury, in consultation with the heads of the member agencies of the Financial Stability Oversight Council, to report to the President on the extent to which existing laws, regulations and other government policies promote the Core Principles and to identify any laws, regulations or other government policies that inhibit federal regulation of the U.S. financial system.

On June 12, 2017, the U.S. Department of the Treasury (“Treasury”) published the first of several reports in response to the Executive Order on the depository system covering banks and other savings institutions. On October 6, 2017, the Treasury released a second report outlining ways to streamline and reform the U.S. regulatory system for capital markets, followed by a third report, on October 26, 2017, examining the current regulatory framework for the asset management and insurance industries. Subsequent reports are expected to address: retail and institutional investment products and vehicles, as well as non-bank financial institutions, financial technology and financial innovation.

On June 8, 2017, the U.S. House of Representatives passed the Financial Choice Act, which includes legislation intended to repeal or replace substantial portions of the Dodd-Frank Act. Among other things, the proposed law would repeal the Volcker Rule limiting certain proprietary investment and trading activities by banks, eliminate the authority of regulators to designate asset managers and other large non-bank institutions as “systemically important financial institutions” or “SIFIs,” and repeal the Department of Labor (“DOL”) “fiduciary rule” governing standards for dealing with retirement plans until the SEC issues standards for similar dealings by broker-dealers and limiting the substance of any subsequent DOL rule to the SEC standards. The bill was referred to the Senate, where it is unlikely to pass as proposed. On November 16, 2017, a bipartisan group of U.S. Senators, led by Senate Banking Committee Chairman, introduced the Economic Growth, Regulatory Relief, and Consumer Protection Act (the “Senate Regulatory Relief Bill”). The Senate Regulatory Relief Bill would revise various post-crisis regulatory requirements and provide targeted regulatory relief to certain financial institutions. Among the most significant of its proposed amendments to the Dodd-Frank Act are a substantial increase in the $50 billion asset threshold for automatic regulation of bank holding companies as SIFIs, an exemption from the Volcker Rule for insured depository institutions with less than $10 billion in consolidated assets and lower levels of trading assets and liabilities, as well as amendments to the liquidity leverage ratio and supplementary leverage ratio requirements. On December 5, 2017, the Senate Banking Committee approved the Senate Regulatory Relief Bill. If the legislation is adopted in the Senate, it remains unclear whether and how it would be reconciled with its House-passed counterpart, the Financial Choice Act, which is substantially different in scope and substance, and ultimately approved by both chambers of Congress. The ultimate impact of this order and its implementation on existing and proposed regulations under the Dodd-Frank Act and other rules and regulations applicable to the U.S. financial system are uncertain; however, such impact could be material to our industry, business and operations.

Other Jurisdictions

Certain of our subsidiaries operate outside the United States. In the United Kingdom, Ares Management Limited and Ares Management UK Limited are subject to regulation by the U.K. Financial Conduct Authority (“FCA”). Ares European Loan Management LLP, which is not a subsidiary, but in which we are indirectly invested and which procures certain services from Ares Management Limited, is also subject to regulation by the FCA. In some circumstances, Ares Management Limited, Ares Management UK Limited, Ares European Loan Management LLP and other Ares entities are or become subject to UK or EU laws, for instance in relation to marketing our funds to investors in the European Economic Area (“EEA”).

The UK is scheduled to leave the EU in March 2019. Some form of transitional agreement by which UK based financial services firms can continue to operate on a cross-border basis seems likely. However, the duration of the transitional agreement and the end-state relationship between the UK and EU remains unclear. There is a risk that following Brexit the UK may be denied access to the single market. This could be highly disruptive to our business and may result in us having to increase our presence in other EEA member states which would result in additional costs.

EU legislation could impact our business in the United Kingdom and other EEA member states where we have operations. The following measures are of particular relevance to our business.

In March 2013, the predecessor regulator to the FCA published final rules for the FCA's regulation and supervision of the London Interbank Offered Rate ("LIBOR"). In particular, the FCA's LIBOR rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts of interest policy and appropriate systems and controls. These requirements may cause LIBOR to be more volatile than it has been in the past, which may adversely affect the value of investments made by our funds. On February 3, 2014, ICE Benchmark Administration Limited took responsibility for administering LIBOR, following regulatory authorization by the FCA. LIBOR is expected to be phased out over the coming years. The Bank of England working group has approved Sterling Overnight Interest Average ("SONIA") as its preferred short-term interest benchmark and will take over its administration from April 2018. The impact this change will have is uncertain.

The EU Benchmarks Regulation (the "Benchmarks Regulation") entered into force on June 30, 2016. It aims to introduce a common framework and consistent approach to benchmark regulation across the EU by regulating producers, contributors to and users of benchmarks. The Benchmarks Regulation will replace the current UK framework regulating LIBOR and other specified benchmarks, notably the Euro interbank offered rate ("EURIBOR"). The majority of provisions in the Benchmarks Regulation took effect on January 1, 2018. Although there are measures in the Benchmarks Regulation which are designed to prevent certain benchmarks from being undermined by a material reduction of benchmark contributors, it is not yet clear how successful these will be. The Benchmarks Regulation may therefore lead to unpredictable developments in relation to LIBOR and certain other benchmarks, which could affect the value of investments made by our funds.

The EU Capital Requirements Directive IV and Capital Requirements Regulation (collectively, "CRD IV") and the EU Alternative Investment Fund Managers Directive (the "Directive") restrict the ability of banks and alternative investment funds ("AIFs") managed in the EU to invest in securitization vehicles including collateralized loan obligations operated by us unless either the "originator", "original lender" or "sponsor" (as those terms are defined in the legislation) retains a 5% interest in the securitization concerned. Where such securitization arrangements are managed by Ares-affiliated undertakings, and in order to make the securitization attractive to banks and AIFs, this risk retention requirement is held by an appropriately (EU) authorized and regulated entity affiliated with us (i.e., as "sponsor"). The holding of that retention on our affiliate's balance sheet is likely to increase that entity's regulatory capital requirement and will accordingly adversely affect return on equity. On December 28, 2017 the text of the new Securitization Regulation was published in the EU Official Journal. The new regulation will apply from January 1, 2019 to securitization issued after that date. Although risk retention requirements will remain at 5% (of material net economic interest) a mechanism has been introduced whereby this requirement could be modified without the need for the change to be made through the normal EU legislative process. There are also new investor transparency requirements which require additional information to be disclosed to investors. Compliance with these new requirements in the Securitization Regulation may result in us incurring material costs.

The EU Regulation on OTC derivative transactions, central counterparties and trade repositories (commonly known as the "European Market Infrastructure Regulation" or "EMIR") will require the mandatory clearing of certain over-the-counter ("OTC") derivatives through central counterparties and creates additional margining requirements in respect of OTC derivative transactions that are not cleared by a central counterparty. The implementation of EMIR is phased; timing is dependent on the type of derivative and the categorization of the parties to the trade. Implementation deadlines have already been deferred but as they currently stand full implementation is due by July 9, 2019. EMIR has started to impact on Ares-affiliated undertakings and as further implementation dates are reached the cost of complying with the requirements is likely to increase. In addition, there is an amendment to EMIR currently working its way through EU the legislative process. Among other things the amendment would classify securitization special purpose entities as financial counterparties which may indirectly impact certain aspects of our business.

On December 14, 2015, the European Banking Authority published guidelines which are relevant to, among other things, EU banks' exposures to shadow banking entities. These guidelines became effective on January 1, 2017. The definition of a shadow banking entity is extremely wide and could potentially include a number of different entities, such as investment funds and securitization vehicles. AIFs are excluded from the definition of a shadow banking entity unless they: (1) deploy leverage within the meaning of the Directive on a substantial basis; or (2) are permitted to originate loans or purchase third party lending exposures onto their balance sheet pursuant to the relevant fund rules or constitutional documents. These guidelines may affect our ability to raise capital in certain of our funds from EU banks.

On December 20, 2017, the European Commission published a proposal for a new directive and regulation on prudential requirements for MiFID investment firms, and the proposal will directly apply to our subsidiaries Ares Management Limited and Ares European Loan Management LLP. Its application to Ares Management UK Limited is unclear. Under the proposals most affected firms would see their capital requirements increase significantly, although there would be transitional provisions allowing

firms to increase their capital to the necessary level over three to five years. Firms will also have their liquidity requirements increased and some firms will be subject to additional public reporting requirements and pay regulation. The proposals are likely to increase the cost of us conducting business in the EEA. The legislative package is not expected to come into force until 2020 at the earliest.

Our other European and Asian operations and our investment activities worldwide are subject to a variety of regulatory regimes that vary by country. In addition, we regularly rely on exemptions from various requirements of the regulations of certain foreign countries in conducting our asset management activities.

Alternative Investment Fund Managers Directive (the "Directive")

The Directive was enacted in July 2011 and took effect on July 22, 2013. The Directive applies to (1) Alternative Investment Fund Managers (“AIFMs”) established in the EEA that manage EEA or non-EEA AIFs, (2) non-EEA AIFMs that manage EEA AIFs and (3) non-EEA AIFMs that market their AIFs to professional investors within the EEA.

Beginning July 22, 2013, the Directive imposed new operating requirements the categories of AIFMs listed at (1) and (2) in the paragraph above. In addition, each of the AIFMs identified at (1), (2) and (3) of the paragraph above will need to comply with the Directive’s disclosure and transparency requirements when seeking to market within the EEA and, in the case of non-EEA AIFMs seeking to market under jurisdiction specific private placement regimes, additional jurisdiction specific requirements where these exist (e.g., appointing a depositary).

The full scope of the Directive may also be extended on a jurisdiction-by-jurisdiction basis to non-EEA AIFMs that wish to market an AIF within the EEA pursuant to a pan-European marketing passport. In July 2016, the European Securities and Markets Authority (“ESMA”) published advice to EU institutions on extending the passport to certain non-EU jurisdictions. This included positive assessments in respect of extending the passport under the Directive to five non-EEA jurisdictions, which notably did not include the United States or the Cayman Islands. ESMA expressed a qualified assessment in respect of the United States due to concerns about reciprocity of market access. ESMA gave no assessment in respect of the Cayman Islands. The European Commission was expected and arguably required to publish legislation before the end of October 2016 setting a date for the pan-European marketing passport to be made available, at least in respect of the five non-EEA jurisdictions it had assessed positively. In 2017 the European Commission started a review of the application and scope of AIFMD. The European Commission is expected to make a legislative proposal as a result of the review (commonly referred to as "AIFMD II") with any changes to non-EEA jurisdiction passporting rights forming part of the proposal.

Certain of the jurisdiction specific private placement regimes may cease to exist when the non-EEA AIFM passport becomes available. This development could have a negative impact on our ability to raise capital from EEA investors if, for example, a jurisdiction specific private placement regime ceases to operate and the non-EEA AIFM passport is not made available to United States AIFMs.

The operating requirements imposed by the Directive include, among other things, rules relating to the remuneration of certain personnel, minimum regulatory capital requirements, restrictions on the use of leverage, restrictions on early distributions relating to portfolio companies (so called “asset stripping rules”), disclosure and reporting requirements to both investors and home state regulators, the independent valuation of an AIF’s assets and the appointment of an independent depository to hold assets. As a result, the Directive increases the regulatory burden and the cost of doing business for Ares Management UK Limited and, to a more limited extent, non-EEA AIFMs which market to non-EEA AIFs under EEA private placement regimes. This potentially disadvantages our funds as investors in private companies located in EEA member states when compared to non-AIF/AIFM competitors that may not be subject to the requirements of the Directive, thereby potentially restricting our funds’ ability to invest in such companies. “Levelling-up” of some of these requirements seems likely under AIFMD II.

The Directive could also limit our operating flexibility and our investment opportunities, as well as expose us and/or our funds to conflicting regulatory requirements in the United States (and elsewhere).

Solvency II

Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (“Solvency II”) sets out stronger capital adequacy and risk management requirements for European insurers and reinsurers and, in particular, dictates how much capital such firms must hold against their liabilities and introduces a risk-based assessment of those liabilities. Solvency II came into force on January 1, 2010 but was only required to be implemented by firms on January 1, 2016. There are also a number of transitional provisions designed to avoid market disruption. Solvency II imposes, among other things, substantially greater quantitative and qualitative capital requirements for insurers and reinsurers as well as other supervisory and disclosure requirements. We are not subject to Solvency II; however, many of our European insurer or reinsurer fund investors are subject to this directive, as applied under applicable domestic law. Solvency II may impact insurers’ and reinsurers’ investment decisions and their asset allocations. In addition, insurers and reinsurers will be subject to more onerous data collation and reporting

requirements. As a result, Solvency II could have an adverse indirect effect on our businesses by, among other things, restricting the ability of European insurers and reinsurers to invest in our funds and imposing on us extensive disclosure and reporting obligations for those insurers and reinsurers that do invest in our funds. A number of reviews of and amendments to various aspects and components of Solvency II are expected throughout 2018.

MiFID II

The recast Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as MiFID II) came into effect on January 3, 2018. MiFID II amends the existing MiFID regime and, among other requirements, introduces new organizational and operational requirements for investment firms in the EEA. Compliance with these new rules requires updates to some existing procedures, systems and controls and the development of new internal systems, which may include substantial automated and electronic systems, and is likely to involve material costs to the business.

European Union Referendum in the United Kingdom

On June 23, 2016, the United Kingdom ("UK") electorate voted in support of the UK leaving the European Union ("EU"). The implications of the UK's pending withdrawal from the EU are unclear at present because the relationship between the UK and the EU after such withdrawal is unclear. It is likely that this matter will be negotiated over the next several years. As a result, our ability to, among other things, (1) market interests in our funds to EU investors; and/or (2) lend to EU borrowers or invest in EU assets may be adversely affected.

Competition

The investment management industry is intensely competitive, and we expect it to remain so. We compete both globally and on a regional, industry and asset basis.

We face competition both in the pursuit of fund investors and investment opportunities. Generally, our competition varies across business lines, geographies and financial markets. We compete for outside investors based on a variety of factors, including investment performance, investor perception of investment managers' drive, focus and alignment of interest, quality of service provided to and duration of relationship with investors, breath of our product offering, business reputation and the level of fees and expenses charged for services. We compete for investment opportunities based on a variety of factors, including breadth of market coverage and relationships, access to capital, transaction execution skills, the range of products and services offered, innovation and price.

We expect to face competition in our direct lending, trading, acquisitions and other investment activities primarily from business development companies, credit and real estate funds, specialized funds, hedge fund sponsors, financial institutions, private equity funds, corporate buyers and other parties. Many of these competitors in some of our businesses are substantially larger and have considerably greater financial, technical and marketing resources than are available to us. Many of these competitors have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make. Corporate buyers may be able to achieve synergistic cost savings with regard to an investment that may provide them with a competitive advantage in bidding for an investment. Lastly, institutional and individual investors are allocating increasing amounts of capital to alternative investment strategies. Several large institutional investors have announced a desire to consolidate their investments in a more limited number of managers. We expect that this will cause competition in our industry to intensify and could lead to a reduction in the size and duration of pricing inefficiencies that many of our funds seek to exploit.

Competition is also intense for the attraction and retention of qualified employees. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

For additional information concerning the competitive risks that we face, see "Item 1A. Risk Factors—Risks Related to Our Businesses—The investment management business is intensely competitive."

Available Information

Ares Management, L.P. was formed as a Delaware limited partnership on November 15, 2013. Our principal executive offices are located at 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067, and our telephone number is (310) 201- 4100.

Our website address is http://www.aresmgmt.com. Information on our website is not a part of this report and is not incorporated by reference herein. We make available free of charge on our website or provide a link on our website to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to the “Investor Resources” section of our website and then click on “SEC Filings.” You may also read and copy any document we file with the SEC at the SEC’s public reference room located at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, these reports and the other documents we file with the SEC are available at a website maintained by the SEC at http://www.sec.gov.

ITEM 1A. RISK FACTORS

Summary of Risks

Our businesses are subject to a number of inherent risks. We believe that the primary risks affecting our businesses and an investment in our shares are:

- a complex regulatory and tax environment involving rules and regulations (both domestic and foreign), some of which are outdated relative to today's complex financial activities and some of which are subject to political influence, which could restrict or require us to adjust our operations or the operations of our funds or portfolio companies and subject us to increased compliance costs and administrative burdens, as well as restrictions on our business activities;

- poor performance by our funds due to market conditions, political actions or environments, monetary and fiscal policy or other conditions beyond our control;

- the reputational harm that we would experience as a result of inappropriately addressing conflicts of interest, poor performance by the investments we manage or the actual or alleged failure by us, our employees, our funds or our portfolio companies to comply with applicable regulations in an increasingly complex political and regulatory environment;

- potential variability in our period to period earnings due primarily to mark-to-market valuations of our funds' investments. As a result of this variability, the market price of our common shares may be volatile and subject to fluctuations; the increasing demands of the investing community, including the potential for fee compression and changes to other terms, which could materially adversely affect our revenues; and

- an investment in our shares is not an investment in our underlying funds. Moreover, there can be no assurance that projections respecting performance of our underlying funds or unrealized values will be achieved.

Risks Related to Our Businesses

Difficult market and political conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow and adversely affect our financial prospects and condition.

Our businesses are materially affected by conditions in the global financial markets and economic and political conditions throughout the world, such as interest rates, the availability and cost of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to our taxation, taxation of our investors and the possibility of changes to regulations applicable to alternative asset managers), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors are outside of our control and may affect the level and volatility of securities prices and the liquidity and value of investments, and we may not be able to or may choose not to manage our exposure to these conditions.

Global financial markets have experienced heightened volatility in recent periods, including as a result of economic and political events in or affecting the world's major economies. For example, the decision of the People's Bank of China in January 2016 to reduce the foreign exchange value of the renminbi and subsequent slowdown in China's industrial sector, the June 2016 referendum in the UK in favor of exiting the EU and subsequent uncertainty regarding the timing and terms of the exit, the 2016 U.S. presidential and congressional election and resulting uncertainty regarding potential shifts in U.S. and foreign, trade, economic and other policies, and, more recently, concerns over increasing interest rates (particularly short-term rates) and uncertainty regarding the short- and long-term effects of tax reform in the United States, have precipitated market volatility. In addition, numerous structural dynamics and persistent market trends have exacerbated volatility generally. Concerns over significant declines in the commodities markets, the implementation by central banks of synchronized global monetary tightening, sluggish economic expansion in non-U.S. economies, including continued concerns over growth prospects in China and emerging markets, growing debt loads for certain countries and uncertainty about the consequences of the U.S. and other governments withdrawing monetary stimulus measures all highlight the fact that economic conditions remain unpredictable and volatile. As a result, although global economies experienced widespread growth in 2017, there is a high risk of significant ongoing volatility. Moreover, there is a risk of both sector-specific and broad based corrections and/or downturns in the equity and credit markets. For example, in February 2018, global equity markets experienced a widespread sell-off, and bonds have also declined in value. Any of the foregoing could

have a significant impact on the markets in which we operate and a material adverse impact on our business prospects and financial condition.

Further, the transition of leadership following the 2016 U.S. presidential and congressional elections, the current U.S. political environment and the resulting uncertainties regarding actual and potential shifts in U.S. foreign, trade, economic and other policies under the new administration have led to further disruption, instability and volatility in the global markets. There can be no assurance these market conditions will not continue or worsen in the future.

A number of factors have had and may continue to have an adverse impact on credit markets in particular. The weakness and the uncertainty regarding the stability of the oil and gas markets resulted in a tightening of credit across multiple sectors. The low price of oil increased default risk among borrowers that have exposure to the energy sector. In addition, following a sustained period of historically low interest rate levels, the Federal Reserve has raised the federal funds rate on multiple occasions since December 2015. Short-term interest rates have risen by 90 to 120 basis points (bps) since the U.S. presidential election in November 2016, with 10 to 20 bps of such amount attributable to increases seen between January 1, 2018 and February 8, 2018. Changes in and uncertainty surrounding interest rates may have a material effect on our business, particularly with respect to the cost and availability of financing for significant acquisition and disposition transactions. Furthermore, some of the provisions under the newly enacted tax law in the United States, Public Law No. 115-97 (the “Tax Cuts and Jobs Act”) could have a negative impact on the cost of financing and dampen the attractiveness of credit. Moreover, while conditions in the U.S. economy have generally improved since the credit crisis, many other economies continue to experience weakness, tighter credit conditions and a decreased availability of foreign capital. Since credit represents a significant portion of our business and ongoing strategy, any of the foregoing could have a material adverse impact on our business prospects and financial condition.

These and other conditions in the global financial markets and the global economy have resulted in, and may continue to result in, adverse consequences for us and many of our funds, each of which could adversely affect the business of such funds, restrict such funds’ investment activities, impede such funds’ ability to effectively achieve their investment objectives and result in lower returns than we anticipated at the time certain of our investments were made. More specifically, these economic conditions could adversely affect our operating results by causing:

- decreases in the market value of securities, debt instruments or investments held by some of our funds;
- illiquidity in the market, which could adversely affect transaction volumes and the pace of realization of our funds’ investments or otherwise restrict the ability of our funds to realize value from their investments, thereby adversely affecting our ability to generate incentive or other income;
- our assets under management to decrease, thereby lowering a portion of our management fees payable by our funds to the extent they are based on market values; and
- increases in costs or reduced availability of financial instruments that finance our funds.

During periods of difficult market conditions or slowdowns (which may be across one or more industries, sectors or geographies), companies in which we invest may experience decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. Negative financial results in our funds’ portfolio companies may reduce the value of our portfolio companies, the net asset value of our funds and the investment returns for our funds, which could have a material adverse effect on our operating results and cash flow. In addition, such conditions would increase the risk of default with respect to credit-oriented or debt investments. Our funds may be adversely affected by reduced opportunities to exit and realize value from their investments, by lower than expected returns on investments made prior to the deterioration of the credit markets and by our inability to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds and thus adversely impact our prospects for future growth.

Political and regulatory conditions, including the effects of negative publicity surrounding the financial industry in general and proposed legislation, could adversely affect our businesses or cause a material increase in our tax liability.

As a result of market disruptions and highly publicized financial scandals in recent years, regulators and investors have exhibited concerns over the integrity of the U.S. financial markets, and the businesses in which we operate both in the United States and outside the United States will be subject to new or additional regulations. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, the CFTC or other U.S. governmental regulatory authorities or self-

regulatory organizations that supervise the financial markets. We may also be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. See "-Regulatory changes and other developments in the United States and regulatory compliance failures could adversely affect our reputation, businesses and operations."

Her Majesty's Treasury ("HM Treasury"), the Organization for Economic Co-operation and Development (the "OECD") and other government agencies in jurisdictions where we and our affiliates invest or conduct business have maintained a focus on issues related to the taxation of businesses, including multinational entities.

In the United Kingdom, the UK Criminal Finances Act 2017 creates two new separate corporate criminal offences: failure to prevent facilitation of UK tax evasion and failure to prevent facilitation of overseas tax evasion. The scope of the new law and guidance is extremely wide and could have an impact on Ares' global businesses. Liability can be mitigated where the relevant business has in place reasonable prevention procedures. Separately, the United Kingdom has implemented transparency legislation that will require many large businesses to publish their UK tax strategies on their websites. As part of the publication requirement, organizations must disclose information on tax risk management and governance, tax planning, tax risk appetite and their approach to Her Majesty's Revenue and Customs. These developments show that the United Kingdom is seeking to bring corporate tax matters further into the public domain. As a result, tax matters may pose an increased reputational risk to our business.

The OECD, which represents a coalition of member countries, has issued guidance through its Base Erosion and Profit Shifting ("BEPS") project that contemplates changes to long standing international tax norms that determine each country's jurisdiction to tax cross-border trade and profits. Several of the proposed measures, including measures covering treaty abuse, the deductibility of interest expense, local nexus requirements, transfer pricing and hybrid mismatch arrangements are potentially relevant to some of our structures and could have an adverse tax impact on our funds, investors and/or our portfolio companies. In June 2017, almost 70 countries (excluding the United States) formally signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (the "Convention"). These changes in law or guidance and additional proposals for reform, if enacted by the United States or by other countries in which we or our affiliates invest or conduct business, could adversely affect our investment returns, including, for example, by eliminating certain tax treaty benefits and increasing our tax compliance costs. Whether these or other proposals will be enacted by the United States or any foreign jurisdiction and in what form is unknown, as are the ultimate consequences of any such proposed legislation. See "-Risks Related to Taxation."

Newly enacted laws, such as Tax Cuts and Jobs Act, or regulations and future changes in the U.S. taxation of businesses may impact our effective tax rate or may adversely affect our business, financial condition and operating results.

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act, which significantly changed the Code, including a reduction in the statutory corporate income tax rate to 21%, a new limitation on the deductibility of business interest expense, restrictions on the use of net operating loss carryforwards arising in taxable years beginning after December 31, 2017 and dramatic changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Cuts and Jobs Act also authorizes the Treasury Department to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax Cuts and Jobs Act, regulations, or other guidance issued under it or conforming or non-conforming state tax rules might affect us or our business. In addition, there can be no assurance that U.S. tax laws, including the corporate income tax rate, would not undergo significant changes in the near future.

Our business depends in large part on our ability to raise capital from investors. If we were unable to raise such capital, we would be unable to collect management fees or deploy such capital into investments, which would materially reduce our revenues and cash flow and adversely affect our financial condition.

Our ability to raise capital from investors depends on a number of factors, including many that are outside our control. Investors may downsize their investment allocations to alternative asset managers, including private funds and hedge funds, to rebalance a disproportionate weighting of their overall investment portfolio among asset classes. Poor performance of our funds, or regulatory or tax constraints, could also make it more difficult for us to raise new capital. Our investors and potential investors continually assess our funds' performance independently and relative to market benchmarks and our competitors, which affects our ability to raise capital for existing and future funds. If economic and market conditions deteriorate or continue to be so volatile, we may be unable to raise sufficient amounts of capital to support the investment activities of future funds. If we were unable to successfully raise capital, our revenue and cash flow would be reduced, and our financial condition would be adversely affected. Furthermore, while our senior professional owners have committed substantial capital to our funds, commitments from new investors may depend on the commitments made by our senior professional owners to new funds and there can be no assurance that there will be further commitments to our funds, and any future investments by them in our funds or other alternative investment categories will likely depend on the performance of our funds, the performance of their overall investment portfolios and other investment opportunities available to them.

We depend on the Holdco Members, senior professionals and other key personnel, and our ability to retain them and attract additional qualified personnel is critical to our success and our growth prospects.

We depend on the diligence, skill, judgment, business contacts and personal reputations of the Holdco Members, senior professionals and other key personnel. Our future success will depend upon our ability to retain our senior professionals and other key personnel and our ability to recruit additional qualified personnel. These individuals possess substantial experience and expertise in investing, are responsible for locating and executing our funds' investments, have significant relationships with the institutions that are the source of many of our funds' investment opportunities and, in certain cases, have strong relationships with our investors. Therefore, if any of our senior professionals or other key personnel join competitors or form competing companies, it could result in the loss of significant investment opportunities, limit our ability to raise capital from certain existing investors or result in the loss of certain existing investors.

The departure or bad acts for any reason of any of our senior professionals, or a significant number of our other investment professionals, could have a material adverse effect on our ability to achieve our investment objectives, cause certain of our investors to withdraw capital they invest with us or elect not to commit additional capital to our funds or otherwise have a material adverse effect on our business and our prospects. The departure of some or all of those individuals could also trigger certain "key person" provisions in the documentation governing certain of our funds, which would permit the investors in those funds to suspend or terminate such funds' investment periods or, in the case of certain funds, permit investors to withdraw their capital prior to expiration of the applicable lock-up date. We do not carry any "key person" insurance that would provide us with proceeds in the event of the death or disability of any of our senior professionals, and we do not have a policy that prohibits our senior professionals from traveling together. See "-Employee misconduct could harm us by impairing our ability to attract and retain investors and subjecting us to significant legal liability, regulatory scrutiny and reputational harm."

We anticipate that it will be necessary for us to add investment professionals both to grow our businesses and to replace those who depart. However, the market for qualified investment professionals is extremely competitive, both in the United States and internationally, and we may not succeed in recruiting additional personnel or we may fail to effectively replace current personnel who depart with qualified or effective successors. Our efforts to retain and attract investment professionals may also result in significant additional expenses, which could adversely affect our profitability or result in an increase in the portion of our performance fees that we grant to our investment professionals. In the year ended December 31, 2017, we incurred equity compensation expenses of $69.7 million , and we expect these costs to continue to increase in the future as we increase the use of equity compensation awards to attract, retain and compensate employees.

Our failure to appropriately address conflicts of interest could damage our reputation and adversely affect our businesses.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our funds' investment activities. Certain of our funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds. For example, a decision to receive material non-public information about a company while pursuing an investment opportunity for a particular fund may give rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to trade in the securities of such company. We may also cause different Private Equity Group funds to invest in a single portfolio company, for example where the fund that made an initial investment no longer has capital available to invest. We may also cause different funds that we advise to purchase different classes of securities in the same portfolio company. For example, in the normal course of business our Credit Group funds acquire debt positions in companies in which our Private Equity Group funds own common equity securities. A direct conflict of interest could arise between the debt holders and the equity holders if such a company were to develop insolvency concerns. In addition, funds in one group could be restricted from selling their positions in such companies for extended periods because investment professionals in another group sit on the boards of such companies or because another part of the firm has received private information. Certain funds in different groups may invest alongside each other in the same security. On January 18, 2017, ARCC received an order from the SEC that permits ARCC and other business development companies and registered closed-end management investment companies managed by a subsidiary of us to co-invest in portfolio companies with each other and with affiliated investment funds (the "Co-investment Exemptive Order"). The different investment objectives or terms of such funds may result in a potential conflict of interest, including in connection with the allocation of investments between the funds made pursuant to the Co-investment Exemptive Order. In addition, conflicts of interest may exist in the valuation of our investments and regarding decisions about the allocation of specific investment opportunities among us and our funds and the allocation of fees and costs among us, our funds and their portfolio companies.

Though we believe we have appropriate means and oversight to resolve these conflicts, our judgment on any particular allocation could be challenged. While we have developed general guidelines regarding when two or more funds can invest in different parts of the same company's capital structure and created a process that we employ to handle such conflicts if they arise,

our decision to permit the investments to occur in the first instance or our judgment on how to minimize the conflict could be challenged. If we fail to appropriately address any such conflicts, it could negatively impact our reputation and ability to raise additional funds and the willingness of counterparties to do business with us or result in potential litigation against us.

The investment management business is intensely competitive.

The investment management business is intensely competitive, with competition based on a variety of factors, including investment performance, business relationships, quality of service provided to investors, investor liquidity and willingness to invest, fund terms (including fees), brand recognition and business reputation. We compete with a number of private equity funds, specialized funds, hedge funds, corporate buyers, traditional asset managers, real estate development companies, commercial banks, investment banks, other investment managers and other financial institutions, as well as sovereign wealth funds.

Numerous factors increase our competitive risks, including, but not limited to:

- a number of our competitors in some of our businesses have greater financial, technical, marketing and other resources and more personnel than we do;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- several of our competitors have raised significant amounts of capital, and many of them have similar investment objectives to ours, which may create additional competition for investment opportunities;
- some of our competitors may have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to our funds, particularly our funds that directly use leverage or rely on debt financing of their portfolio investments to generate superior investment returns;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds than us, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make;
- some of our competitors may be subject to less regulation and, accordingly, may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less compliance expense than we do;
- some of our competitors may not have the same types of conflicts of interest as we do;
- some of our competitors may have more flexibility than us in raising certain types of funds under the investment management contracts they have negotiated with their investors;
- some of our competitors may have better expertise or be regarded by investors as having better expertise in a specific asset class or geographic region than we do;
- our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;
- our competitors have instituted or may institute low cost high speed financial applications and services based on artificial intelligence and new competitors may enter the asset management space using new investment platforms based on artificial intelligence; and
- other industry participants may, from time to time, seek to recruit our investment professionals and other employees away from us.

Developments in financial technology, such as a distributed ledger technology (or blockchain), have the potential to disrupt the financial industry and change the way financial institutions, including investment managers, do business, and could exacerbate these competitive pressures.

We may lose investment opportunities in the future if we do not match investment valuations, structures and terms offered by our competitors. Alternatively, we may experience decreased profitability, rates of return and increased risks of loss if we match investment valuations, structures and terms offered by our competitors. Moreover, if we are forced to compete with other investment

managers on the basis of price when fundraising, we may not be able to maintain our current fund fee and carried interest terms. We have historically competed primarily on the performance of our funds and not on the level of our fees or carried interest relative to those of our competitors. However, there is a risk that fees and carried interest in the investment management industry will decline, without regard to the historical performance of a manager. Fee or carried interest reductions on existing or future funds, without corresponding decreases in our cost structure, would adversely affect our revenues and profitability.

In addition, the attractiveness of investments in our funds relative to other investment products could decrease depending on economic conditions. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our businesses, revenues, results of operations and cash flow.

Lastly, institutional and individual investors are allocating increasing amounts of capital to alternative investment strategies. Several large institutional investors have announced a desire to consolidate their investments in a more limited number of managers. We expect that this will cause competition in our industry to intensify and could lead to a reduction in the size and duration of pricing inefficiencies that many of our funds seek to exploit.

Poor performance of our funds would cause a decline in our revenue and results of operations, may obligate us to repay performance fees previously paid to us and could adversely affect our ability to raise capital for future funds.

We derive revenues primarily from:

- management fees, which are based generally on the amount of capital committed to or invested by our funds;
- performance fees, which are based on the performance of our funds; and
- returns on investments of our own capital in the funds we sponsor and manage.

When any of our funds perform poorly, either by incurring losses or underperforming benchmarks, as compared to our competitors or otherwise, our investment record suffers. As a result, our performance fees may be adversely affected and, all else being equal, the value of our assets under management could decrease, which may, in turn, reduce our management fees. Moreover, we may experience losses on investments of our own capital in our funds as a result of poor investment performance. If a fund performs poorly, we will receive little or no performance fees with regard to the fund and little income or possibly losses from our own principal investment in such fund. Furthermore, if, as a result of poor performance or otherwise, a fund does not achieve total investment returns that exceed a specified investment return threshold over the life of the fund or other measurement period, we may be obligated to repay the amount by which performance fees that were previously distributed or paid to us exceeds amounts to which we were entitled. Poor performance of our funds could also make it more difficult for us to raise new capital. Investors in our closed-end funds may decline to invest in future closed-end funds we raise as a result of poor performance. Investors in our open-ended funds may redeem their investment as a result of poor performance. Poor performance of our publicly traded funds may result in stockholders selling their stock, thereby causing a decline in the stock price and limiting our ability to access capital. A failure to grow the assets of such funds will limit our ability to earn additional management fees and performance fees, and will ultimately affect our operating results. Our fund investors and potential fund investors continually assess our funds' performance independently and relative to market benchmarks and our competitors, and our ability to raise capital for existing and future funds and avoid excessive redemption levels depends on our funds' performance. Accordingly, poor fund performance may deter future investment in our funds and thereby decrease the capital invested in our funds and, ultimately, our management fee income. Alternatively, in the face of poor fund performance, investors could demand lower fees or fee concessions for existing or future funds which would likewise decrease our revenue.

ARCC's management fee comprises a significant portion of our management fees and a reduction in fees from ARCC could have an adverse effect on our revenues and results of operations.

The management fees we receive from ARCC (including fees attributable to ARCC Part I Fees) comprise a significant percentage of our management fees. The investment advisory agreement we have with ARCC categorizes the fees we receive as: (a) base management fees, which are paid quarterly and generally increase or decrease based on ARCC's total assets, (b) fees based on ARCC's net investment income (before ARCC Part I Fees and ARCC Part II Fees), which are paid quarterly ("ARCC Part I Fees") and (c) fees based on ARCC's net capital gains, which are paid annually ("ARCC Part II Fees"). We classify the ARCC Part I Fees as management fees because they are paid quarterly, are predictable and recurring in nature, are not subject to repayment (or contingent repayment obligations) and are generally expected to be cash-settled each quarter. If ARCC's total assets or its net investment income were to decline significantly for any reason, including, without limitation, due to mark-to-market accounting requirements, the poor performance of its investments or the failure to successfully access or invest capital, the amount

of the fees we receive from ARCC, including the base management fee and the ARCC Part I Fees, would also decline significantly and/or may be subject to deferral, which could have an adverse effect on our revenues and results of operations. In addition, because the ARCC Part II Fees are not paid unless ARCC achieves cumulative realized capital gains (net of realized capital losses and unrealized capital depreciation), ARCC's Part II Fees payable to us are variable and not predictable. We may also, from time to time, waive or voluntarily defer any fees payable by ARCC in connection with strategic transactions.

Our investment advisory and management agreement with ARCC renews for successive annual periods subject to the approval of ARCC's board of directors or by the affirmative vote of the holders of a majority of ARCC's outstanding voting securities. In addition, as required by the Investment Company Act, both ARCC and its investment adviser have the right to terminate the agreement without penalty upon 60 days' written notice to the other party. Termination or non-renewal of this agreement would reduce our revenues significantly and could have a material adverse effect on our financial condition.

We may not be able to maintain our current fee structure as a result of industry pressure from fund investors to reduce fees, which could have an adverse effect on our profit margins and results of operations.

We may not be able to maintain our current fee structure as a result of industry pressure from fund investors to reduce fees. Although our investment management fees vary among and within asset classes, historically we have competed primarily on the basis of our performance and not on the level of our investment management fees relative to those of our competitors. In recent years, however, there has been a general trend toward lower fees in the investment management industry. In September 2009, the Institutional Limited Partners Association ("ILPA") published a set of Private Equity Principles (the "Principles") which were revised in January 2011. The Principles were developed to encourage discussion between limited partners and general partners regarding private equity fund partnership terms. Certain of the Principles call for enhanced "alignment of interests" between general partners and limited partners through modifications of some of the terms of fund arrangements, including proposed guidelines for fees and performance income structures. We promptly provided ILPA with our endorsement of the Principles, representing an indication of our general support for the efforts of ILPA. More recently, institutional investors have been increasing pressure to reduce management and investment fees charged by external managers, whether through direct reductions, deferrals, rebates or other means. In addition, we may be asked by investors to waive or defer fees for various reasons, including during economic downturns or as a result of poor performance of our funds. We may not be successful in providing investment returns and service that will allow us to maintain our current fee structure. Fee reductions on existing or future new businesses could have an adverse effect on our profit margins and results of operations. For more information about our fees see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Investors in our funds may be unwilling to commit new capital to our funds because we are a public company, which could have a material adverse effect on our business and financial condition.

Some investors in our funds may have concerns that as a public company our attention is bifurcated between investors in our funds and the public shareholders, resulting in potential conflicts of interest. Some investors in our funds may believe that as a public company we strive for near-term profit instead of superior risk-adjusted returns for investors in our funds over time or grow our assets under management for the purpose of generating additional management fees without regard to whether we believe there are sufficient investment opportunities to effectively deploy the additional capital. There can be no assurance that we will be successful in our efforts to address such concerns or to convince investors in our funds that our status as a public company does not and will not affect our longstanding priorities or the way we conduct our businesses. A decision by a significant number of investors in our funds not to commit additional capital to our funds or to cease doing business with us altogether, or our failure to continue to raise capital, could inhibit our ability to achieve our investment objectives and may have a material adverse effect on our business and financial condition.

Rapid growth of our businesses, particularly outside the United States, may be difficult to sustain and may place significant demands on our administrative, operational and financial resources.

Our assets under management have grown significantly in the past, and we are pursuing further growth in the near future, both organic and through acquisitions. Our rapid growth has placed, and planned growth, if successful, will continue to place, significant demands on our legal, accounting and operational infrastructure, and has increased expenses. The complexity of these demands, and the expense required to address them, is a function not simply of the amount by which our assets under management has grown, but of the growth in the variety and complexity of, as well as the differences in strategy between, our different funds. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the investment management market and legal, accounting, regulatory and tax developments.

Our future growth will depend in part on our ability to maintain an operating platform and management system sufficient to address our growth and will require us to incur significant additional expenses and to commit additional senior management and operational resources. As a result, we face significant challenges:

- in maintaining adequate financial, regulatory (legal, tax and compliance) and business controls;
- in providing current and future investors with accurate and consistent reporting;
- in implementing new or updated information and financial systems and procedures; and
- in training, managing and appropriately sizing our work force and other components of our businesses on a timely and cost-effective basis.

We may not be able to manage our expanding operations effectively or be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

In addition, pursuing investment opportunities outside the United States presents challenges not faced by U.S. investments, such as different legal and tax regimes and currency fluctuations, which require additional resources to address. To accommodate the needs of global investors and strategies we must structure investment products in a manner that addresses tax, regulatory and legislative provisions in different, and sometimes multiple, jurisdictions. Further, in conducting business in foreign jurisdictions, we are often faced with the challenge of ensuring that our activities are consistent with U.S. or other laws with extraterritorial application, such as the USA PATRIOT Act and the U.S. Foreign Corrupt Practices Act (the "FCPA"). Moreover, actively pursuing international investment opportunities may require that we increase the size or number of our international offices. Pursuing non-U.S. fund investors means that we must comply with international laws governing the sale of interests in our funds, different investor reporting and information processes and other requirements. As a result, we are required to continuously develop our systems and infrastructure, including employing and contracting with foreign businesses and entities, in response to the increasing complexity and sophistication of the investment management market and legal, accounting and regulatory situations. This growth has required, and will continue to require, us to incur significant additional expenses and to commit additional senior management and operational resources. There can be no assurance that we will be able to manage or maintain appropriate oversight over our expanding international operations effectively or that we will be able to continue to grow this part of our businesses, and any failure to do so could adversely affect our ability to generate revenues and control our expenses.

We may enter into new lines of business and expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We intend, if market conditions warrant, growing our businesses by increasing assets under management in existing businesses and expanding into new investment strategies, geographic markets and businesses. Our partnership agreement permits us to enter into new lines of business, make strategic investments or acquisitions and enter into joint ventures. Accordingly, we may pursue growth through acquisitions of other investment management companies, acquisitions of critical business partners or other strategic initiatives, which may include entering into new lines of business. In addition, consistent with our past experience, we expect opportunities will arise to acquire other alternative or traditional asset managers.

Attempts to expand our businesses involve a number of special risks, including some or all of the following:

- the required investment of capital and other resources;
- the diversion of management's attention from our core businesses;
- the assumption of liabilities in any acquired business;
- the disruption of our ongoing businesses;
- entry into markets or lines of business in which we may have limited or no experience;
- increasing demands on our operational and management systems and controls;
- compliance with or applicability to our business or our portfolio companies of regulations and laws, including, in particular, local regulations and laws (for example, consumer protection related laws) and customs in the numerous global jurisdictions in which we operate and the impact that noncompliance or even perceived noncompliance could have on us and our portfolio companies;

- potential increase in investor concentration; and
- the broadening of our geographic footprint, increasing the risks associated with conducting operations in certain foreign jurisdictions where we currently have no presence.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. It could also impact and affect our existing businesses, which might otherwise not be subject to such laws and regulations. If a new business does not generate sufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives may include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control. Because we have not yet identified these potential new investment strategies, geographic markets or lines of business, we cannot identify all of the specific risks we may face and the potential adverse consequences on us and their investment that may result from any attempted expansion.

If we are unable to consummate or successfully integrate development opportunities, acquisitions or joint ventures, we may not be able to implement our growth strategy successfully.

Our growth strategy is based, in part, on the selective development or acquisition of asset management businesses, advisory businesses or other businesses complementary to our business where we think we can add substantial value or generate substantial returns. The success of this strategy will depend on, among other things: (a) the availability of suitable opportunities, (b) the level of competition from other companies that may have greater financial resources, (c) our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities, (d) our ability to obtain requisite approvals and licenses from the relevant governmental authorities and to comply with applicable laws and regulations without incurring undue costs and delays, (e) our ability to identify and enter into mutually beneficial relationships with venture partners, (f) our ability to properly manage conflicts of interest and (g) our ability to integrate personnel at acquired businesses into our operations and culture.

This strategy also contemplates the use of our publicly traded common shares as acquisition consideration. Volatility or declines in the trading price of our common shares may make our common shares less attractive to acquisition targets. Moreover, even if we are able to identify and successfully complete an acquisition, we may encounter unexpected difficulties or incur unexpected costs associated with integrating and overseeing the operations of the new businesses. If we are not successful in implementing our growth strategy, our business, financial results and the market price for our common shares may be adversely affected.

Extensive regulation in the United States affects our activities, increases the cost of doing business and creates the potential for significant liabilities and penalties that could adversely affect our businesses and results of operations.

Our businesses are subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations in the jurisdictions in which we operate. The SEC oversees the activities of our subsidiaries that are registered investment advisers under the Investment Advisers Act. Since the first quarter of 2014, FINRA as well as the SEC has overseen the activities of our wholly owned subsidiary AIS as a registered broker-dealer. We are subject to audits by the Defense Security Service to determine whether we are under foreign ownership, control or influence. In addition, we regularly rely on exemptions from various requirements of the Securities Act, the Exchange Act, the Investment Company Act, the Commodity Exchange Act and the U.S. Employee Retirement Income Security Act of 1974 (“ERISA”). These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties who we do not control. If for any reason these exemptions were to be revoked or challenged or otherwise become unavailable to us, such action could increase our cost of doing business or subject us to regulatory action or third-party claims, which could have a material adverse effect on our businesses. For example, in 2013 the SEC amended Rule 506 of Regulation D under the Securities Act to impose “bad actor” disqualification provisions that ban an issuer from offering or selling securities pursuant to the safe harbor in Rule 506 if the issuer, or any other “covered person,” is the subject of a criminal, regulatory or court order or other “disqualifying event” under the rule which has not been waived by the SEC. The definition of a “covered person” under the rule includes an issuer’s directors, general partners, managing members and executive officers and promoters and persons compensated for soliciting investors in the offering. Accordingly, our ability to rely on Rule 506 to offer or sell securities would be impaired if we or any “covered person” is the subject of a disqualifying event under the rule and we are unable to obtain a waiver or, in certain circumstances, terminate our involvement with such “covered person”.

The SEC has indicated that investment advisors who receive transaction-based compensation for investment banking or acquisition activities relating to fund portfolio companies may be required to register as broker-dealers. Specifically, the SEC staff

has noted that if a firm receives fees from a fund portfolio company in connection with the acquisition, disposition or recapitalization of such portfolio company, such activities could raise broker-dealer concerns under applicable regulations related to broker dealers. If we receive such transaction fees and the SEC takes the position that such activities render us a "broker" under the applicable rules and regulations of the Exchange Act, we could be subject to additional regulation. If receipt of transaction fees from a portfolio company is determined to require a broker-dealer license, receipt of such transaction fees in the past or in the future during any time when we did not or do not have a broker-dealer license could subject us to liability for fines, penalties, damages, rescission or other equitable remedies.

Since 2010, states and other regulatory authorities have begun to require investment managers to register as lobbyists. We have registered as such in a number of jurisdictions, including California, Illinois, New York, Pennsylvania and Kentucky. Other states or municipalities may consider similar legislation or adopt regulations or procedures with similar effect. These registration requirements impose significant compliance obligations on registered lobbyists and their employers, which may include annual registration fees, periodic disclosure reports and internal recordkeeping, and may also prohibit the payment of contingent fees.

Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. A failure to comply with the obligations imposed by the Investment Advisers Act, including recordkeeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities, could result in investigations, sanctions and reputational damage. We are involved regularly in trading activities that implicate a broad number of U.S. and foreign securities and tax law regimes, including laws governing trading on inside information, market manipulation and a broad number of technical trading requirements that implicate fundamental market regulation policies. Violation of these laws could result in severe restrictions on our activities and damage to our reputation.

Compliance with existing and new regulations subjects us to significant costs. Moreover, our failure to comply with applicable laws or regulations, including labor and employment laws, could result in fines, censure, suspensions of personnel or other sanctions, including revocation of the registration of our relevant subsidiaries as investment advisers or registered broker-dealers. The regulations to which our businesses are subject are designed primarily to protect investors in our funds and to ensure the integrity of the financial markets. They are not designed to protect our shareholders. Even if a sanction is imposed against us, one of our subsidiaries or our personnel by a regulator for a small monetary amount, the costs incurred in responding to such matters could be material, the adverse publicity related to the sanction could harm our reputation, which in turn could have a material adverse effect on our businesses in a number of ways, making it harder for us to raise new funds and discouraging others from doing business with us.

In the past several years, the financial services industry, and private equity in particular, has been the subject of heightened scrutiny by regulators around the globe. In particular, the SEC and its staff have focused more narrowly on issues relevant to alternative asset management firms, including by forming specialized units devoted to examining such firms and, in certain cases, bringing enforcement actions against the firms, their principals and employees. In recent periods there have been a number of enforcement actions within the industry, and it is expected that the SEC will continue to pursue enforcement actions against private fund managers. This increased enforcement activity may cause us to reevaluate certain practices and adjust our compliance control function as necessary and appropriate.

While the SEC's recent list of examination priorities includes such items as cybersecurity compliance and controls and conducting risk-based examinations of never-before-examined investment advisory firms, it is generally expected that the SEC's oversight of alternative asset managers will continue to focus substantially on concerns related to transparency and investor disclosure practices. Although the SEC has cited improvements in disclosures and industry practices in this area, it has also indicated that there is room for improvement in particular areas, including fees and expenses (and the allocation of such fees and expenses) and co-investment practices. To this end, many firms have received inquiries during examinations or directly from the SEC's Division of Enforcement regarding various transparency-related topics, including the acceleration of monitoring fees, the allocation of broken-deal expenses, the disclosure of operating partner or operating executive compensation, outside business activities of firm principals and employees, group purchasing arrangements and general conflicts of interest disclosures. In addition, our Private Equity Group funds have engaged in the past and may engage from time to time advisors who often work with our investment teams during due diligence, provide board-level governance and support and advise portfolio company leadership. Advisors generally are third parties and typically retained by us pursuant to consulting agreements. In some cases, an operating executive may be retained by a portfolio company directly and in such instances the portfolio company may compensate the operating executive directly (meaning that investors in our Private Equity Group funds may indirectly bear the operating executive's compensation). While we believe we have made appropriate and timely disclosures regarding the engagement and compensation of these advisors, the SEC staff may disagree.

Regulations governing ARCC's operation as a business development company affect its ability to raise, and the way in which it raises, additional capital.

As a business development company, ARCC operates as a highly regulated business within the provisions of the Investment Company Act. Many of the regulations governing business development companies have not been modernized within recent securities laws amendments and restrict, among other things, leverage incurrence, co-investments and other transactions with other entities within the Ares Operating Group. Certain of our funds may be restricted from engaging in transactions with ARCC and its subsidiaries.

As a business development company registered under the Investment Company Act, ARCC may issue debt securities or preferred stock and borrow money from banks or other financial institutions, which we refer to collectively as "senior securities," up to the maximum amount permitted by the Investment Company Act. Under the provisions of the Investment Company Act, ARCC is permitted, as a business development company, to incur indebtedness or issue senior securities only in amounts such that its asset coverage, as calculated pursuant to the Investment Company Act, equals at least 200% after each such incurrence or issuance. If the value of its assets declines, it may be unable to satisfy this test. If that happens, it may be required to sell a portion of its investments and, depending on the nature of its leverage, repay a portion of its indebtedness at a time when such sales may be disadvantageous. Business development companies may issue and sell common stock at a price below net asset value per share only in limited circumstances, one of which is during an approximately one-year period after obtaining stockholder approval for such issuance in accordance with the Investment Company Act. ARCC's stockholders have, in the past, approved such issuances so that during the subsequent 12-month period, ARCC may, in one or more public or private offerings of its common stock, sell or otherwise issue shares of its common stock at a price below the then-current net asset value per share, subject to certain conditions including parameters on the level of permissible dilution, approval of the sale by a majority of its independent directors and a requirement that the sale price be not less than approximately the market price of the shares of its common stock at specified times, less the expenses of the sale. ARCC may ask its stockholders for additional approvals from year to year. There can be no assurance that such approvals will be obtained.

Our publicly traded investment vehicles are subject to regulatory complexities that limit the way in which they do business and may subject them to a higher level of regulatory scrutiny.

Our publicly traded investment vehicles operate under a complex regulatory environment. Such companies require the application of complex tax and securities regulations and may entail a higher level of regulatory scrutiny. In addition, regulations affecting our publicly traded investment vehicles generally affect their ability to take certain actions. For example, certain of our publicly traded vehicles have elected to be treated as a REIT or RIC for U.S. federal income tax purposes. To maintain their status as a RIC or a REIT, such vehicles must meet, among other things, certain source of income, asset diversification and annual distribution requirements. ARCC and our publicly traded closed-end fund are subject to complex rules under the Investment Company Act, including rules that restrict certain of our funds from engaging in transactions with ARCC or the closed-end fund. For example, ARCC is required to generally distribute to its stockholders at least 90% of its investment company taxable income to maintain its RIC status and, subject to certain exceptions, ARCC is generally prohibited from issuing and selling its common stock at a price below net asset value per share and from incurring indebtedness (including for this purpose, preferred stock), if ARCC's asset coverage, as calculated pursuant to the Investment Company Act, equals less than 200% after such incurrence.

Failure to comply with "pay to play" regulations implemented by the SEC and certain states, and changes to the "pay to play" regulatory regimes, could adversely affect our businesses.

In recent years, the SEC and several states have initiated investigations alleging that certain private equity firms and hedge funds or agents acting on their behalf have paid money to current or former government officials or their associates in exchange for improperly soliciting contracts with state pension funds. In June 2010, the SEC approved Rule 206(4)-5 under the Investment Advisers Act regarding "pay to play" practices by investment advisers involving campaign contributions and other payments to government officials able to exert influence on potential government entity clients. Among other restrictions, the rule prohibits investment advisers from providing advisory services for compensation to a government entity for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in a position to influence the hiring of an investment adviser by such government entity. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser's employees and engagements of third parties that solicit government entities and to keep certain records to enable the SEC to determine compliance with the rule. In addition, there have been similar rules on a state level regarding "pay to play" practices by investment advisers. FINRA recently adopted its own set of "pay to play" regulations, which went into effect on August 20, 2017, that are similar to the SEC's regulations.

As we have a significant number of public pension plans that are investors in our funds, these rules could impose significant economic sanctions on our businesses if we or one of the other persons covered by the rules make any such contribution or payment, whether or not material or with an intent to secure an investment from a public pension plan. We may also acquire other investment managers who are not subject to the same restrictions as us, but whose activity, and the activity of their principals, prior to our ownership could affect our fundraising. In addition, such investigations may require the attention of senior management and may result in fines if any of our funds are deemed to have violated any regulations, thereby imposing additional expenses on us. Any failure on our part to comply with these rules could cause us to lose compensation for our advisory services or expose us to significant penalties and reputational damage.

The short-term and long-term impact of the Basel III capital standards is uncertain.

In June 2011, the Basel Committee on Banking Supervision, an international trade body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the United States and the EU, announced the final framework for a comprehensive set of capital and liquidity standards, commonly referred to as “Basel III,” for internationally active banking organizations and certain other types of financial institutions. These new standards, which will be fully phased in by 2019, will require banks to hold more capital, predominantly in the form of common equity, than under the current capital framework. Implementation of Basel III will require implementing regulations and guidelines by member countries. In July 2013, the U.S. federal banking regulators announced the adoption of final regulations to implement Basel III for U.S. banking organizations, subject to various transition periods. The EU implemented Basel III in June 2013. In April 2014, U.S. regulators adopted rules requiring enhanced supplementary leverage ratio standards beginning January 1, 2018, which impose capital requirements more stringent than those of the Basel III standards for the most systematically significant banking organizations in the United States. In January 2016, the Basel Committee published its revised capital requirements for market risk, known as Fundamental Review of the Trading Book (“FRTB”), which are expected to generally result in higher global capital requirements for banks that could, in turn, reduce liquidity and increase financing and hedging costs. The impact of FRTB will not be known until after any resulting rules are finalized by the U.S. federal bank regulatory agencies. Compliance with the Basel III standards, the supplemental regulatory standards adopted by U.S. regulators and FRTB may result in significant costs to banking organizations, which in turn may result in higher borrowing costs for the private sector and reduced access to certain types of credit.

Regulatory changes and other developments in the United States and regulatory compliance failures could adversely affect our reputation, businesses and operations.

In July 2010, the Dodd-Frank Act was signed into law and has imposed significant regulations on nearly every aspect of the U.S. financial services industry. The Dodd-Frank Act established a ten voting-member Financial Stability Oversight Council (the “Council”), an interagency body chaired by the Secretary of the Treasury, to identify and manage systemic risk in the financial system and improve interagency cooperation. Under the Dodd-Frank Act, the Council has the authority to review the activities of certain nonbank financial firms engaged in financial activities that are designated as “systemically important,” meaning, among other things, evaluating the impact of the distress of the financial firm on the stability of the U.S. economy. If we were designated as such, it would result in increased regulation of our businesses, including the imposition of capital, leverage, liquidity and risk management standards, credit exposure reporting and concentration limits, restrictions on acquisitions and annual stress tests by the Federal Reserve.

In October 2011, the Federal Reserve and other federal regulatory agencies issued a proposed rule implementing a section of the Dodd-Frank Act that has become known as the “Volcker Rule.” In December 2013, the Federal Reserve and other federal regulatory agencies adopted a final rule implementing the Volcker Rule. The Volcker Rule generally prohibits insured banks or thrifts, any bank holding company or savings and loan holding company, any non-U.S. bank with a U.S. branch, agency or commercial lending company and any subsidiaries and affiliates of such entities, regardless of geographic location, from investing in or sponsoring “covered funds,” which include private equity funds or hedge funds and certain other proprietary activities. The effects of the Volcker Rule are uncertain but it is in any event likely to curtail various banking activities that in turn could result in uncertainties in the financial markets as well as our business. The final Volcker Rule became effective on April 1, 2014, and, except with respect to certain foreign banking entities, the conformance period ended on July 21, 2017. It contains exemptions for certain “permitted activities” that would enable certain institutions subject to the Volcker Rule to continue investing in covered funds under certain conditions. Although we do not currently anticipate that the Volcker Rule will adversely affect our fundraising to any significant extent, there could be adverse implications on our ability to raise funds from the types of entities mentioned above as a result of this prohibition.

Pursuant to the Dodd-Frank Act, regulation of the U.S. derivatives market is bifurcated between the CFTC and the SEC. Under the Dodd-Frank Act, the CFTC has jurisdiction over swaps and the SEC has jurisdiction over security-based swaps. As part of its Dodd-Frank Act related rule-making process, the CFTC made changes to its rules with respect to the registration and oversight

of CPOs. As a result of the CFTC's revisions to these rules, all swaps (other than security-based swaps) are now included in the definition of commodity interests. As a result, funds that utilize swaps (whether or not related to a physical commodity) as part of their business model may fall within the statutory definition of a commodity pool. If a fund qualifies as a commodity pool, then, absent an available exemption, the operator of such fund is required to register with the CFTC as a CPO. Registration with the CFTC renders such CPO subject to regulation, including with respect to disclosure, reporting, recordkeeping and business conduct, which could significantly increase operating costs by requiring additional resources.

The Dodd-Frank Act requires the CFTC, the SEC and other regulatory authorities to promulgate certain rules relating to the regulation of the derivatives market. Such rules require or will require the registration of certain market participants, the clearing of certain derivatives contracts through central counterparties, the execution of certain derivatives contracts on electronic platforms, as well as reporting and recordkeeping of derivatives transactions. The Dodd-Frank Act also provides expanded enforcement authority to the CFTC and SEC. While certain rules have been promulgated and are already in effect, the rulemaking and implementation process is still ongoing. In particular, the CFTC has finalized most of its rules under the Dodd-Frank Act, and the SEC has proposed a number of rules regarding security-based swaps but has only finalized some of these rules. We cannot therefore yet predict the ultimate effect of the rules and regulations on our business.

Under CFTC and SEC rules, an entity may be required to register as a MSP or MSBSP if it has substantial swaps or security-based swaps positions or has substantial counterparty exposure from its swaps or security-based swaps positions. If any of our funds were required to register as an MSP or MSBSP, it could make compliance more expensive, affect the manner in which we conduct our businesses and adversely affect our profitability. Additionally, if any of our funds qualify as "special entities" under CFTC rules, it could make it more difficult for them to enter into derivatives transactions or make such transactions more expensive.

Pursuant to rules finalized by the CFTC in December 2012 and September 2016, certain classes of interest rate swaps and certain classes of credit default swaps are subject to mandatory clearing, unless an exemption applies. Many of these swaps are also subject to mandatory trading on designated contract markets or swap execution facilities. At this time, the CFTC has not proposed any rules designating other classes of swaps for mandatory clearing, but it may do so in the future. Mandatory clearing and trade execution requirements may change the cost and availability of the swaps that we use, and exposes our funds to the credit risk of the clearing house through which any cleared swap is cleared. In addition, federal bank regulatory authorities and the CFTC have adopted initial and variation margin requirements for swap dealers, security-based swap dealers and swap entities, including permissible forms of margin, custodial arrangements and documentation requirements for uncleared swaps and security-based swaps. As a result, swap entities will be required to collect margin for transactions and positions in uncleared swaps and security-based swaps by financial end users. The new rules became effective for end users on March 1, 2017. The CFTC's Division of Swap Dealer and Intermediary Oversight subsequently extended, until September 1, 2017 ,the time to comply with the variation margin requirements for swaps that are subject to a March 1, 2017 compliance date. The effect of the regulations on us is not fully known at this time. However, these rules may increase the cost of our activity in uncleared swaps and security-based swaps if we are determined to be a financial end user.

In December 2016, the CFTC re-proposed rules that would set federal position limits for certain referenced contracts, and issued final rules on aggregation among entities under common ownership or control, for position limits on certain futures and options contracts that would apply to the proposed position limits on referenced contracts. It is possible that the CFTC could propose to expand such requirements to other types of contracts in the future. If any when enacted, the proposal could affect our ability and the ability for our funds to enter into derivatives transactions.

The CFTC has finalized rules requiring collateral used to margin cleared swaps to be segregated in a manner different from that applicable to the futures market and has finalized other rules allowing parties to an uncleared swap to require that any collateral posted as initial margin be segregated with a third party custodian. Collateral segregation may impose greater costs on us when entering into swaps.

In addition, the Dodd-Frank Act gave the CFTC expanded anti-fraud and anti-manipulation authority, including authority over disruptive trading practices and insider trading. Several investigations have commenced in the United States related to manipulation of the foreign exchange, LIBOR and indices markets. It is possible that new standards will emerge from these proceedings that could impact the way that we trade.

The Dodd-Frank Act authorizes federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk-taking by covered financial institutions. In 2016, federal bank regulatory authorities and the SEC revised and re-proposed a rule that generally (1) prohibits incentive-based payment arrangements that are determined to encourage inappropriate risks by certain financial institutions by providing excessive compensation or that could lead to material financial loss and (2) requires

those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate federal regulator. The Dodd-Frank Act also directs the SEC to adopt a rule that requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the contingent repayment obligations of related incentive compensation from current and former executive officers. The SEC has proposed but not yet adopted such rule. To the extent the aforementioned rules are adopted, our ability to recruit and retain investment professionals and senior management executives could be limited.

The Dodd-Frank Act amends the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

The SEC requires investment advisers registered or required to register with the SEC under the Investment Advisers Act that advise one or more private funds and have at least $150.0 million in private fund assets under management to periodically file reports on Form PF. We have filed, and will continue to file, quarterly reports on Form PF, which has resulted in increased administrative costs and requires a significant amount of attention and time to be spent by our personnel.

Many of these provisions are subject to further rulemaking and to the discretion of regulatory bodies, such as the Council and the Federal Reserve. On February 3, 2017, President Trump signed Executive Order 13772 (the “Executive Order”) announcing the new administration’s policy to regulate the U.S. financial system in a manner consistent with certain “Core Principles,” including regulation that is efficient, effective and appropriately tailored. The Executive Order directed the Secretary of the Treasury, in consultation with the heads of the member agencies of the Financial Stability Oversight Council, to report to the President on the extent to which existing laws, regulations and other government policies promote the Core Principles and to identify any laws, regulations or other government policies that inhibit federal regulation of the U.S. financial system.

On June 12, 2017, the U.S. Department of the Treasury (“Treasury”) published the first of several reports in response to the Executive Order on the depository system covering banks and other savings institutions. On October 6, 2017, the Treasury released a second report outlining ways to streamline and reform the U.S. regulatory system for capital markets, followed by a third report, on October 26, 2017, examining the current regulatory framework for the asset management and insurance industries. Subsequent reports are expected to address: retail and institutional investment products and vehicles, as well as non-bank financial institutions, financial technology and financial innovation.

We may be impacted indirectly by guidance recently directed to regulated banking institutions with regard to leveraged lending practices. In March 2013, the U.S. federal banking agencies issued updated guidance on credit transactions characterized by a high degree of financial leverage. To the extent that such guidance limits the amount or increases the cost of financing we are able to obtain for our transactions, the returns on our investments may suffer. However, the status of the 2013 leveraged lending guidance remains in doubt following a determination by the Government Accountability Office, on October 19, 2017, that such guidance constituted a “rule” for purposes of the Congressional Review Act of 1996. As a result, the guidance was required to be submitted to Congress for review. It is possible the guidance could be overturned if a joint resolution of disapproval is passed by Congress.

On June 8, 2017, the U.S. House of Representatives passed the Financial Choice Act, which includes legislation intended to repeal or replace substantial portions of the Dodd-Frank Act. Among other things, the proposed law would repeal the Volcker Rule limiting certain proprietary investment and trading activities by banks, eliminate the authority of regulators to designate asset managers and other large non-bank institutions as “systemically important financial institutions” or “SIFIs,” and repeal the Department of Labor (“DOL”) “fiduciary rule” governing standards for dealing with retirement plans until the SEC issues standards for similar dealings by broker-dealers and limiting the substance of any subsequent DOL rule to the SEC standards. The bill was referred to the Senate, where it is unlikely to pass as proposed. On November 16, 2017, a bipartisan group of U.S. Senators, led by Senate Banking Committee Chairman, introduced the Economic Growth, Regulatory Relief, and Consumer Protection Act (the “Senate Regulatory Relief Bill”). The Senate Regulatory Relief Bill would revise various post-crisis regulatory requirements and provide targeted regulatory relief to certain financial institutions. Among the most significant of its proposed amendments to the Dodd-Frank Act are a substantial increase in the $50 billion asset threshold for automatic regulation of bank holding companies as SIFIs, an exemption from the Volcker Rule for insured depository institutions with less than $10 billion in consolidated assets and lower levels of trading assets and liabilities, as well as amendments to the liquidity leverage ratio and supplementary leverage ratio requirements. On December 5, 2017, the Senate Banking Committee approved the Senate Regulatory Relief Bill. If the legislation is adopted in the Senate, it remains unclear whether and how it would be reconciled with its House-passed counterpart, the Financial Choice Act, which is substantially different in scope and substance, and ultimately approved by both chambers of Congress.

On February 9, 2018, the U.S. Court of Appeals for the District of Columbia ruled that the U.S. Risk Retention Rules do not apply to managers of open-market CLOs (i.e., CLOs for which the underlying assets are not transferred by the manager to the CLO issuer via a sale). The SEC, the Board of Governors of the Federal Reserve System and certain other regulatory agencies have 45 days from the date of the decision to petition the U.S. Court of Appeals for an *en banc* review, during which time the rule will remain effective. If this petition is not made, or if such petition is made but denied, the U.S. Court of Appeals' ruling will become effective seven days later with retroactive effect on all existing open-market CLOs. We are in the process of reviewing this decision and its ultimate impact on our business.

It is difficult to determine the full extent of the impact on us of the Financial Choice Act, the Dodd-Frank Act or any other new laws, regulations or initiatives that may be proposed or whether any of the proposals will become law. In addition, as a result of proposed legislation, shifting areas of focus of regulatory enforcement bodies or otherwise, regulatory compliance practices may shift such that formerly accepted industry practices become disfavored or less common. Any changes or other developments in the regulatory framework applicable to our businesses, including the changes described above and changes to formerly accepted industry practices, may impose additional costs on us, require the attention of our senior management or result in limitations on the manner in which we conduct our businesses. Moreover, as calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our funds. In addition, we may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our businesses and adversely affect our profitability.

Regulatory changes in jurisdictions outside the United States could adversely affect our businesses.

Certain of our subsidiaries operate outside the United States. In the United Kingdom, Ares Management Limited and Ares Management UK Limited are subject to regulation by the FCA. Ares European Loan Management LLP, which is not a subsidiary, but in which we are indirectly invested and which procures certain services from Ares Management Limited, is also subject to regulation by the FCA. In some circumstances, Ares Management Limited, Ares Management UK Limited, Ares European Loan Management LLP and other Ares entities are or become subject to UK or EU laws, for instance in relation to marketing our funds to investors in the EEA.

The UK is scheduled to leave the EU in March 2019. Some form of transitional agreement by which UK based financial services firms can continue to operate on a cross-border basis seems likely. However, the duration of the transitional agreement and the end-state relationship between the UK and EU remains unclear. There is a risk that following Brexit the UK may be denied access to the single market. This could be highly disruptive to our business and may result in us having to increase our presence in other EEA member states which would result in additional costs.

EU legislation could impact our business in the United Kingdom and other EEA member states where we have operations. The following measures are of particular relevance to our business.

In March 2013, the predecessor regulator to the FCA published the final rules for the FCA's regulation and supervision of the LIBOR. In particular, the FCA's LIBOR rules include requirements that (1) an independent LIBOR administrator monitor and survey LIBOR submissions to identify breaches of practice standards and/or potentially manipulative behavior, and (2) firms submitting data to LIBOR establish and maintain a clear conflicts of interest policy and appropriate systems and controls. These requirements may cause LIBOR to be more volatile than it has been in the past, which may adversely affect the value of investments made by our funds. On February 3, 2014, ICE Benchmark Administration Limited took responsibility for administering LIBOR, following regulatory authorization by the FCA. LIBOR is expected to be phased out over the coming years. The Bank of England working group has approved SONIA as its preferred short-term interest benchmark and will take over its administration from April 2018. The impact this change will have is uncertain.

The Benchmarks Regulation entered into force on June 30, 2016. It aims to introduce a common framework and consistent approach to benchmark regulation across the EU by regulating producers, contributors to and users of benchmarks. The Benchmarks Regulation will replace the current UK framework regulating LIBOR and other specified benchmarks, notably the EURIBOR. The majority of provisions in the Benchmarks Regulation took effect on January 1, 2018. Although there are measures in the Benchmarks Regulation which are designed to prevent certain benchmarks from being undermined by a material reduction of benchmark contributors, it is not yet clear how successful these will be. The Benchmarks Regulation may therefore lead to unpredictable developments in relation to LIBOR and certain other benchmarks, which could affect the value of investments made by our funds.

The Directive and CRD IV restrict the ability of banks and alternative investment funds (“AIFs”) managed in the EU to invest in securitization vehicles including collateralized loan obligations operated by us unless either the “originator”, “original lender” or “sponsor” (as those terms are defined in the legislation) retains a 5% interest in the securitization concerned. Where such securitization arrangements are managed by Ares-affiliated undertakings, and in order to make the securitization attractive to banks and AIFs, this risk retention requirement is held by an appropriately (EU) authorized and regulated entity affiliated with us (i.e., as “sponsor”). The holding of that retention on our affiliate’s balance sheet is likely to increase that entity’s regulatory capital requirement and will accordingly adversely affect return on equity. On December 28, 2017 the text of the new Securitization Regulation was published in the EU Official Journal. The new regulation will apply from January 1, 2019 to securitization issued after that date. Although risk retention requirements will remain at 5% (of material net economic interest) a mechanism has been introduced whereby this requirement could be modified without the need for the change to be made through the normal EU legislative process. There are also new investor transparency requirements which require additional information to be disclosed to investors. Compliance with these new requirements in the Securitization Regulation may result in us incurring material costs.

The EU Regulation on OTC derivative transactions, central counterparties and trade repositories (commonly known as EMIR) will require the mandatory clearing of certain OTC derivatives through central counterparties and creates additional margining requirements in respect of OTC derivative transactions that are not cleared by a central counterparty. The implementation of EMIR is phased; timing is dependent on the type of derivative and the categorization of the parties to the trade. Implementation deadlines have already been deferred but as they currently stand full implementation is due by July 9, 2019. EMIR has started to impact on Ares-affiliated undertakings and as further implementation dates are reached the cost of complying with the requirements is likely to increase. In addition, there is an amendment to EMIR currently working its way through EU the legislative process. Among other things, the amendment would classify securitization special purpose entities as financial counterparties which may indirectly impact certain aspects of our business.

On December 14, 2015, the European Banking Authority published guidelines which are relevant to, among other things, EU banks' exposures to shadow banking entities. These guidelines have applied since January 1, 2017. The definition of shadow banking entity is extremely wide and could potentially catch a number of different entities, including investment funds and securitization vehicles. AIFs are excluded from the definition of a shadow banking entity unless they: (1) deploy leverage within the meaning of the Directive on a substantial basis; or (2) are permitted to originate loans or purchase third party lending exposures onto their balance sheet pursuant to the relevant fund rules or constitutional documents. These guidelines may affect our ability to raise capital in certain of our funds from EU banks.

On December 20, 2017, the European Commission published a proposal for a new directive and regulation on prudential requirements for MiFID investment firms, and the proposal will directly apply to Ares Management Limited and Ares European Loan Management LLP. Its application to Ares Management UK Limited is unclear. Under the proposals most affected firms would see their capital requirements increase significantly, although there would be transitional provisions allowing firms to increase their capital to the necessary level over three to five years. Firms will also have their liquidity requirements increased and some firms will be subject to additional public reporting requirements and pay regulation. The proposals are likely to increase the cost of us conducting business in the EEA. The legislative package is not expected to come into force until 2020 at the earliest.

Our UK, other European and Asian operations and our investment activities worldwide are subject to a variety of regulatory regimes that vary by country. In addition, we regularly rely on exemptions from various requirements of the regulations of certain foreign countries in conducting our asset management activities.

Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. We are involved regularly in trading activities that implicate a broad number of foreign (as well as U.S.) securities law regimes, including laws governing trading on inside information and market manipulation and a broad number of technical trading requirements that implicate fundamental market regulation policies. Violation of these laws could result in severe restrictions or prohibitions on our activities and damage to our reputation, which in turn could have a material adverse effect on our businesses in a number of ways, making it harder for us to raise new funds and discouraging others from doing business with us. In addition, increasing global regulatory oversight of fundraising activities, including local registration requirements in various jurisdictions and the addition of new compliance regimes, could make it more difficult for us to raise new funds or could increase the cost of raising such funds.

Alternative Investment Fund Managers Directive

The Directive was enacted in July 2011 and took effect on July 22, 2013. The Directive applies to (1) AIFMs established in the EEA that manage EEA or non-EEA AIFs, (2) non-EEA AIFMs that manage EEA AIFs and (3) non-EEA AIFMs that market their AIFs to professional investors within the EEA.

Each of the AIFMs identified in (1), (2) and (3) of the paragraph above need to comply with the Directive's disclosure and transparency requirements when seeking to market within the EEA and, in the case of non-EEA AIFMs seeking to market under jurisdiction specific private placement regimes, additional jurisdiction specific requirements where these exist (e.g., appointing a depositary). However, the full scope of the Directive may also be extended on a jurisdiction-by-jurisdiction basis to non-EEA AIFMs that wish to market an AIF within the EEA pursuant to a pan-European marketing passport. In July 2016, the ESMA published advice to EU institutions on extending the passport to certain non-EU jurisdictions. The European Commission was expected and arguably required to publish legislation before the end of October 2016 setting a date for the pan-European marketing passport to be made available, at least in respect of the five non-EEA jurisdictions it had assessed positively. It did not publish this legislation. In 2017 the European Commission started a review of the application and scope of AIFMD. The European Commission is expected to make a legislative proposal as a result of the review (commonly referred to as "AIFMD II") with any changes to non-EEA jurisdiction passporting rights forming part of the proposal. Given that the review of the application and scope of AIFMD is still ongoing and the substance of any legislative proposal is uncertain, it remains unclear whether and how any such legislation could affect us or our subsidiaries. Further, compliance with AIFMD or AIFMD II may increase the cost and complexity of raising capital and consequently may slow the pace of fundraising.

Certain of the jurisdiction specific private placement regimes may cease to exist when the non-EEA AIFM passport becomes available. This development could have a negative impact on our ability to raise capital from EEA investors if, for example, a jurisdiction specific private placement regime ceases to operate and the non-EEA AIFM passport is not made available to United States AIFMs.

The operating requirements imposed by the Directive on the categories of AIFMDs listed in (1) and (2) above include, among other things, rules relating to the remuneration of certain personnel, minimum regulatory capital requirements, restrictions on the use of leverage, restrictions on early distributions relating to portfolio companies (so-called “asset stripping rules”), disclosure and reporting requirements to both investors and home state regulators, the independent valuation of an AIF's assets and the appointment of an independent depository to hold assets. As a result, the Directive increases the regulatory burden and the cost of doing business for Ares Management UK Limited and, to a more limited extent, non-EEA AIFMs which market non-EEA AIFs under EEA private placement regimes. This potentially disadvantages our funds as investors in private companies located in EEA member states when compared to non-AIF/AIFM competitors that may not be subject to the requirements of the Directive, thereby potentially restricting our funds' ability to invest in such companies. “Levelling-up” of some of these requirements seems likely under AIFMD II.

The Directive could also limit our operating flexibility and our investment opportunities, as well as expose us and/or our funds to conflicting regulatory requirements in the United States and elsewhere.

Solvency II

Solvency II sets out stronger capital adequacy and risk management requirements for European insurers and reinsurers and, in particular, dictates how much capital such firms must hold against their liabilities and introduces a risk-based assessment of those liabilities. Solvency II came into force on January 1, 2010 but was only required to be implemented by firms on January 1, 2016. There are also a number of transitional provisions designed to avoid market disruption. Solvency II imposes, among other things, substantially greater quantitative and qualitative capital requirements for insurers and reinsurers as well as other supervisory and disclosure requirements. We are not subject to Solvency II; however, many of our European insurer or reinsurer fund investors are subject to this directive, as applied under applicable domestic law. Solvency II may impact insurers' and reinsurers' investment decisions and their asset allocations. In addition, insurers and reinsurers will be subject to more onerous data collation and reporting requirements. As a result, Solvency II could have an adverse indirect effect on our businesses by, among other things, restricting the ability of European insurers and reinsurers to invest in our funds and imposing on us extensive disclosure and reporting obligations for those insurers and reinsurers that do invest in our funds. A number of reviews of and amendments to various aspects and components of Solvency II are expected throughout 2018.

MiFID II

The recast Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation (collectively referred to as MiFID II) came into effect on January 3, 2018. MiFID II amends the existing MiFID regime and, among other requirements, introduces new organizational and operational requirements for investment firms in the EEA.

Specifically, under MiFID II, national competent authorities (including the FCA), within EU member states, are required to establish position limits in relation to the maximum size of positions which a relevant person can hold in certain commodity derivatives. The limits apply to contracts traded on trading venues and their economically equivalent OTC contracts. The position

limits established, as amended from time to time, and our ability to rely on any exemption thereunder may affect the size and types of investments we may make. Moreover, in order to avoid exceeding position limits, it is possible that we and our affiliates may need to significantly alter our business processes related to such trading, including by modifying trading strategies and instructions.

Compliance with these rules requires updates to some existing procedures, systems and controls and the development of new internal systems, which may include substantial automated and electronic systems, and is likely to involve material costs to the business.

The vote in the UK to exit from the EU could adversely affect our business and our operations.

The vote by the electorate in a referendum in the UK to exit from the EU (referred to as “Brexit”) could disrupt our business and operations, including the liquidity and value of our investments. Since its announcement, Brexit has caused significant geo-political uncertainty and market volatility in the UK and elsewhere. Although the referendum is non-binding, the UK’s leadership has indicated that it expects Brexit to be passed into law and to commence negotiations with the EU to determine the future terms, including with respect to trade, of the UK’s ongoing relationship with the EU. These negotiations are expected to take a number of years, which could prolong the related uncertainty and volatility, which among other things, could affect the pace of capital deployment and investment realizations.

Depending on the outcome of these negotiations, the UK could lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members, which could have a material adverse effect on our operations and the operations of our portfolio companies. For example, a decline in trade could affect the attractiveness of the UK as a global investment center and, as a result, could make doing business in Europe more difficult.

Currently under the EU single market directives, mutual access rights to markets and market infrastructure exist across the EU and the mutual recognition of insolvency, bank recovery and resolution regimes applies. In addition, certain regulated entities licensed or authorized in one EEA jurisdiction may operate on a cross-border basis in other EEA countries in reliance on passporting rights and without the need for a separate license or authorization. There is uncertainty as to whether, following a UK exit from the EU or the EEA (whatever the form thereof), a passporting regime (or similar regime in its effect) will apply (if at all). Depending on the terms of the UK’s exit and the terms of any replacement relationship, it is likely that UK regulated entities may, on the UK’s withdrawal from the EU, lose the right to passport their services to EEA countries, and EEA entities may lose the right to reciprocal passporting into the UK. The movement of capital and the mobility of personnel may also be restricted. Also, UK entities may no longer have access rights to market infrastructure across the EU and the recognition of insolvency, bank recovery and resolution regimes across the EU may no longer be mutual.

These and other by-products of Brexit, such as the tightening of credit in the UK commercial real estate market, may also increase the costs of having operations, conducting business and making investments in the UK and Europe. As a result, the performance of our funds which are focused on investing in the UK and to a lesser extent across Europe, such as certain funds in our Credit and Real Estate Groups may be disproportionately affected compared to those funds that invest more broadly across global geographies or are focused on different regions.

The Brexit vote could cause exchange rate fluctuations that result in the strengthening of the U.S. dollar against foreign currencies in which we conduct business, including the British pound and the Euro. Where un-hedged, the strengthening of the U.S. dollar relative to other currencies may, among other things, adversely affect the results of operations of our funds and investments that are denominated in non-U.S. dollar currencies and also adversely affect businesses that rely on the strength of foreign currencies against the U.S. dollar, and thereby have a negative impact on our investments in those businesses. Movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies affect the management fees earned by funds with fee earning AUM denominated in non-U.S. dollar currencies as well as by funds with fee earning AUM denominated in U.S. dollars that hold investments denominated in non-U.S. dollar currencies. Additionally, movements in exchange rates affect operating expenses for our foreign offices that are denominated in non-U.S. currencies, cash balances we hold in non-U.S. currencies and investments we hold in non-U.S. currencies.

Further, the UK’s determination as to which, if any, EU laws to repeal, retain, replace or replicate upon its exit from the EU could exacerbate the uncertainty and result in divergent national laws and regulations. Changes to the regulatory regimes in the UK or the EU and its member states could materially affect our business prospects and opportunities and increase our costs. In addition, Brexit could potentially disrupt the tax jurisdictions in which we operate and affect the tax benefits or liabilities in these or other jurisdictions in a manner that is adverse to us and/or our funds. Any of the foregoing could materially and adversely affect our business, results of operations and financial condition.

We are subject to risks in using prime brokers, custodians, counterparties, administrators and other agents.

Many of our funds depend on the services of prime brokers, custodians, counterparties, administrators and other agents to carry out certain securities and derivatives transactions. The terms of these contracts are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight, although the Dodd-Frank Act provides for new regulation of the derivatives market. In particular, some of our funds utilize prime brokerage arrangements with a relatively limited number of counterparties, which has the effect of concentrating the transaction volume (and related counterparty default risk) of these funds with these counterparties.

Our funds are subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract. Any such default may occur suddenly and without notice to us. Moreover, if a counterparty defaults, we may be unable to take action to cover our exposure, either because we lack contractual recourse or because market conditions make it difficult to take effective action. This inability could occur in times of market stress, which is when defaults are most likely to occur.

In addition, our risk-management models may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not have taken sufficient action to reduce our risks effectively. Default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses.

Although we have risk-management models and processes to ensure that we are not exposed to a single counterparty for significant periods of time, given the large number and size of our funds, we often have large positions with a single counterparty. For example, most of our funds have credit lines. If the lender under one or more of those credit lines were to become insolvent, we may have difficulty replacing the credit line and one or more of our funds may face liquidity problems.

In the event of a counterparty default, particularly a default by a major investment bank or a default by a counterparty to a significant number of our contracts, one or more of our funds may have outstanding trades that they cannot settle or are delayed in settling. As a result, these funds could incur material losses and the resulting market impact of a major counterparty default could harm our businesses, results of operation and financial condition.

In the event of the insolvency of a prime broker, custodian, counterparty or any other party that is holding assets of our funds as collateral, our funds might not be able to recover equivalent assets in full as they will rank among the prime broker's, custodian's or counterparty's unsecured creditors in relation to the assets held as collateral. In addition, our funds' cash held with a prime broker, custodian or counterparty generally will not be segregated from the prime broker's, custodian's or counterparty's own cash, and our funds may therefore rank as unsecured creditors in relation thereto. If our derivatives transactions are cleared through a derivatives clearing organization, the CFTC has issued final rules regulating the segregation and protection of collateral posted by customers of cleared and uncleared swaps. The CFTC is also working to provide new guidance regarding prime broker arrangements and intermediation generally with regard to trading on swap execution facilities.

The counterparty risks that we face have increased in complexity and magnitude as a result of disruption in the financial markets in recent years. For example, the consolidation and elimination of counterparties has increased our concentration of counterparty risk and decreased the universe of potential counterparties, and our funds are generally not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. In addition, counterparties have generally reacted to recent market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available and increasing the costs of borrowing.

A portion of our revenue, net income and cash flow is variable, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our common shares to decline.

A portion of our revenue, net income and cash flow is variable, primarily due to the fact that the performance fees that we receive from certain of our funds can vary from quarter to quarter and year to year. In addition, the investment returns of most of our funds are volatile. We may also experience fluctuations in our results from quarter to quarter and year to year due to a number of other factors, including changes in the values of our funds' investments, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. Such variability may lead to volatility in the trading price of our common shares and cause our results for a particular period not to be indicative of our performance in a future period. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the price of our common shares or increased volatility in the price of our common shares generally.

The timing and amount of performance fees generated by our funds is uncertain and contributes to the volatility of our results. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value or other proceeds of an investment through a sale, public offering, recapitalization or other exit. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash or other proceeds. We cannot predict when, or if, any realization of investments will occur. If we were to have a realization event in a particular quarter or year, it may have a significant impact on our results for that particular quarter or year that may not be replicated in subsequent periods. We recognize revenue on investments in our funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds, and a decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our revenue, which could increase the volatility of our results.

With respect to our funds that generate carried interest, the timing and receipt of such carried interest varies with the life cycle of our funds. During periods in which a relatively large portion of our assets under management is attributable to funds and investments in their "harvesting" period, our funds would make larger distributions than in the fund-raising or investment periods that precede harvesting. During periods in which a significant portion of our assets under management is attributable to funds that are not in their harvesting periods, we may receive substantially lower carried interest distributions. Moreover in some cases, we receive carried interest payments only upon realization of investments by the relevant fund, which contributes to the volatility of our cash flow and in other funds we are only entitled to carried interest payments after a return of all contributions and a preferred return to investors.

With respect to our funds that pay an incentive fee, the incentive fee is generally paid annually. In many cases, we earn this incentive fee only if the net asset value of a fund has increased or, in the case of certain funds, increased beyond a particular threshold. Some of our funds also have "high water marks". If the high water mark for a particular fund is not surpassed, we would not earn an incentive fee with respect to that fund during a particular period even if the fund had positive returns in such period as a result of losses in prior periods. If the fund were to experience losses, we would not be able to earn an incentive fee from such fund until it surpassed the previous high water mark. The incentive fees we earn are, therefore, dependent on the net asset value of our fund investments, which could lead to significant volatility in our results. Finally, the timing and amount of incentive fees generated by our closed-end funds are uncertain and will contribute to the volatility of our net income. Incentive fees depend on our closed-end funds' investment performance and opportunities for realizing gains, which may be limited.

Because a portion of our revenue, net income and cash flow can be variable from quarter to quarter and year to year, we do not plan to provide any guidance regarding our expected quarterly and annual operating results. The lack of guidance may affect the expectations of public market analysts and could cause increased volatility in the price of our common shares.

Cybersecurity risks and cyber incidents could adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information and/or damage to our business relationships, any of which could negatively impact our business, financial condition and operating results.

There has been an increase in the frequency and sophistication of the cyber and security threats we face, with attacks ranging from those common to businesses generally to those that are more advanced and persistent, which may target us because, as an alternative asset management firm, we hold confidential and other price sensitive information about existing and potential investments. As a result, we may face a heightened risk of a security breach or disruption with respect to sensitive information resulting from an attack by computer hackers, foreign governments or cyber terrorists.

The efficient operation of our business is dependent on computer hardware and software systems, as well as data processing systems and the secure processing, storage and transmission of information, which are vulnerable to security breaches and cyber incidents. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. In addition, we and our employees may be the target of fraudulent emails or other targeted attempts to gain unauthorized access to proprietary or sensitive information. The result of these incidents may include disrupted operations, misstated or unreliable financial data, liability for stolen assets or information, increased cybersecurity protection and insurance costs, litigation and damage to our business relationships, causing our business and results of operations to suffer. As our reliance on technology has increased, so have the risks posed to our information systems, both internal and those provided by third-party service providers. We have implemented processes, procedures and internal controls designed to mitigate cybersecurity risks and cyber intrusions and rely on industry accepted securities measures and technology to securely maintain confidential and proprietary information maintained on our information systems; however, these measures, as well as our increased awareness of the nature and extent of a risk of a cyber-incident, do not guarantee that a cyber-incident will not occur and/or that our financial results, operations or confidential information will not be negatively impacted by such an incident.

These risks are exacerbated by the rapidly increasing volume of highly sensitive data, including our proprietary business information and intellectual property, and personally identifiable information of our employees and our investors, that we collect and store in our data centers and on our networks. The secure processing, maintenance and transmission of this information are critical to our operations. A significant actual or potential theft, loss, corruption, exposure, fraudulent use or misuse of investor, employee or other personally identifiable or proprietary business data, whether by third parties or as a result of employee malfeasance or otherwise, non-compliance with our contractual or other legal obligations regarding such data or intellectual property or a violation of our privacy and security policies with respect to such data could result in significant remediation and other costs, fines, litigation or regulatory actions against us and significant reputational harm.

Our funds' portfolio companies also rely on similar systems and face similar risks. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses. Our funds may invest in strategic assets having a national or regional profile or in infrastructure assets, the nature of which could expose them to a greater risk of being subject to a terrorist attack or security breach than other assets or businesses.

Cybersecurity has become a priority for regulators in the U.S. and around the world. For example, the SEC has announced that one of the 2018 examination priorities for the Office of Compliance Inspections and Examinations is on cybersecurity procedures and controls. In addition, the new European General Data Protection Regulation ("GDPR") will come into effect in May 2018. Data protection requirements under the GDPR will be more stringent than those imposed under existing European legislation. Additional restrictions on our ability to use and retain personal data could impede our business while the financial penalties for non-compliance could be up to the higher of 20 million Euros or 4% of group annual turnover.

We expect to be required to devote increasing levels of funding and resources to comply with evolving cybersecurity regulations and to continually monitor and enhance our cybersecurity procedures and controls.

We may be subject to litigation risks and may face liabilities and damage to our professional reputation as a result.

In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against investment managers have been increasing. We make investment decisions on behalf of investors in our funds that could result in substantial losses. This may subject us to the risk of legal liabilities or actions alleging negligent misconduct, breach of fiduciary duty or breach of contract. Further, we may be subject to third-party litigation arising from allegations that we improperly exercised control or influence over portfolio investments. In addition, we and our affiliates that are the investment managers and general partners of our funds, our funds themselves and those of our employees who are our, our subsidiaries' or the funds' officers and directors are each exposed to the risks of litigation specific to the funds' investment activities and portfolio companies and, in the case where our funds own controlling interests in public companies, to the risk of shareholder litigation by the public companies' other shareholders. Moreover, we are exposed to risks of litigation or investigation by investors or regulators relating to our having engaged, or our funds having engaged, in transactions that presented conflicts of interest that were not properly addressed.

Legal liability could have a material adverse effect on our businesses, financial condition or results of operations or cause reputational harm to us, which could harm our businesses. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain investors and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the investment industry in general, whether or not valid, may harm our reputation, which may be damaging to our businesses.

In addition, the laws and regulations governing the limited liability of such issuers and portfolio companies vary from jurisdiction to jurisdiction, and in certain contexts the laws of certain jurisdictions may provide not only for carve-outs from limited liability protection for the issuer or portfolio company that has incurred the liabilities, but also for recourse to assets of other entities under common control with, or that are part of the same economic group as, such issuer. For example, if one of our portfolio companies is subject to bankruptcy or insolvency proceedings in a jurisdiction and is found to have liabilities under the local consumer protection, labor, tax or bankruptcy laws, the laws of that jurisdiction may permit authorities or creditors to file a lien on, or to otherwise have recourse to, assets held by other portfolio companies (including assets held by us) in that jurisdiction. There can be no assurance that we will not be adversely affected as a result of the foregoing risks.

Employee misconduct could harm us by impairing our ability to attract and retain investors and subjecting us to significant legal liability, regulatory scrutiny and reputational harm.

Our ability to attract and retain investors and to pursue investment opportunities for our funds depends heavily upon the reputation of our professionals, especially our senior professionals. We are subject to a number of obligations and standards arising from our investment management business and our authority over the assets managed by our investment management business.

Further, our employees are subject to various internal policies including a Code of Ethics and policies covering information systems, business continuity and information security. The violation of these obligations, standards and policies by any of our employees could adversely affect investors in our funds and us. Our businesses often require that we deal with confidential matters of great significance to companies in which our funds may invest. If our employees or former employees were to use or disclose confidential information improperly, we could suffer serious harm to our reputation, financial position and current and future business relationships. Employee misconduct could also include, among other things, binding us to transactions that exceed authorized limits or present unacceptable risks and other unauthorized activities or concealing unsuccessful investments (which, in either case, may result in unknown and unmanaged risks or losses), or otherwise charging (or seeking to charge) inappropriate expenses.

It is not always possible to detect or deter employee misconduct, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If one or more of our employees or former employees were to engage in misconduct or were to be accused of such misconduct, our businesses and our reputation could be adversely affected and a loss of investor confidence could result, which would adversely impact our ability to raise future funds.

Fraud and other deceptive practices or other misconduct at our portfolio companies, properties or projects could similarly subject us to liability and reputational damage and also harm our businesses.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom significantly expanded the reach of its anti-bribery law with the creation of the U.K. Bribery Act of 2010 (the "UK Bribery Act"). The UK Bribery Act prohibits companies that conduct business in the United Kingdom and their employees and representatives from giving, offering or promising bribes to any person, including non-UK government officials, as well as requesting, agreeing to receive or accepting bribes from any person. Under the UK Bribery Act, companies may be held liable for failing to prevent their employees and associated persons from violating the UK Bribery Act. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA and UK Bribery Act, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA, the UK Bribery Act or other applicable anti-corruption laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects, financial position or the market value of our common shares.

In addition, we could be adversely affected as a result of actual or alleged misconduct by personnel of portfolio companies, properties or projects in which our funds invest. For example, failures by personnel at our portfolio companies, properties or projects to comply with anti-bribery, trade sanctions, Federal Energy Regulatory Commission or Environmental Protection Agency regulations or other legal and regulatory requirements could expose us to litigation or regulatory action and otherwise adversely affect our businesses and reputation. Such misconduct could negatively affect the valuation of a fund's investments and consequently affect our funds' performance and negatively impact our businesses.

Our use of leverage to finance our businesses exposes us to substantial risks.

As of December 31, 2017, we had $210.0 million of borrowings outstanding under our credit facility (the "Credit Facility") and $406.2 million aggregate principal amount of senior notes outstanding. We may choose to finance our businesses operations through further borrowings under the Credit Facility or by issuing additional debt. Our existing and future indebtedness exposes us to the typical risks associated with the use of leverage, including the same risks that are applicable to our funds that use leverage as discussed below under "-Risks Related to Our Funds-Dependence on significant leverage in investments by our funds subjects us to volatility and contractions in the debt financing markets and could adversely affect our ability to achieve attractive rates of return on those investments." The occurrence or continuation of any of these events or trends could cause us to suffer a decline in the credit ratings assigned to our debt by rating agencies, which would cause the interest rate applicable to borrowings under the Credit Facility to increase and could result in other material adverse effects on our businesses. We depend on financial institutions extending credit to us on terms that are reasonable to us. There is no guarantee that such institutions will continue to extend credit to us or renew any existing credit agreements we may have with them, or that we will be able to refinance outstanding facilities when they mature. [In addition, the incurrence of additional debt in the future could result in potential downgrades of our existing corporate credit ratings, which could limit the availability of future financing and/or increase our cost of borrowing.] Furthermore, our Credit Facility and the indenture governing our senior notes contain certain covenants with which we need to comply. Non-compliance with any of the covenants without cure or waiver would constitute an event of default, and an event of default resulting from a breach of certain covenants could result, at the option of the lenders, in an acceleration of the principal and interest outstanding. In addition, if we incur additional debt, our credit rating could be adversely impacted.

Borrowings under the Credit Facility will mature in February 2022 and the senior notes mature in October 2024. As these borrowings and other indebtedness mature (or are otherwise repaid prior to their scheduled maturities), we may be required to

either refinance them by entering into new facilities or issuing additional debt, which could result in higher borrowing costs, or issuing equity, which would dilute existing shareholders. We could also repay these borrowings by using cash on hand, cash provided by our continuing operations or cash from the sale of our assets, which could reduce distributions to our common shareholders. We may be unable to enter into new facilities or issue debt or equity in the future on attractive terms, or at all. Borrowings under the Credit Facility are LIBOR-based obligations. As a result, an increase in short-term interest rates will increase our interest costs if such borrowings have not been hedged into fixed rates.

The risks related to our use of leverage may be exacerbated by our funds' use of leverage to finance investments. See "-Risks Related to Our Funds-Dependence on significant leverage in investments by our funds subjects us to volatility and contractions in the debt financing markets and could adversely affect our ability to achieve attractive rates of returns on those investments."

Operational risks may disrupt our businesses, result in losses or limit our growth.

We face operational risk from errors made in the execution, confirmation or settlement of transactions. We also face operational risk from transactions and key data not being properly recorded, evaluated or accounted for in our funds. In particular, our Credit Group, and to a lesser extent our Private Equity Group, are highly dependent on our ability to process and evaluate, on a daily basis, transactions across markets and geographies in a time-sensitive, efficient and accurate manner. Consequently, we rely heavily on our financial, accounting and other data processing systems. New investment products we may introduce could create a significant risk that our existing systems may not be adequate to identify or control the relevant risks in the investment strategies employed by such new investment products.

In addition, we operate in a business that is highly dependent on information systems and technology. Our information systems and technology may not continue to be able to accommodate our growth, particularly our growth internationally, and the cost of maintaining the systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to the information systems, could have a material adverse effect on our business and results of operations.

Furthermore, our headquarters and a substantial portion of our personnel are located in Los Angeles. An earthquake or other disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications, our internal human resources systems or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, could have a material adverse effect on our ability to continue to operate our businesses without interruption. Although we have disaster recovery programs in place, these may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Finally, we rely on third-party service providers for certain aspects of our businesses, including for certain information systems, technology and administration of our funds and compliance matters. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of our funds' operations and could impact our reputation, adversely affect our businesses and limit our ability to grow.

Risks Related to Our Funds

The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our common shares.

The historical performance of our funds is relevant to us primarily insofar as it is indicative of performance fees we have earned in the past and may earn in the future and our reputation and ability to raise new funds. The historical and potential returns of the funds we advise are not, however, directly linked to returns on our common shares. Therefore, holders of our common shares should not conclude that positive performance of the funds we advise will necessarily result in positive returns on an investment in common shares. However, poor performance of the funds we advise would likely cause a decline in our revenues and would therefore likely have a negative effect on our operating results and returns on our common shares. An investment in our shares is not an investment in any of our funds. Also, there is no assurance that projections in respect of our funds or unrealized valuations will be realized.

Moreover, the historical returns of our funds should not be considered indicative of the future returns of these or from any future funds we may raise, in part because:

- market conditions during previous periods may have been significantly more favorable for generating positive performance than the market conditions we may experience in the future;
- our funds' rates of returns, which are calculated on the basis of net asset value of the funds' investments, reflect unrealized gains, which may never be realized;
- our funds' returns have previously benefited from investment opportunities and general market conditions that may not recur, including the availability of debt capital on attractive terms and the availability of distressed debt opportunities, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly;
- the historical returns that we present in this Annual Report on Form 10-K derive largely from the performance of our earlier funds, whereas future fund returns will depend increasingly on the performance of our newer funds or funds not yet formed, which may have little or no realized investment track record;
- our funds' historical investments were made over a long period of time and over the course of various market and macroeconomic cycles, and the circumstances under which our current or future funds may make future investments may differ significantly from those conditions prevailing in the past;
- the attractive returns of certain of our funds have been driven by the rapid return of invested capital, which has not occurred with respect to all of our funds and we believe is less likely to occur in the future;
- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in alternative funds and high liquidity in debt markets, and the increased competition for investments may reduce our returns in the future; and
- our newly established funds may generate lower returns during the period that they take to deploy their capital.

The future internal rate of return for any current or future fund may vary considerably from the historical internal rate of return generated by any particular fund, or for our funds as a whole. Future returns will also be affected by the risks described elsewhere in this Annual Report on Form 10-K, including risks of the industries and businesses in which a particular fund invests.

Valuation methodologies for certain assets can be subject to significant subjectivity, and the values of assets may never be realized.

Many of the investments in our funds are illiquid and thus have no readily ascertainable market prices. We value these investments based on our estimate, or an independent third party's estimate, of their fair value as of the date of determination, which often involves significant subjectivity. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. We estimate the fair value of our investments based on third-party models, or models developed by us, which include discounted cash flow analyses and other techniques and may be based, at least in part, on independently sourced market parameters. The material estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, the timing of and the estimated proceeds from expected financings, some or all of which factors may be ascribed more or less weight in light of the particular circumstances. The actual results related to any particular investment often vary materially as a result of the inaccuracy of these estimates and assumptions. In addition, because many of the illiquid investments held by our funds are in industries or sectors which are unstable, in distress or undergoing some uncertainty, such investments are subject to rapid changes in value caused by sudden company-specific or industry-wide developments.

We include the fair value of illiquid assets in the calculations of net asset values, returns of our funds and our assets under management. Furthermore, we recognize performance fees from affiliates based in part on these estimated fair values. Because these valuations are inherently uncertain, they may fluctuate greatly from period to period. Also, they may vary greatly from the prices that would be obtained if the assets were to be liquidated on the date of the valuation and often do vary greatly from the prices we eventually realize; as a result, there can be no assurance that such unrealized valuations will be fully or timely realized.

In addition, the values of our investments in publicly traded assets are subject to significant volatility, including due to a number of factors beyond our control. These include actual or anticipated fluctuations in the quarterly and annual results of these companies or other companies in their industries, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions or government regulations, changes in management or capital structure and significant acquisitions and dispositions. Because the market prices of these securities can be volatile, the valuations of these assets change from period to period, and the valuation for any particular period may not be realized at the time of disposition. In addition, because our funds often hold large positions in their portfolio companies, the disposition of these securities often is delayed for, or takes place over, long periods of time, which can further expose us to volatility risk. Even if we hold a quantity of public securities that may be difficult to sell in a single transaction, we do not discount the market price of the security for purposes of our valuations.

Although we frequently engage independent third parties to perform the foregoing valuations, the valuation process remains inherently subjective for the reasons described above.

If we realize value on an investment that is significantly lower than the value at which it was reflected in a fund's net asset values, we would suffer losses in the applicable fund. This could in turn lead to a decline in asset management fees and a loss equal to the portion of the performance fees from affiliates reported in prior periods that was not realized upon disposition. These effects could become applicable to a large number of our investments if our estimates and assumptions used in estimating their fair values differ from future valuations due to market developments. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Segment Analysis" for information related to fund activity that is no longer consolidated. If asset values turn out to be materially different than values reflected in fund net asset values, fund investors could lose confidence which could, in turn, result in difficulties in raising additional investments.

Market values of debt instruments and publicly traded securities that our funds hold as investments may be volatile.

The market prices of debt instruments and publicly traded securities held by some of our funds may be volatile and are likely to fluctuate due to a number of factors beyond our control, including actual or anticipated changes in the profitability of the issuers of such securities, general economic, social or political developments, changes in industry conditions, changes in government regulation, shortfalls in operating results from levels forecast by securities analysts, inflation and rapid fluctuations in inflation rates and the general state of the securities markets as described above under "Risks Related to Our Business-Difficult market and political conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow and adversely affect our financial prospects and condition," and other material events, such as significant management changes, financings, re-financings, securities issuances, acquisitions and dispositions. The value of publicly traded securities in which our funds invest may be particularly volatile as a result of these factors. In addition, debt instruments that are held by our funds to maturity or for long terms must be "marked-to-market" periodically, and their values are therefore vulnerable to interest rate fluctuations and the changes in the general state of the credit environment, notwithstanding their underlying performance. Changes in the values of these investments may adversely affect our investment performance and our results of operations.

Our funds depend on investment cycles, and any change in such cycles could have an adverse effect on our investment prospects.

Cyclicality is important to our businesses. Weak economic environments have often provided attractive investment opportunities and strong relative investment performance. For example, the relative performance of our high yield bond strategy has typically been strongest in difficult times when default rates are highest, and our distressed debt and control investing funds have historically identified investment opportunities during downturns in the economy when credit is not as readily available. Conversely, we tend to realize value from our investments in times of economic expansion, when opportunities to sell investments may be greater. Thus, we depend on the cyclicality of the market to sustain our businesses and generate attractive risk-adjusted returns over extended periods. Any significant ongoing volatility or prolonged economic expansion or recession could have an adverse impact on certain of our funds and materially affect our ability to deliver attractive investment returns or generate incentive or other income.

Dependence on significant leverage in investments by our funds subjects us to volatility and contractions in the debt financing markets and could adversely affect our ability to achieve attractive rates of return on those investments.

Some of our funds and their investments rely on the use of leverage, and our ability to achieve attractive rates of return on investments will depend on our ability to access sufficient sources of indebtedness at attractive rates. If our funds or the companies in which our funds invest raise capital in the structured credit, leveraged loan and high yield bond markets, the results

of their operations may suffer if such markets experience dislocations, contractions or volatility. Any such events could adversely impact the availability of credit to businesses generally and could lead to an overall weakening of the U.S. and global economies.

Recently, the credit markets have experienced heightened volatility. Interest rates have increased, and the Federal Reserve has raised the federal funds rate on multiple occasions since 2015, with ongoing increases expected. Further, many other economies are experiencing weakness, with tighter credit conditions and a decreased availability of foreign capital. These developments have caused borrowing costs to rise and decreased the availability of leverage and the attractiveness of the terms on which we, our funds and our portfolio companies were able to obtain debt financing. Furthermore, some of the provisions under the Tax Cuts and Jobs Act could have a negative impact on the cost of financing and dampen the attractiveness of credit. Significant ongoing volatility or a protracted economic downturn could adversely affect the financial resources of our funds and their investments (in particular those investments that depend on credit from third parties or that otherwise participate in the credit markets) and their ability to make principal and interest payments on, or refinance, outstanding debt when due. Moreover, these events could affect the terms of available debt financing with, for example, higher rates, higher equity requirements and/or more restrictive covenants, particularly in the area of acquisition financings for leveraged buyout and real estate assets transactions.

The absence of available sources of sufficient debt financing for extended periods of time or an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. Future increases in interest rates could also make it more difficult to locate and consummate investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance investments often includes high yield debt securities issued in the capital markets. Availability of capital from the high yield debt markets is subject to significant volatility, and there may be times when we are unable to access those markets at attractive rates, or at all, when completing an investment. Certain investments may also be financed through borrowings on fund-level debt facilities, which may or may not be available for a refinancing at the end of their respective terms. Finally, the interest payments on the indebtedness used to finance our funds' investments are generally deductible expenses for income tax purposes under current law, subject to limitations under applicable tax law and policy. The Tax Cuts and Jobs Act imposes additional limitations on the deductibility of net business interest expenses, and any future change in tax law or policy could reduce the after-tax rates of return on the affected investments, which may have an adverse impact on our businesses and financial results. See "-Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States."

In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could reduce the performance and investment income earned by us. Similarly, our funds' portfolio companies regularly utilize the corporate debt markets to obtain financing for their operations. If the credit markets continue to render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns of our funds. In addition, if the markets make it difficult or impossible to refinance debt that is maturing in the near term, some of our portfolio companies may be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection. Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

When our funds' existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have not generated sufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. A persistence of the limited availability of financing for such purposes for an extended period of time when significant amounts of the debt incurred to finance our funds' existing portfolio investments becomes due could have a material adverse effect on these funds.

Our funds may choose to use leverage as part of their respective investment programs and certain funds, particularly in our Credit Group, regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or may enter into derivative transactions with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost, and the timing and magnitude of such losses may be accelerated or exacerbated, in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings. In addition, as a business development company registered under the Investment Company Act, ARCC is permitted to incur indebtedness or issue senior

securities only in amounts such that its asset coverage ratio equals at least 200% after each such issuance or issuance. ARCC’s ability to pay dividends will be restricted if its asset coverage ratio falls below at least 200% and any amounts that it uses to service its indebtedness are not available for dividends to its common stockholders. An increase in interest rates could also decrease the value of fixed-rate debt investments that our funds make. Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

Some of our funds may invest in companies that are highly leveraged, which may increase the risk of loss associated with those investments.

Some of our funds may invest in companies whose capital structures involve significant leverage. For example, in many non-distressed private equity investments, indebtedness may be as much as 75% or more of a portfolio company’s or real estate asset’s total debt and equity capitalization, including debt that may be incurred in connection with the investment, whether incurred at or above the investment-level entity. In distressed situations, indebtedness may exceed 100% or more of a portfolio company’s capitalization. Additionally, the debt positions acquired by our funds may be the most junior in what could be a complex capital structure, and thus subject us to the greatest risk of loss.

Investments in highly leveraged entities are also inherently more sensitive to declines in revenues, increases in expenses and interest rates and volatile or adverse economic, market and industry developments. Furthermore, the incurrence of a significant amount of indebtedness by an entity could, among other things:

- subject the entity to a number of restrictive covenants, terms and conditions, any violation of which could be viewed by creditors as an event of default and could materially impact our ability to realize value from the investment;
- allow even moderate reductions in operating cash flow to render the entity unable to service its indebtedness, leading to a bankruptcy or other reorganization of the entity and a loss of part or all of our fund’s equity investment in it;
- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity’s ability to respond to changing industry conditions if additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity’s ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors that have relatively less debt;
- limit the entity’s ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity’s ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt. For example, a number of investments consummated by private equity sponsors during 2005, 2006 and 2007 that utilized significant amounts of leverage subsequently experienced severe economic stress and, in certain cases, defaulted on their debt obligations due to a decrease in revenues and cash flow precipitated by the subsequent economic downturn during 2008 and 2009. Similarly, the leveraged nature of the investments of our real estate funds increases the risk that a decline in the fair value of the underlying real estate or tangible assets will result in their abandonment or foreclosure. In addition, for taxable years beginning after December 31, 2017, the Tax Cuts and Jobs Act imposes significant limitations on the deductibility of interest expense for U.S. federal income tax purposes, which could adversely affect highly leveraged companies.

Many of our funds invest in assets that are high risk, illiquid or subject to restrictions on transfer and we may fail to realize any profits from these activities ever or for a considerable period of time.

Many of our funds invest in securities that are not publicly traded. In many cases, our funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our funds generally cannot sell these securities publicly unless either their sale is registered under applicable securities laws or an exemption from such registration is available. Accordingly, our funds may be forced, under certain conditions, to sell securities at a loss. The ability of many of our funds, particularly our Private Equity Group funds, to dispose of these investments is heavily dependent on the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability of the portfolio company in which such investment is held to complete an initial public offering. Even if the securities are publicly traded, large holdings of securities

can often be disposed of only over a substantial period of time. Moreover, because the investment strategy of many of our funds, particularly our Private Equity Group funds, often entails our having representation on our funds' public portfolio company boards, our funds can effect such sales only during limited trading windows, exposing the investment returns to risks of downward movement in market prices during the intended disposition period. In addition, our Credit Group funds may hold investments in portfolio companies of such Private Equity Group funds on which we have board representation and be restricted for extended periods of time from selling their investments. As such, we may fail to realize any profits from our investments in the funds that hold these securities for a considerable period of time or at all, and we may lose some or all of the principal amount of our investments.

Certain of our funds utilize special situation and distressed debt investment strategies that involve significant risks.

Certain of the funds in our Credit and Private Equity Groups invest in obligors and issuers with weak financial conditions, poor operating results, substantial financing needs, negative net worth and/or special competitive problems. These funds also invest in obligors and issuers that are involved in bankruptcy or reorganization proceedings. In such situations, it may be difficult to obtain full information as to the exact financial and operating conditions of these obligors and issuers. Additionally, the fair values of such investments are subject to abrupt and erratic market movements and significant price volatility if they are publicly traded securities, and are subject to significant uncertainty in general if they are not publicly traded securities. Furthermore, some of our funds' distressed investments may not be widely traded or may have no recognized market. A fund's exposure to such investments may be substantial in relation to the market for those investments, and the assets are likely to be illiquid and difficult to sell or transfer. As a result, it may take a number of years for the market value of such investments to ultimately reflect their intrinsic value as perceived by us.

A central feature of our distressed investment strategy is our ability to effectively anticipate the occurrence of certain corporate events, such as debt and/or equity offerings, restructurings, reorganizations, mergers, takeover offers and other transactions, that we believe will improve the condition of the business. Similarly, we perform significant analysis of the company's capital structure, operations, industry and ability to generate income, as well as market valuation of the company and its debt, and develop a strategy with respect to a particular distressed investment based on such analysis. In furtherance of that strategy our funds seek to identify the best position in the capital structure in which to invest. If the relevant corporate event that we anticipate is delayed, changed or never completed, or if our analysis or investment strategy is inaccurate, the market price and value of the applicable fund's investment could decline sharply.

In addition, these investments could subject a fund to certain potential additional liabilities that may exceed the value of its original investment. Under certain circumstances, payments or distributions on certain investments may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. In addition, under certain circumstances, a lender that has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In the case where the investment in securities of troubled companies is made in connection with an attempt to influence a restructuring proposal or plan of reorganization in bankruptcy, our funds may become involved in substantial litigation.

Our funds may be unable to deploy capital at a steady and consistent pace, which could have an adverse effect on our results of operations and future fundraising.

The pace and consistency of our funds' capital deployment has been, and may in the future continue to be, affected by a range of factors, primarily market conditions and regulatory developments, that are beyond our control. For example, in 2016 our corporate Private Equity Group funds deployed less capital than in prior years as they exercised patience amid elevated purchase price multiples. Similarly, our special situations funds may not deploy as much capital as they target due to changing market conditions and the distressed investment opportunities available. During the same period, our AUM not yet earning fees, which we refer to as our "shadow" AUM, increased due to ongoing fundraising. While this "shadow" AUM represents significant future fee-earning potential, our inability to deploy this capital on the timeframe we expect, or at all, and on terms that we believe are attractive, would reduce or delay the management and performance fees that we would otherwise expect to earn on this capital. Any such reduction or delay would impair our ability to offset investments in additional resources that we often make to manage new capital, including hiring additional professionals. Moreover, we could be delayed in raising successor funds. The impact of any such reduction or delay would be particularly adverse with respect to funds where management fees are paid on invested capital. Any of the foregoing could have a material adverse effect on our results of operations and growth.

Certain of the funds or accounts we advise or manage are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code, and our businesses could be adversely affected if certain of our other funds or accounts fail to satisfy an exception under the "plan assets" regulation under ERISA.

Certain of the funds and accounts we advise or manage are subject to the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code. For example, we currently manage some of our funds or accounts as "plan assets" under ERISA. With respect to these funds or accounts, this results in the application of the fiduciary responsibility standards of ERISA to investments made by such funds or accounts, including the requirement of investment prudence and diversification, and the possibility that certain transactions that we enter into, or may have entered into, on behalf of these funds or accounts, in the normal course of business, might constitute or result in, or have constituted or resulted in, non-exempt prohibited transactions under Section 406 of ERISA or Section 4975 of the Code. A non-exempt prohibited transaction, in addition to imposing potential liability upon fiduciaries of an ERISA plan, may also result in the imposition of an excise tax under the Code upon a "party in interest" (as defined in ERISA) or "disqualified person" (as defined in the Code) with whom we engaged in the transaction. Some of our other funds or accounts currently qualify as venture capital operating companies ("VCOCs") or rely on another exception under the "plan assets" regulation under ERISA and therefore are not subject to the fiduciary requirements of ERISA with respect to their assets. However, if these funds or accounts fail to satisfy the VCOC requirements for any reason, including as a result of an amendment of the relevant regulations by the U.S. Department of Labor, or another exception under the "plan assets" regulation under ERISA, such failure could materially interfere with our activities in relation to these funds or accounts or expose us to risks related to our failure to comply with the applicable requirements.

Our funds may be liable for the underfunded pension liabilities of their portfolio companies.

Under ERISA, members of certain "controlled groups" of "trades or businesses" may be jointly and severally liable for contributions required under any member's tax-qualified defined benefit pension plan and under certain other benefit plans. Similarly, if any member's tax-qualified defined benefit pension plan were to terminate, underfunding at termination would be the joint and several responsibility of all controlled group members, including members whose employees did not participate in the terminated plan. Similarly, joint and several liability may be imposed for certain pension plan related obligations in connection with the complete or partial withdrawal by an employer from a multiemployer pension plan. Depending on a number of factors, including the level of ownership held by our funds in a particular portfolio company, a fund may be considered to be a member of a portfolio company's "controlled group" for this purpose, and thus may be liable for the underfunded pension liabilities of such portfolio company.

In Sun Capital Partn *ers III L.P. v. New England Teamster and Trucking Industry Pension Fund,* the First Circuit Court of Appeal held that a fund was engaged in a "trade or business" with a portfolio company for purposes of the ERISA rules and was thus liable for underfunded pension liabilities. If this decision is applied generally to private equity investing, our funds could be exposed to liability for certain benefit plan contributions, a liability that could be significant if the portfolio company's pension plan is significantly underfunded.

Our funds' performance, and our performance, may be adversely affected by the financial performance of our portfolio companies and the industries in which our funds invest.

Our performance and the performance of our funds are significantly impacted by the value of the companies in which our funds have invested. Our funds invest in companies in many different industries, each of which is subject to volatility based upon economic and market factors. The credit crisis between mid-2007 and the end of 2009 caused significant fluctuations in the value of securities held by our funds and the recent global economic recession had a significant impact in overall performance activity and the demands for many of the goods and services provided by portfolio companies of the funds we advise. Although the U.S. economy has registered eight consecutive years of growth in real GDP, there remain many obstacles to continued growth in the economy such as global geopolitical events, risks of inflation or deflation, rising interest rates and high debt levels, both public and private. These factors and other general economic trends are likely to affect the performance of portfolio companies in many industries and, in particular, industries that anticipated that the GDP in developed economies would quickly return to pre-crisis trend. The performance of our funds, and our performance, may be adversely affected if our fund portfolio companies in these industries experience adverse performance or additional pressure due to downward trends.

The performance of our investments with underlying exposure to the commodities markets is also subject to a high degree of business and market risk, as it is dependent upon prevailing prices of commodities such as oil, natural gas and coal. Prices for oil and natural gas, for example, are subject to wide fluctuation in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control, such as level of consumer product demand, the refining capacity of oil purchasers, weather conditions, government regulations, the price and availability of alternative fuels, political conditions, foreign supply of such commodities and overall economic conditions. It is common in making

investments with underlying exposure to the commodities markets to deploy hedging strategies to protect against pricing fluctuations but such strategies may or may not protect our investments. Declining global commodity prices have impacted the value of securities held by our funds. Continued volatility could result in lower returns than we anticipated at the time certain of our investments were made.

In respect of real estate, even though the U.S. residential real estate market has recently shown signs of stabilizing from a lengthy and deep downturn, various factors could halt or limit a recovery in the housing market and have an adverse effect on investment performance, including, but not limited to, rising mortgage interest rates, a low level of confidence in the economic recovery or the residential real estate market and recent U.S. tax law changes which limit the amount of itemized deductions for mortgage interest as well as state and local income tax.

Third-party investors in certain of our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund's operations and performance.

Investors in certain of our funds make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling and honoring their commitments when we call capital from them for those funds to consummate investments and otherwise pay their obligations when due. Any investor that did not fund a capital call would be subject to several possible penalties, including having a meaningful amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may also negotiate for lesser or reduced penalties at the outset of the fund, thereby limiting our ability to enforce the funding of a capital call. Third-party investors in private equity and real estate funds typically use distributions from prior investments to meet future capital calls. In cases where valuations of existing investments fall and the pace of distributions slows, investors may be unable to make new commitments to third-party managed investment funds such as those advised by us. A failure of investors to honor a significant amount of capital calls for any particular fund or funds could have a material adverse effect on the operation and performance of those funds.

Our funds make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.

Some of our funds invest a portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States, including Europe and Asia, while certain of our funds invest substantially all of their assets in these types of securities, and we expect that international investments will increase as a proportion of certain of our funds' portfolios in the future. Investments in non-U.S. securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to:

- our funds' abilities to exchange local currencies for U.S. dollars and other currency exchange matters, including fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- controls on, and changes in controls on, foreign investment and limitations on repatriation of invested capital;
- less developed or less efficient financial markets than exist in the United States, which may lead to price volatility and relative illiquidity;
- the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation;
- changes in laws or clarifications to existing laws that could impact our tax treaty positions, which could adversely impact the returns on our investments;
- differences in legal and regulatory environments, particularly with respect to bankruptcy and reorganization, labor and employment laws, less developed corporate laws regarding fiduciary duties and the protection of investors and less reliable judicial systems to enforce contracts and applicable law;
- political hostility to investments by foreign or private equity investors;
- less publicly available information in respect of companies in non-U.S. markets;

- reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms;
- higher rates of inflation;
- higher transaction costs;
- difficulty in enforcing contractual obligations;
- fewer investor protections;
- certain economic and political risks, including potential exchange control regulations and restrictions on our non-U.S. investments and repatriation of capital, potential political, economic or social instability, the possibility of nationalization or expropriation or confiscatory taxation and adverse economic and political developments; and
- the imposition of non-U.S. taxes or withholding taxes on income and gains recognized with respect to such securities.

While our funds will take these factors into consideration in making investment decisions, including when hedging positions, there can be no assurance that adverse developments with respect to these risks will not adversely affect our funds that invest in securities of non-U.S. issuers. In addition, certain of these funds are managed outside the United States, which may increase the foregoing risks. The Tax Cuts and Jobs Act imposes a one-time tax on a U.S. shareholder's pro rata share of net accumulated untaxed earnings and profits of certain foreign subsidiaries (measured as of November 2, 2017 or December 31, 2017, whichever is greater). In addition, the Tax Cuts and Jobs Act also taxes (at reduced rates) U.S. shareholders on their pro rata share of "global intangible low-taxed income" earned in taxable years beginning after December 31, 2017 by certain of their foreign subsidiaries (generally the excess of an implied 10% rate of return on the subsidiaries' adjusted bases in tangible business assets), regardless of whether the underlying earnings are repatriated.

Many of our funds make investments in companies that we do not control.

Investments by many of our funds will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer. In addition, our funds may seek to acquire minority equity interests more frequently and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. Furthermore, while certain of our funds may make "toe-hold" distressed debt investments in a company with the intention of obtaining control, there is no assurance that a control position may be obtained and such fund may retain a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of the investments held by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

Increased regulatory scrutiny and uncertainty with regard to expense allocation may increase risk of harm.

While we historically have and will continue to allocate the expenses of our funds in good faith and in accordance with the terms of the relevant fund agreements and our expense allocation policy in effect from time to time, due to increased regulatory scrutiny of expense allocation policies in the private investment funds realm, there is no guarantee that our policies and practices will not be challenged by our supervising regulatory bodies. If our supervising regulators were to determine that we have improperly allocated such expenses, we could be required to refund amounts to the funds and could be subject to regulatory censure, litigation from our fund investors and/or reputational harm, each of which could have a material adverse effect on our financial condition.

We may need to pay ""clawback" or "contingent repayment" obligations if and when they are triggered under the governing agreements with our funds.

Generally, if at the termination of a fund (and increasingly at interim points in the life of a fund), the fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, we will be obligated to repay an amount equal to the excess of amounts previously distributed to us over the amounts to which we are ultimately entitled. This obligation is known as a "clawback" or contingent repayment obligation. Due in part to our investment performance and the fact that our carried interest is generally determined on a liquidation basis, as of December 31, 2017, 2016 and 2015, if the funds were liquidated at their fair values at that date, there would have been no contingent repayment obligation or liability. There can be no assurance that we will not incur a contingent repayment obligation in the future. At December 31, 2017, 2016 and 2015, had we assumed all existing investments were worthless, the amount of carried interest, net of tax, subject to contingent repayment would

have been approximately $476.1 million , $418.3 million and $322.2 million, respectively, of which approximately $370.0 million , $323.9 million and $247.9 million, respectively, is reimbursable to the Company by certain professionals. Although a contingent repayment obligation is several to each person who received a distribution, and not a joint obligation, if a recipient does not fund his or her respective share of a contingent repayment obligation, we may have to fund such additional amounts beyond the amount of carried interest we retained, although we generally will retain the right to pursue remedies against those carried interest recipients who fail to fund their obligations. We may need to use or reserve cash to repay such contingent repayment obligations instead of using the cash for other purposes. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations-Contingent Obligations,” Note 2 “Summary of Significant Accounting Policies” and Note 13 “Commitments and Contingencies” to the consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.

We derive a substantial portion of our revenues from funds managed pursuant to management agreements that may be terminated or fund partnership agreements that permit fund investors to request liquidation of investments in our funds on short notice.

The terms of our funds generally give either the manager of the fund or the fund itself the right to terminate our investment management agreement with the fund. However, insofar as we control the general partners of our funds that are limited partnerships, the risk of termination of investment management agreement for such funds is limited, subject to our fiduciary or contractual duties as general partner. This risk is more significant for certain of our funds that have independent boards of directors.

With respect to our funds that are not exempt from registration under the Investment Company Act, each fund’s investment management agreement must be approved annually by (a) such fund’s board of directors or by the vote of a majority of such fund’s stockholders and (b) the majority of the independent members of such fund’s board of directors and, in certain cases, by its stockholders, as required by law. The funds’ investment management agreements can also be terminated by the majority of such fund’s stockholders. Termination of these agreements would reduce the fees we earn from the relevant funds, which could have a material adverse effect on our results of operations. Currently, ARDC, a registered investment company under the Investment Company Act, and ARCC, a registered investment company that has elected to be treated as a business development company under the Investment Company Act, are subject to these provisions of the Investment Company Act.

Third-party investors in many our funds have the right to remove the general partner of the fund and to terminate the investment period under certain circumstances. In addition, the investment management agreements related to our separately managed accounts may permit the investor to terminate our management of such accounts on short notice. These events would lead to a decrease in our revenues, which could be substantial.

The governing agreements of many of our funds provide that, subject to certain conditions, third-party investors in those funds have the right to remove the general partner of the fund or terminate the fund, including in certain cases without cause by a simple majority vote. Any such removal or dissolution could result in a cessation in management fees we would earn from such funds and/or a significant reduction in the expected amounts of performance fees from those funds. Performance fees could be significantly reduced as a result of our inability to maximize the value of investments by a fund during the liquidation process or in the event of the triggering of a “contingent repayment" obligation. Finally, the applicable funds would cease to exist after completion of liquidation and winding-up.

In addition, the governing agreements of many of our funds provide that, subject to certain conditions, third-party investors in those funds have the right to terminate the investment period of the fund, including in certain cases without cause. Such an event could have a significant negative impact on our revenue, net income and cash flow of such fund. The governing agreements of our funds may also provide that upon the occurrence of events, including in the event that certain “key persons” in our funds do not meet specified time commitments with regard to managing the fund, investors in those funds have the right to vote to terminate the investment period, including in certain cases by a simple majority vote in accordance with specified procedures. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us and could negatively impact our future fundraising efforts.

We currently manage a portion of investor assets through separately managed accounts whereby we earn management fees and performance fees, and we intend to continue to seek additional separately managed account mandates. The investment management agreements we enter into in connection with managing separately managed accounts on behalf of certain clients may in certain cases be terminated by such clients on as little as 30 days’ prior written notice. In addition, the boards of directors of the investment management companies we manage could terminate our advisory engagement of those companies on as little as 30 days’ prior written notice. ARCC’s investment management agreement can be terminated by the majority of its stockholders upon 60 days’ prior written notice. In the case of any such terminations, the management fees and performance fees we earn in

connection with managing such account or company would immediately cease, which could result in a significant adverse impact on our revenues.

In addition, if we were to experience a change of control (as defined under the Investment Advisers Act or as otherwise set forth in the partnership agreements of our funds), continuation of the investment management agreements of our funds would be subject to investor consent. There can be no assurance that required consents will be obtained if a change of control occurs. In addition, with respect to our funds that are subject to the Investment Company Act, each fund's investment management agreement must be approved annually (a) by such fund's board of directors or by a vote of the majority of such fund's stockholders and (b) by the independent members of such fund's board of directors and, in certain cases, by its stockholders, as required by law. Termination of these agreements would cause us to lose the management fees and performance fees we earn from such funds, which could have a material adverse effect on our results of operations.

A downturn in the global credit markets could adversely affect our CLO investments.

CLOs are subject to credit, liquidity, interest rate and other risks. From time to time, liquidity in the credit markets is reduced sometimes significantly, resulting in an increase in credit spreads and a decline in ratings, performance and market values for leveraged loans. We have significant exposure to these markets through our investments in our CLO funds. CLOs invest on a leveraged basis in loans or securities that are themselves highly leveraged investments in the underlying collateral, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to unlevered investments. As a result of such funds' leveraged position, CLOs and their investors are at greater risk of suffering losses. CLOs have failed in the past and may in the future fail one or more of their "overcollateralization" tests. The failure of one or more of these tests will result in reduced cash flows that may have been otherwise available for distribution to us. This could reduce the value of our investment. There can be no assurance that market conditions giving rise to these types of consequences will not once again occur, subsist or become more acute in the future.

Our funds may face risks relating to undiversified investments.

While diversification is generally an objective of our funds, there can be no assurance as to the degree of diversification, if any, that will be achieved in any fund investments. Difficult market conditions or volatility or slowdowns affecting a particular asset class, geographic region, industry or other category of investment could have a significant adverse impact on a fund if its investments are concentrated in that area, which would result in lower investment returns. This lack of diversification may expose a fund to losses disproportionate to market declines in general if there are disproportionately greater adverse price movements in the particular investments. If a fund holds investments concentrated in a particular issuer, security, asset class or geographic region, such fund may be more susceptible than a more widely diversified investment partnership to the negative consequences of a single corporate, economic, political or regulatory event. Accordingly, a lack of diversification on the part of a fund could adversely affect a fund's performance and, as a result, our financial condition and results of operations.

The performance of our investments may fall short of our expectations and the expectations of the investors in our funds.

Before making investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. The due diligence investigation that we will carry out with respect to an investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity.

Once we have made an investment in a portfolio company, our funds generally establish the capital structure on the basis of financial projections prepared by the management of such portfolio company. These projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. General economic conditions, which are not predictable, along with other factors, may cause actual performance to fall short of the projections.

Additionally, we may cause our funds to acquire an investment that is subject to contingent liabilities. Such contingent liabilities could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for our funds. In addition, in connection with the disposition of an investment in a portfolio company, a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. A fund may also be required to indemnify the purchasers of such investment if any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a fund, even after the disposition of an investment. Accordingly, the inaccuracy of representations and warranties made by a fund could harm such fund's performance.

Our funds may be forced to dispose of investments at a disadvantageous time.

Our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have only a limited ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

Our real estate funds are subject to the risks inherent in the ownership and operation of real estate and the construction and development of real estate.

Investments in our real estate funds will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. These risks include the following:

- those associated with the burdens of ownership of real property;
- general and local economic conditions;
- changes in supply of and demand for competing properties in an area (as a result, for example, of overbuilding);
- fluctuations in the average occupancy and room rates for hotel properties;
- the financial resources of tenants;
- changes in building, environmental and other laws;
- energy and supply shortages;
- various uninsured or uninsurable risks;
- liability for "slip-and-fall" and other accidents on properties held by our funds;
- natural disasters;
- changes in government regulations (such as rent control and tax laws);
- changes in real property tax and transfer tax rates;
- changes in interest rates;
- the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable;
- negative developments in the economy that depress travel activity;
- environmental liabilities;
- contingent liabilities on disposition of assets;
- unexpected cost overruns in connection with development projects;
- terrorist attacks, war and other factors that are beyond our control; and
- dependence on local operating partners.

Although real estate values have generally rebounded with the rest of the economy, other than certain high profile assets in the best markets, various factors could halt or limit a recovery in the housing market.

If our real estate funds acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. Additionally, our funds' properties may be managed by a third party, which makes us dependent upon such third parties and subjects us to risks associated with the actions of such third parties. Any of these factors may cause the value of the investments in our real estate funds to decline, which may have a material impact on our results of operations.

Certain of our funds invest in the energy sector which is subject to significant market volatility. As such, the performance of investments in the energy sector is subject to a high degree of business and market risk.

The energy companies in which certain of our funds invest have been and will be negatively impacted by material declines in energy related commodity prices and are subject to other risks, including among others, supply and demand risk, operational risk, regulatory risk, depletion risk, reserve risk and catastrophic event risk. Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic production and international production, policies implemented by the Organization of Petroleum Exporting Countries, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems.

Hedging strategies may adversely affect the returns on our funds' investments.

When managing our exposure to market risks, we may (on our own behalf or on behalf of our funds) from time to time use forward contracts, options, swaps, caps, collars, floors, foreign currency forward contracts, currency swap agreements, currency option contracts or other strategies. Currency fluctuations in particular can have a substantial effect on our cash flow and financial condition. The success of any hedging or other derivative transactions generally will depend on our ability to correctly predict market or foreign exchange changes, the degree of correlation between price movements of a derivative instrument and the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while we may enter into a transaction to reduce our exposure to market or foreign exchange risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

While such hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral at a time when a fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, that reduce the returns generated by a fund. Finally, the CFTC has made several public statements that it may soon issue a proposal for certain foreign exchange products to be subject to mandatory clearing, which could increase the cost of entering into currency hedges.

Risks Related to Our Organization and Structure

If we were deemed to be an "investment company" under the Investment Company Act, applicable restrictions could make it impractical for us to continue our businesses as contemplated and could have a material adverse effect on our businesses.

An entity will generally be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing investment management services and not primarily in the business of investing, reinvesting or trading in securities. We hold ourselves out as an asset management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that we are an "orthodox" investment company as defined in Section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above. Furthermore, we have no material assets other than interests in certain direct and indirect wholly owned subsidiaries (within the meaning of the Investment Company Act), which in turn have no material assets other than partnership units in the Ares Operating Group entities. These wholly owned subsidiaries are the general partners of certain of the Ares Operating Group entities and are vested with all management and control over such Ares Operating Group entities. We do not believe that the equity interests of Ares Management, L.P. in its wholly owned subsidiaries or the partnership units of these wholly owned subsidiaries in the Ares Operating Group entities are investment securities. Moreover, because we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities, we believe that less than 40% of Ares Management, L.P.'s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are composed of assets that could be considered investment securities. Accordingly, we do not believe that Ares Management, L.P. is an inadvertent investment company by virtue of the 40% test in Section 3(a)(1)(C) of the Investment Company Act as described in the second bullet point above.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act. If anything were to happen that would cause us to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on capital structure, the ability to transact business with affiliates and the ability to compensate senior employees, could make it impractical for us to continue our businesses as currently conducted, impair the agreements and arrangements between and among the Ares Operating Group, us, our funds and our senior management, or any combination thereof, and have a material adverse effect on our businesses, financial condition and results of operations. In addition, we may be required to limit the amount of investments that we make as a principal or otherwise conduct our businesses in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

Our common shareholders do not elect our general partner or, except in limited circumstances, vote on our general partner's directors and have limited ability to influence decisions regarding our businesses.

Our general partner manages all of our operations and activities. On January 31 of each year, our general partner will determine whether the total voting power held collectively by (i) holders of the special voting shares in Ares Management, L.P. (including our general partner, members of Ares Partners Holdco LLC and their respective affiliates), (ii) then-current or former Ares personnel (including indirectly through related entities) and (iii) Ares Owners Holdings L.P. is at least 10% of the voting power of the outstanding voting shares of Ares Management, L.P. (the "Ares control condition"). For purposes of determining whether the Ares control condition is satisfied, our general partner will treat as outstanding, and as held by the foregoing persons, all voting shares deliverable to such persons pursuant to equity awards granted to such persons. If the Ares control condition is satisfied, the board of directors of our general partner has no authority other than that which its member chooses to delegate to it. If the Ares control condition is not satisfied, the board of directors of our general partner will be responsible for the oversight of our business and operations. See "Item 10. Directors, Executive Officers and Corporate Governance-Limited Powers of Our Board of Directors."

Unlike the holders of common stock in a corporation, our common shareholders have limited voting rights and have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. Our common shareholders have no right to elect the directors of our general partner unless the Ares control condition is not satisfied. For so long as the Ares control condition is satisfied, our general partner's board of directors is elected in accordance with its limited liability company agreement, which provides that directors are appointed and removed by Ares Partners Holdco LLC, the member of our general partner. Ares Partners Holdco LLC is owned by the Holdco Members and managed by a board of managers, which is composed of Messrs. Arougheti, Berry, de Veer, Kaplan, McFerran, Ressler and Rosenthal. Mr. Ressler has veto power over decisions by the board of managers. As a result, our common shareholders have limited ability to influence decisions regarding our businesses.

The Holdco Members will be able to determine the outcome of those few matters that may be submitted for a vote of our common shareholders.

Ares Voting LLC, an entity wholly owned by Ares Partners Holdco LLC, which is in turn owned and controlled by the Holdco Members, holds a special voting share that provides it with a number of votes, on any matter that may be submitted for a vote of our common shareholders (voting together as a single class on all such matters), that is equal to the aggregate number of Ares Operating Group Units held by the limited partners of the Ares Operating Group entities that do not hold a special voting share. The Holdco Members, through Ares Owners Holdings L.P. and the special voting share held by Ares Voting LLC, hold approximately 71.59% of the voting power of Ares Management, L.P. Accordingly, the Holdco Members have sufficient voting power to determine the outcome of those few matters that may be submitted for a vote of our common shareholders.

Our common shareholders' voting rights are further restricted by the provision in our partnership agreement that states that any common shares held by a person that beneficially owns 20% or more of any class of our common shares then outstanding (other than our general partner, Ares Owners Holdings L.P., a member of Ares Partners Holdco LLC or their respective affiliates, a direct or subsequently approved transferee of our general partner or its affiliates or a person who acquired such common shares with the prior approval of our general partner) cannot be voted on any matter. In addition, our partnership agreement contains provisions limiting the ability of our common shareholders to call meetings or to acquire information about our operations, as well as other provisions limiting the ability of our common shareholders to influence the manner or direction of our management. Furthermore, the common shareholders are not be entitled to dissenters' rights of appraisal under our partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

As a result of these matters and the provisions referred to under "-Our common shareholders do not elect our general partner or, except in limited circumstances, vote on our general partner's directors and have limited ability to influence decisions regarding our businesses," our common shareholders may be deprived of an opportunity to receive a premium for their common shares in the future through a sale of Ares Management, L.P., and the trading prices of our common shares may be adversely affected by the absence or reduction of a takeover premium in the trading price.

Potential conflicts of interest may arise among our general partner, its affiliates or associates and us. Our general partner and its affiliates and associates have limited fiduciary duties to us and our preferred and common shareholders, which may permit them to favor their own interests to the detriment of us and our preferred and common shareholders.

Conflicts of interest may arise among our general partner or its affiliates or associates, on the one hand, and us or our preferred and common shareholders, on the other hand. As a result of these conflicts, our general partner, which is wholly owned by Ares Partners Holdco LLC, which is in turn owned and controlled by the Holdco Members, may favor its own interests and the interests of its affiliates or associates (including the Holdco Members) over our interests or the interests of our preferred and common shareholders. These conflicts include, among others, the following:

- our general partner determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional partnership interests and amounts of reserves, each of which can affect the amount of cash that is available for distribution to our common shareholders;
- our general partner, in resolving conflicts of interest, is entitled to take into account only such factors as it determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances, which may include factors affecting parties other than us and our preferred and common shareholders (including the Holdco Members), which has the effect of limiting its duties (including fiduciary duties) to us and our preferred and common shareholders. For example, our subsidiaries that serve as the general partners of our funds have fiduciary and contractual obligations to the investors in those funds, as a result of which we expect to regularly take actions in a manner consistent with such duties and obligations but that might adversely affect our results of operations or cash flow;
- because our senior professional owners hold their Ares Operating Group Units through an entity that is not subject to corporate income taxation and Ares Management, L.P. will be subject to corporate income taxation, conflicts may arise between our senior professional owners and Ares Management, L.P. relating to the selection, structuring and disposition of investments and other matters;
- other than as set forth in the fair competition, non-solicitation and confidentiality agreements to which the Holdco Members are subject, which may not be enforceable, affiliates of our general partner and existing and former personnel employed by our general partner are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us;
- our general partner and its affiliates and associates have limited their liability and reduced or eliminated their duties (including fiduciary duties) under our partnership agreement, while also restricting the remedies available to our preferred and common shareholders for actions that, without these limitations, might constitute breaches of duty (including fiduciary duty). In addition, we have agreed to indemnify our general partner and its affiliates and associates (including the Holdco Members) to the fullest extent permitted by law, except with respect to conduct involving bad faith or criminal intent. By purchasing our preferred and common shares, holders of our preferred and common shares have agreed and consented to the provisions set forth in our partnership agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law;
- our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as

the terms of any such additional contractual arrangements are agreed to by our general partner in good faith as determined under our partnership agreement;

- our general partner determines how much we pay for acquisition targets and the structure of such consideration, including whether to incur debt to fund the transaction, whether to issue shares as consideration and the number of shares to be issued and the amount and timing of any earn-out payments;
- the sole member of our general partner determines whether to allow senior professionals to exchange their shares or waive certain restrictions relating to such shares;
- our general partner determines how much debt we incur and that decision may adversely affect our credit ratings;
- our general partner determines which costs incurred by it and its affiliates are reimbursable by us;
- our general partner controls the enforcement of obligations owed to us by it and its affiliates; and
- our general partner decides whether to retain separate counsel, accountants or others to perform services for us.

See “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

Our partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our general partner and its affiliates and associates and limit remedies available to preferred and common shareholders for actions that might otherwise constitute a breach of duty. It is difficult for a preferred and common shareholder to successfully challenge a resolution of a conflict of interest by our general partner or by its conflicts committee.

Our partnership agreement contains provisions that waive or consent to conduct by our general partner or its affiliates or associates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our partnership agreement provides that when our general partner is acting in its individual capacity, as opposed to in its capacity as our general partner, it or any of its affiliates or associates causing it to do so may act without any duties (including fiduciary duties) or obligations to us or our preferred and common shareholders whatsoever. When our general partner, in its capacity as our general partner, is permitted to or required to make a decision in its “sole discretion” or “discretion” or under a grant of similar authority or latitude or pursuant to any provision not subject to an express standard of “good faith,” then our general partner is entitled to consider only such interests and factors as it desires, including its own interests or the interests of the Holdco Members, and has no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any preferred and common shareholders and is not subject to any different standards imposed by our partnership agreement, or otherwise existing at law, in equity or otherwise. These provisions are expressly permitted by Delaware law. Unless our general partner breaches its obligations pursuant to our partnership agreement, we and our preferred and common shareholders do not have any recourse against our general partner even if our general partner were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of our partnership agreement, our partnership agreement provides that our general partner and its members, managers, officers and directors will not be liable to us or our preferred and common shareholders for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that the general partner or its members, managers, officers or directors acted in bad faith or with criminal intent. These modifications are detrimental to the preferred and common shareholders because they restrict the remedies available to preferred and common shareholders for actions that without those limitations might constitute breaches of duty (including fiduciary duty).

Whenever a potential conflict of interest exists between us, any of our subsidiaries or any of our partners and our general partner or its affiliates or associates, our general partner may resolve such conflict of interest in good faith. If our general partner subjectively believes that its resolution of the conflict of interest is not opposed to our best interests, then it will be conclusively deemed that its resolution was made in good faith and will not be a breach of our partnership agreement or any duty. A preferred or common shareholder seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Also, if our general partner obtains the approval of its conflicts committee or a majority of the voting shares, the resolution will be conclusively deemed approved by us and our preferred and common shareholders and not a breach of our partnership agreement (or any agreement referred to therein) or of any duties that our general partner or its affiliates or associates may owe to us or our preferred and common shareholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. Preferred and common shareholders are treated as having consented to the provisions

set forth in our partnership agreement, including provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. As a result, preferred and common shareholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee. See “Item 13. Certain Relationships and Related Transactions, and Director Independence.”

The potential requirement to convert our financial statements from being prepared in conformity with accounting principles generally accepted in the United States to International Financial Reporting Standards may strain our resources and increase our annual expenses.

As a public entity, the SEC may require in the future that we report our financial results under International Financial Reporting Standards (“IFRS”) instead of under GAAP. IFRS is a set of accounting principles that has been gaining acceptance on a worldwide basis. These standards are published by the London-based International Accounting Standards Board and are more focused on objectives and principles and less reliant on detailed rules than GAAP. Today, there remain significant and material differences in several key areas between GAAP and IFRS which would affect us. Additionally, GAAP provides specific guidance in classes of accounting transactions for which equivalent guidance in IFRS does not exist. The adoption of IFRS is highly complex and would have an impact on many aspects of us and our operations, including, but not limited to, financial accounting and reporting systems, internal controls, taxes, borrowing covenants and cash management. It is expected that a significant amount of time, internal and external resources and expenses over a multi-year period would be required for this conversion.

The requirements of being a public entity and sustaining growth may strain our resources.

As a public entity, we are subject to the reporting requirements of the Exchange Act and requirements of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”). These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting, and requires our management and independent auditors to report annually on the effectiveness of our internal control over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, significant resources and management oversight is required. We have implemented procedures and processes to address the standards and requirements applicable to public companies. If we are not able to maintain the necessary procedures and processes, we may be unable to report our financial information on a timely or accurate basis, which could subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable NYSE listing rules, and result in a breach of the covenants under the agreements governing any of our financing arrangements. Preparing our consolidated financial statements involves a number of complex manual and automated processes, which are dependent on individual data input or review and require significant management judgment. One or more of these elements may result in errors that may not be detected and could result in a material misstatement of our consolidated financial statements. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements could also suffer if our independent registered public accounting firm were to report a material weakness in our internal controls over financial reporting. This could have a material adverse effect on us and lead to a decline in the price of our common shares.

In addition, sustaining our growth also requires us to commit additional management, operational, and financial resources to identify new professionals to join the firm and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management’s attention from other business concerns, which could have a material adverse effect on our businesses, financial condition, results of operations and cash flows.

The control of our general partner may be transferred without common shareholder consent.

Our general partner may transfer all or any part of its general partner interest without the consent of our common shareholders. Furthermore, at any time, the member of our general partner may sell or transfer all or part of its interests in our general partner without the approval of the common shareholders. A new general partner may not be willing or able to form new funds and could form funds that have investment objectives and governing terms that differ materially from those of our current funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as our track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our businesses, our results of operations and our financial condition could materially suffer.

Our ability to pay distributions to our common shareholders may be limited by our holding company structure, applicable provisions of Delaware law and contractual restrictions or obligations.

As a holding company, our ability to pay distributions will be subject to the ability of our subsidiaries to provide cash to us. Ares Management, L.P. has no material assets other than investments in the Ares Operating Group entities, either directly or through direct or indirect subsidiaries. We have no independent means of generating revenues. Accordingly, we intend to cause the Ares Operating Group entities to fund any distributions we may declare on the common shares. If the Ares Operating Group entities make such distributions, all holders of Ares Operating Group Units will be entitled to receive equivalent distributions pro rata based on their partnership interests in the Ares Operating Group.

Because we will be treated as a U.S. corporation for U.S. federal income tax purposes and will be subject to entity-level income taxes and may be obligated to make payments under the tax receivable agreement, the amounts ultimately distributed by us to common shareholders are generally expected to be less, on a per share basis, than the amounts distributed by the Ares Operating Group to the holders of Ares Operating Group Units (including us) in respect of their or our Ares Operating Group Units. In addition, e ach Ares Operating Group entity has issued a series of preferred units ("GP Mirror Units") with economic terms designed to generally mirror those of the Series A Preferred Shares . The GP Mirror Units pay the same 7.00% rate per annum to us that we pay on our Series A Preferred Shares. Although income allocated in respect of distributions on the GP Mirror Units made to us will be subject to tax, cash distributions to holders of Series A Preferred Shares will not be reduced on account of any income taxes owed by us.

The declaration and payment of any future distributions will be at the sole discretion of our general partner, which may change our distribution policy at any time. There can be no assurance that any distributions, whether quarterly or otherwise, can or will be paid. Our ability to make cash distributions to our common shareholders depends on a number of factors, including among other things, general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and other anticipated cash needs, contractual restrictions and obligations, including fulfilling our current and future capital commitments, legal, tax and regulatory restrictions, restrictions and other implications on the payment of distributions by us to our common shareholders or by our subsidiaries to us, payments required pursuant to the tax receivable agreement and such other factors as our general partner may deem relevant.

Under the Delaware Revised Uniform Limited Partnership Act (the "Delaware Limited Partnership Act"), we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. In addition, the terms of the Credit Facility or other financing arrangements may from time to time include covenants or other restrictions that could constrain our ability to make distributions. In addition, the Ares Operating Group's cash flow may be insufficient to enable them to make required minimum tax distributions to their members and partners, in which case the Ares Operating Group may have to borrow funds or sell assets, which could have a material adverse effect on our liquidity and financial condition. Our partnership agreement contains provisions authorizing us to issue additional partnership interests that have designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to our common shares on the terms and conditions determined by our general partner in its sole discretion at any time without common shareholder approval.

Furthermore, by making cash distributions rather than investing that cash in our businesses, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

We will be required to pay the TRA Recipients for most of the benefits relating to our use of tax attributes we receive from prior and future exchanges of Ares Operating Group Units and related transactions. In certain circumstances, payments to the TRA Recipients may be accelerated and/or could significantly exceed the actual tax benefits we realize.

The holders of Ares Operating Group Units, subject to any applicable transfer restrictions and other provisions, may, on a quarterly basis, exchange their Ares Operating Group Units for our common shares on a one-for-one basis or, at our option, for cash. A holder of Ares Operating Group Units must exchange one Ares Operating Group Unit in each of the three Ares Operating Group entities to effect an exchange for a common share of Ares Management, L.P. These exchanges are expected to result in increases (for U.S. federal income tax purposes) in the tax basis of the tangible and intangible assets of the relevant Ares Operating Group entity. These increases in tax basis generally will increase (for U.S. federal income tax purposes) depreciation and amortization deductions and potentially reduce gain on sales of assets and, therefore, reduce the amount of tax that we would

otherwise be required to pay in the future, although the IRS may challenge all or part of these deductions and tax basis increases, and a court could sustain such a challenge.

We have entered into a tax receivable agreement with certain direct and indirect holders of Ares Operating Group Units (the “TRA Recipients”) that provides for the payment by us to the TRA Recipients of 85% of the amount of cash tax savings, if any, in U.S. federal, state, local and foreign income tax or franchise tax that we actually realize (or are deemed to realize in the case of an early termination payment by us or a change of control, as discussed below) as a result of increases in tax basis and certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. The reduction in the statutory corporate tax rate from 35% to 21% would generally reduce the amount of cash tax savings and thus reduce the amount of the payments to the TRA Recipients. On the other hand, due to the Tax Election, a greater percentage of our income will be subject to corporate taxation and thus generally increase the amount payable under the tax receivable agreement. The payments we may make to the TRA Recipients could be material in amount and we may need to incur debt to finance payments under the tax receivable agreement if our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise. Assuming that the market value of a common share were to be equal to $20.00 per common share, which is the closing price per common share as of December 31, 2017, and that LIBOR were to be 2.11% and a federal corporate tax rate of 21%, we estimate that the aggregate amount of these termination payments would be approximately $398 million. The foregoing amount is merely an estimate and the actual payments could differ materially.

If the IRS were to challenge a tax basis increase (or the ability to amortize such increase), the TRA Recipients will not reimburse us for any payments previously made to them under the tax receivable agreement. Our ability to achieve benefits from any tax basis increase, and the payments to be made under the tax receivable agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income. As a result, in certain circumstances, payments to the TRA Recipients under the tax receivable agreement could be in excess of our cash tax savings.

In addition, the tax receivable agreement provides that, upon a change of control, or if, at any time, we elect an early termination of the tax receivable agreement, our obligations under the tax receivables agreement with respect to exchanged or acquired shares (whether exchanged or acquired before or after such change of control) would be based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement and, in the case of an early termination election, that any Ares Operating Group Units that have not been exchanged are deemed exchanged for the market value of the common shares at the time of termination. See “Item 13. Certain Relationships and Related Transactions, and Director Independence-Tax Receivable Agreement.”

Tax consequences to the direct and indirect holders of Ares Operating Group Units or to general partners in our funds may give rise to conflicts of interests.

As a result of the tax gain inherent in our assets held by the Ares Operating Group at the time of this report, upon a realization event, certain direct and indirect holders of Ares Operating Group Units may incur different and potentially significantly greater tax liabilities as a result of the disproportionately greater allocations of items of taxable income and gain to such holders. As these direct and indirect holders will not receive a corresponding greater distribution of cash proceeds, they may, subject to applicable fiduciary or contractual duties, have different objectives regarding the appropriate pricing, timing and other material terms of any sale, refinancing, or disposition, or whether to sell such assets at all. Decisions made with respect to an acceleration or deferral of income or the sale or disposition of assets with unrealized built-in tax gains may also influence the timing and amount of payments that are received by the TRA Recipients (including, among others, the Holdco Members and other executive officers) under the tax receivable agreement. In general, we anticipate that earlier disposition of assets with unrealized built-in tax gains following such exchange will tend to accelerate such payments and increase the present value of the tax receivable agreement, and disposition of assets with unrealized built-in tax gains before an exchange generally will increase an exchanging holder’s tax liability without giving rise to any rights to any payments under the tax receivable agreement. Decisions made regarding a change of control also could have a material influence on the timing and amount of payments received by the TRA Recipients pursuant to the tax receivable agreement.

Moreover, the general partner of our funds may be entitled to receive carried interest from our funds and a significant portion of that carried interest may consist of long-term capital gains. Because Ares Management, L.P. will be taxable as a corporation for U.S. federal income tax purposes, it will not receive preferential treatment for long-term capital gains. As a result, subject to their fiduciary duties to fund investors, the general partners of our funds may be incentivized to seek investment opportunities with lower pre-tax returns but higher after-tax returns taking into account the preferential tax rates for capital gains, which may be adverse to our interests.

We are a Delaware limited partnership and as a result will qualify for and intend to rely on exceptions from certain corporate governance and other requirements under the rules of the NYSE. Further, there are certain provisions in our partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law in a manner that may be less protective of the interests of our shareholders.

We are a Delaware limited partnership and qualify for exceptions from certain corporate governance and other requirements of the rules of the NYSE. Pursuant to these exceptions, limited partnerships may elect not to comply with certain corporate governance requirements of the NYSE, including the requirements that (i) a majority of the board of directors of our general partner consist of independent directors, (ii) we have a nominating/corporate governance committee that is composed entirely of independent directors, (iii) we have a compensation committee that is composed entirely of independent directors and (iv) the compensation committee consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisers. In addition, we are not required to hold annual meetings of our common shareholders. We have availed ourselves of these exceptions. Accordingly, holders of our common shares do not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of the NYSE.

Our partnership agreement provides that to the fullest extent permitted by applicable law the directors and officers of our general partner will not be liable to us unless they act in bad faith or with criminal intent. However, under the Delaware General Corporation Law, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our equityholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividend or (iv) a transaction from which the director derived an improper personal benefit. In addition, our partnership agreement provides that we indemnify the directors and officers of our general partner for acts or omissions to the fullest extent provided by law unless they act in bad faith or with criminal intent. However, under the Delaware General Corporation Law, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our partnership agreement is less protective of the interests of our common shareholders, when compared to the Delaware General Corporation Law, insofar as it relates to the exculpation and indemnification of officers and directors.

Risks Related to Our Preferred and Common Shares

The market price and trading volume of our common shares may be volatile, which could result in rapid and substantial losses for our common shareholders.

The market price of our common shares may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our common shares may fluctuate and cause significant price variations to occur. If the market price of our common shares declines significantly, holders of our common shares may be unable to resell their common shares at or above their purchase price, if at all. The market price of our common shares may fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our common shares or result in fluctuations in the price or trading volume of our common shares include:

- variations in our quarterly operating results or distributions, which variations we expect will be substantial;
- our policy of taking a long-term perspective on making investment, operational and strategic decisions, which is expected to result in significant and unpredictable variations in our quarterly returns;
- failure to meet analysts’ earnings estimates;
- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our common shares;
- additions or departures of our senior professionals and other key management personnel;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- changes in market valuations of similar companies;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our businesses or enforcement of these laws and regulations, or announcements relating to these matters;
- a lack of liquidity in the trading of our common shares;

- announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;
- adverse publicity about the asset management industry generally or, more specifically, private equity fund practices or individual scandals; and
- general market and economic conditions.

In the past few years, stock markets have experienced extreme price and volume fluctuations. In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against public companies. This type of litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

An investment in our common shares is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.

Common shareholders will not directly participate in the performance of our underlying funds, and any benefits from such performance will directly inure to investors in those funds. Our common shares are securities of Ares Management, L.P. only. While our historical consolidated financial information includes financial information, including assets and revenues, of our funds on a consolidated basis, and our future financial information will continue to consolidate certain of these funds, such assets and revenues are available to the fund and not to us except to a limited extent through management fees, performance fees, distributions and other proceeds arising from agreements with funds, as discussed in more detail in this Annual Report on Form 10-K.

The market price of our common shares may decline due to the large number of common shares eligible for exchange and future sale.

The market price of our common shares could decline as a result of sales of a large number of common shares in the market in the future or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell common shares in the future at a time and at a price that we deem appropriate. Subject to the lock-up restrictions described below, we may issue and sell in the future additional common shares.

As of December 31, 2017, our senior professional owners owned, indirectly, an aggregate of 117,576,663 Ares Operating Group Units. We have entered into an exchange agreement with the holders of Ares Operating Group Units so that such holders, subject to any applicable transfer and other restrictions, may up to four times each year (subject to the terms of the exchange agreement) exchange their Ares Operating Group Units for our common shares on a one-for-one basis, subject to customary conversion rate adjustments for splits, share distributions and reclassifications, or, at our option, for cash. A holder of Ares Operating Group Units must exchange one Ares Operating Group Unit in each of the three Ares Operating Group entities to effect an exchange for a common share of Ares Management, L.P. The common shares we issue upon such exchanges would be "restricted securities," as defined in Rule 144 under the Securities Act, unless we register such issuances.

Ares Owners Holdings L.P., ADIA and Alleghany (together with ADIA, the "Strategic Investors") have the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act common shares delivered in exchange for Ares Operating Group Units or common shares of Ares Management, L.P. otherwise held by them. In addition, we may be required to make available shelf registration statements permitting sales of common shares into the market from time to time over an extended period. Lastly, Ares Owners Holdings L.P. and the Strategic Investors will have the ability to exercise certain piggyback registration rights in respect of common shares held by them in connection with registered offerings requested by other registration rights holders or initiated by us. See "Item 13. Certain Relationships and Related Transactions, and Director Independence-Investor Rights Agreement." See "Item 11. Executive Compensation-Director Compensation-Common Shares and Ares Operating Group Units." However, transfers may occur notwithstanding such restrictions pursuant to transactions or programs approved by our general partner.

Under our 2014 Equity Incentive Plan, there are options outstanding to purchase 20,495,025 common shares and 13,751,888 restricted shares outstanding to be settled in common shares, both of which are subject to specified vesting requirements, and were granted to certain of our senior professionals. During the course of 2017, awards representing 1,621,592 common shares were forfeited and became available for issuance under the 2014 Equity Incentive Plan. As of December 31, 2017, 26,284,165 additional common shares were available for award under our 2014 Equity Incentive Plan. We have filed two registration statements and intend to file more registration statements on Form S-8 with the SEC covering the common shares issuable under our 2014 Equity Incentive Plan. Subject to vesting and contractual lock-up arrangements (including through May 1, 2019 for restricted

shares granted in connection with our initial public offering.), upon effectiveness of the relevant registration statement on Form S-8, such common shares are freely tradable.

In addition, our partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions determined by our general partner in its sole discretion without the approval of any limited partners. In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partnership interests that have certain designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to our common and Series A Preferred shares. Similarly, the governing agreements of the Ares Operating Group entities authorize the direct subsidiaries of Ares Management, L.P. which are the general partners of those entities to issue an unlimited number of additional units of the Ares Operating Group entity with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Ares Operating Group Units, and which may be exchangeable for our common shares.

We cannot assure holders of our common shares that our intended distributions will be paid each quarter or at all.

In conjunction with the Tax Election, we have adopted a distribution policy to provide a steady quarterly distribution for each calendar year that will be based on our after-tax fee related earnings. Starting in the second quarter of 2018, we intend to pay a $0.28 per common share distribution per quarter for the remainder of 2018. Our fixed distribution will be reassessed each year based upon the level and growth of our after-tax fee related earnings. The declaration, payment and determination of the amount of quarterly distributions, if any, will be at the sole discretion of our general partner, which may change our distribution policy at any time. We cannot assure our common shareholders that any distributions, whether quarterly or otherwise, can or will be paid. In making decisions regarding our quarterly distribution, our general partner considers general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and other anticipated cash needs, contractual restrictions and obligations, legal, tax, regulatory and other restrictions that may have implications on the payment of distributions by us to our common shareholders or by our subsidiaries to us, and such other factors as our general partner may deem relevant.

Distributions on the Series A Preferred Shares are discretionary and non-cumulative.

Distributions on the Series A Preferred Shares are discretionary and non-cumulative. Holders of our Series A Preferred Shares will only receive distributions when, as and if declared by the board of directors of our general partner. Consequently, if the board of directors of our general partner does not authorize and declare a distribution for a distribution period, holders of the Series A Preferred Shares would not be entitled to receive any distribution for such distribution period, and such unpaid distribution will not be payable in such distribution period or in later distribution periods. We will have no obligation to pay distributions for a distribution period if the board of directors of our general partner does not declare such distribution before the scheduled record date for such period, whether or not distributions are declared or paid for any subsequent distribution period with respect to the Series A Preferred Shares or any other preferred shares we may issue. This may result in holders of the Series A Preferred Shares not receiving the full amount of distributions that they expect to receive, or any distributions, and may make it more difficult to resell Series A Preferred Shares or to do so at a price that the holder finds attractive. The board of directors of our general partner may, in its sole discretion, determine to suspend distributions on the Series A Preferred Shares, which may have a material adverse effect on the market price of the Series A Preferred Shares. There can be no assurances that our operations will generate sufficient cash flows to enable us to pay distributions on the Series A Preferred Shares. Our financial and operating performance is subject to prevailing economic and industry conditions and to financial, business and other factors, some of which are beyond our control.

Risks Related to Taxation

Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us.

HM Treasury, the OECD and other government agencies in jurisdictions where we and our affiliates invest or conduct business have maintained a focus on issues related to the taxation of businesses, including multinational entities.

In the United Kingdom, the UK Criminal Finances Act 2017 creates two new separate corporate criminal offences: failure to prevent facilitation of UK tax evasion and failure to prevent facilitation of overseas tax evasion. The scope of the new law and guidance is extremely wide and could have an impact on Ares' global businesses. Liability can be mitigated where the relevant business has in place reasonable prevention procedures. Separately, the United Kingdom has implemented transparency legislation that will require many large businesses to publish their UK tax strategies on their websites. As part of the publication requirement, organizations must disclose information on tax risk management and governance, tax planning, tax risk appetite and their approach

to Her Majesty's Revenue and Customs. These developments show that the United Kingdom is seeking to bring corporate tax matters further into the public domain. As a result, tax matters may pose an increased reputational risk to our business.

The OECD, which represents a coalition of member countries, has issued guidance through its BEPS project that contemplates changes to longstanding international tax norms that determine each country's jurisdiction to tax cross-border international trade and profits. In June 2017, almost 70 countries (excluding the United States) formally signed the Convention. These changes in law or guidance and additional proposals for reform, if enacted by the United States or by other countries in which we or our affiliates invest or conduct business, could adversely affect our investment returns, including, for example, by eliminating certain tax treaty benefits and increasing our tax compliance costs. Whether these or other proposals will be enacted by the United States or any foreign jurisdiction and in what form is unknown, as are the ultimate consequences of any such proposed legislation.

We will be treated as a corporation for U.S. federal income tax purposes, which will reduce the amount available for distributions to holders of our common shares in respect of such investments and could adversely affect the value of our common shareholders' investment.

Effective March 1, 2018, we have elected to be taxed as a corporation for U.S. federal income tax purposes. We could be liable for significant U.S. federal income taxes and applicable state and local taxes that would not otherwise be incurred if we were treated as a partnership for U.S. federal income tax purposes, which could reduce the amount of cash available for distributions to holders of our common shares and adversely affect the value of their investment.

In addition, the GP Mirror Units pay the same 7.00% rate per annum to us that we pay on our Series A Preferred Shares. Although income allocated in respect of distributions on the GP Mirror Units made to us is subject to tax, cash distributions to holders of Series A Preferred Shares will not be reduced on account of any income taxes owed by us.

Applicable U.S. tax law could adversely affect our ability to raise funds from certain foreign investors.

Under Sections 1471 to 1474 of the Code (such Sections, along with the Treasury Regulations promulgated thereunder, "FATCA"), a broadly defined class of foreign financial institutions are required to comply with a U.S. tax reporting regime or be subject to certain U.S. withholding taxes. The reporting obligations imposed under FATCA require foreign financial institutions to enter into agreements with the IRS to obtain and disclose information about certain account holders and investors to the IRS (or in the case of certain foreign financial institutions that are resident in a jurisdiction that has entered into an intergovernmental agreement (the "IGA") to implement this legislation, to comply with comparable non-U.S. laws implementing the IGA). Additionally, certain non-U.S. entities that are not foreign financial institutions are required to provide certain certifications or other information regarding their U.S. beneficial ownership or be subject to certain U.S. withholding taxes under FATCA. Failure to comply with these requirements could expose us and/or our investors to a 30% withholding tax on certain U.S. payments (and beginning in 2019, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities), and possibly limit our ability to open bank accounts and secure funding in the global capital markets. There are uncertainties regarding the implementation of FATCA and it is difficult to determine at this time what impact any future administrative guidance may have. The administrative and economic costs of compliance with FATCA may discourage some foreign investors from investing in U.S. funds, which could adversely affect our ability to raise funds from these investors or reduce the demand for our shares. Moreover, we expect to incur additional expenses related to our compliance with FATCA, which could increase our tax compliance costs generally. Other countries, such as the UK and the Cayman Islands, have implemented regimes similar to that of FATCA.

Certain U.S. holders of shares are subject to additional tax on " net investment income. "

U.S. holders of shares that are individuals, estates or trusts are subject to a surtax of 3.8% on "net investment income" (or undistributed "net investment income," in the case of estates and trusts) for each taxable year, with such tax applying to the lesser of such income or the excess of such person's adjusted gross income (with certain adjustments) over a specified amount. Net investment income includes net income from dividends and net gain attributable to the disposition of investment property. It is anticipated that dividends and net gain attributable to an investment in our shares will be included in a U.S. holder's "net investment income" subject to this surtax.

Limitations on the amount of interest expense that we may deduct could materially increase our tax liability and negatively affect an investment in our shares.

For taxable years beginning after December 31, 2017, our deduction of net business interest expenses for each taxable year is limited generally to 30% of our "adjusted taxable income," which is an amount that is similar to EBITDA for taxable years beginning before January 1, 2022, and similar to earnings before interest and taxes ("EBIT") for taxable years beginning after

January 1, 2022. Any excess business interest not allowed as a deduction in a taxable year as a result of the limitation generally will carry forward to the next year.

There is no grandfather provision for outstanding debt prior to the effective date of these rules. This is a significant change from prior law, which could increase our tax liability.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located in leased office space at 2000 Avenue of the Stars, 12 th Floor, Los Angeles, California. We also lease office space in Culver City, Atlanta, Chicago, Dallas, New York City, Washington, D.C., St. Louis, Dubai, Frankfurt, London, Luxembourg, Paris, Stockholm, Chengdu, Hong Kong, Shanghai, Sydney, Sausalito, Needham, Tarrytown, and Williamsville. We do not own any real property. We consider these facilities to be suitable and adequate for the management and operation of our businesses.

Item 3. Legal Proceedings

From time to time we are involved in various legal proceedings, lawsuits and claims incidental to the conduct of our business, some of which may be material. Our businesses are also subject to extensive regulation, which may result in regulatory proceedings against us.

Item 4. Mine Safety Disclosures

None.

PART II.

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities

Market Information

Our common shares representing limited partner interests in Ares Management, L.P. are traded on the NYSE under the symbol "ARES." Our common shares began trading on the NYSE on May 2, 2014. As a result of changing the name of our common units and preferred units to common shares and preferred shares, respectively, effective March 2, 2018 our common shares and preferred shares will officially trade with such revised names on the NYSE under our existing symbols.

The following table sets forth the high and low intra-day sales prices per share of our common shares, for the periods indicated, as reported by the NYSE.

	Sales Price			
	2017		2016	
	High	Low	High	Low
First Quarter	$ 23.25	$ 17.15	$ 15.50	$ 10.76
Second Quarter	$ 19.80	$ 17.25	$ 15.96	$ 12.08
Third Quarter	$ 18.85	$ 17.40	$ 19.54	$ 13.81
Fourth Quarter	$ 20.00	$ 18.00	$ 19.20	$ 14.75

The number of holders of record of our common shares as of February 15, 2018 was 2. This does not include the number of sharesholders that hold shares in "street name" through banks or broker-dealers.

The table below presents purchases made by or on behalf of Ares Management, L.P. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common shares during each of the indicated periods.

Period	Total Number of Common Shares Purchased(1)	Average Price Paid Per Common Shares	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Common Shares That May Yet Be Purchased Under the Plan or Program
October 1 to October 31, 2017	—	$ —	—	—
November 1 to November 30, 2017	—	$ —	—	—
December 1 to December 31, 2017	—	$ —	—	—

On March 2, 2017, AREC Holdings Ltd., a wholly owned subsidiary of Abu Dhabi Investment Authority ("ADIA" or "the selling shareholder") sold 7,500,000 shares of the Company's common shares through a public secondary offering. The Company did not receive any of the proceeds from the offering. The Company incurred approximately $0.7 million of expenses related to the secondary offering transaction. The fees related to the secondary offering were non-operating expenses and are included in other income, net in the Consolidated Statements of Operations. The selling shareholder paid the underwriting discounts and commissions and/or similar charges incurred for the sale of the common shares.

Distribution Policy for Preferred Equity

As of December 31, 2017 and 2016 , the Company had 12,400,000 shares of Series A Preferred Equity (the "Preferred Equity") outstanding. When, as and if declared by the Company's board of directors, distributions on the Preferred Equity are paid quarterly at a rate per annum equal to 7.00%. During 2017 and 2016 , we paid quarterly distributions of approximately $21.7 million and $12.2 million, respectively, to our preferred equity holders of record, and in February 2018, the board of directors of

our general partner declared quarterly distribution of $5.4 million in respect of the fourth quarter of 2017 payable on March 31, 2018 to holders of record of preferred equity at the close of business on March 15, 2018.

Distribution Policy for Common Shares Prior to Effectiveness of Tax Election

During 2016 , we paid quarterly distributions of $0.20, $0.28, $0.15 and $0.20 per common share (totaling $0.83 per common share) to record holders of common shares, or approximately $67.0 million. During 2017 , we paid quarterly distributions of $0.28, $0.13, $0.31 and $0.41 per common share (totaling $1.13 per common share) to record holders of common shares, or approximately $92.6 million, and in February 2018, the board of directors of our general partner declared an additional distribution of $0.40 per common share, or approximately $33.1 million , inclusive of $0.25 per common share for the fourth of 2017 and $0.15 per common share for the first two months of the first quarter of 2018, payable on February 28, 2018 to common shareholders of record at the close of business on February 26, 2018 .

We distributed to our common shareholders on a quarterly basis substantially all of Ares Management, L.P.'s share of distributable earnings, net of any applicable corporate taxes and amounts payable under the tax receivable agreement, in excess of amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, any of our debt instruments and preferred shares or other agreements or to provide for future distributions to our common shareholders for any ensuing quarter, subject to a base quarterly distribution target range of 80% to 90% of distributable earnings. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Segment Analysis-Reconciliation of Certain Non-GAAP Measures to Consolidated GAAP Financial Measures" for a reconciliation of our distributable earnings to our income before taxes presented in accordance with GAAP.

In most years, the aggregate amounts of distributions to our preferred and common shareholders did not equal our distributable earnings for that year. Our distributable earnings were only a starting point for the determination of the amount to be distributed to our common shareholders because, as noted above, in determining the amount to be distributed, we subtracted from our distributable earnings any amounts determined by our general partner to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, any of our debt instruments or other agreements or to provide for future distributions to our preferred and common shareholders for any ensuing quarter.

Distribution Policy for Common Shares Following Effectiveness of Tax Election

In conjunction with the Tax Election, we have adopted a distribution policy that will reduce volatility of the quarterly distributions and become more closely aligned with our core management fee business. We intend to provide a steady quarterly dividend for each calendar year that will be based on our after-tax fee related earnings, with future potential changes based on the level and growth of our after-tax fee related earnings. For March 2018, the first month that we are taxed as a corporation, we declared a distribution of $0.0933 per common share, reflecting one-third of a full quarter $0.28 per share distribution. Starting in the second quarter of 2018, we intend to pay a $0.28 per common share distribution per quarter for the remainder of 2018. For distributions made following the effective date of March 1, 2018, investors will now receive income reported on a Form 1099-DIV instead of a Schedule K-1.

Our fixed distribution will be reassessed each year based upon the level and growth of our after-tax fee related earnings. As fee related earnings reflect the core earnings of our business and consists of management fees less compensation and general and administrative expenses, having our recurring distribution based on this amount removes volatility from our distribution and enables investors to receive what we believe is an attractive after-tax qualifying distribution yield.

As we have historically distributed to our common shareholders substantially all of our distributable earnings, we have not retained earnings for future growth. Our new distribution policy reflects our intention to retain net performance fees. We expect to use such retained earnings for potential share repurchases and to fund future growth with the objective of accelerating our fee related earnings growth per share. However, the declaration, payment and determination of the amount of future distributions, if any, is at the sole discretion of the board of directors of our general partner , which may change our distribution policy at any time.

Under the Delaware Limited Partnership Act, Ares Management, L.P. may not make a distribution to a partner if after the distribution, all of our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of

the distribution for three years from the date of such distribution. In addition, under the Credit Facility, certain subsidiaries of the Ares Operating Group are prohibited from making distributions in certain circumstances, including if an Event of Default (as defined in the Credit Facility) has occurred and is continuing.

Because Ares Management, L.P. is a holding company and has no material assets other than its indirect ownership of Ares Operating Group Units, we fund distributions by Ares Management, L.P. on the common shares, if any, in three steps:

- first, we cause the Ares Operating Group entities to make distributions to their partners, including Ares Management, L.P. and its direct subsidiaries. If the Ares Operating Group entities make such distributions, the partners of the Ares Operating Group entities will be entitled to receive equivalent distributions pro rata based on their partnership units in the Ares Operating Group (except as set forth in the following paragraph);

- second, we cause Ares Management, L.P.'s direct subsidiaries to distribute to Ares Management, L.P. their share of such distributions, net of any taxes and amounts payable under the tax receivable agreement by such direct subsidiaries; and

- third, Ares Management, L.P. distributes such distributions to our common equityholders, net of any taxes and amounts payable under the tax receivable agreement, on a pro rata basis.

Because we and our direct subsidiaries that are corporations for U.S. federal income tax purposes may be required to pay corporate income and franchise taxes and make payments under the tax receivable agreement, the amounts ultimately distributed by us to our common shareholders are expected to be generally less, on a per share basis, than the amounts distributed by the Ares Operating Group entities to their respective partners in respect of their Ares Operating Group Units.

In addition, governing agreements of the Ares Operating Group entities provide for cash distributions, which we refer to as "tax distributions," to the partners of such entities if the general partners of the Ares Operating Group entities determine that the taxable income of the relevant Ares Operating Group entity gives rise to taxable income for its partners. Generally, these tax distributions are computed based on our estimate of the net taxable income of the relevant entity multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in Los Angeles, California or New York, New York, whichever is higher (taking into account the non-deductibility of certain expenses and the character of our income). The Ares Operating Group makes tax distributions only if and to the extent distributions from such entities for the relevant year were otherwise insufficient to cover such tax liabilities.

In addition, the cash flow from operations of the Ares Operating Group entities may be insufficient to enable them to make required minimum tax distributions to their partners, in which case the Ares Operating Group may have to borrow funds or sell assets, which could have a material adverse effect on our liquidity and financial condition. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Although a portion of any distributions by us to our common shareholders may include carried interest received by us, we do not intend to seek fulfillment of any contingent repayment obligation by seeking to have our common shareholders return any portion of such distributions attributable to carried interest associated with any contingent repayment obligation.

We expect any distributions made out of current or accumulated earnings and profits to U.S. individuals and certain other qualifying shareholders to constitute "qualified dividend" income that is generally taxed at a favorable lower tax rate than the ordinary income tax rate, if the requisite holding periods have been met. If the distribution exceeds current and accumulated earnings and profits, the excess is treated as a nontaxable return of capital, reducing the shareholder's tax basis in its shares to the extent of such shareholder's tax basis in such shares. Any remaining excess is treated as capital gain. Because entities treated as corporations for U.S. federal income tax purposes are taxed on their own taxable income, and because owners of such entities are taxed on any dividends distributed from such entities, there are two levels of potential tax upon income earned by such entities.

Unregistered Sales of Equity Securities and Purchases of Equity Securities

None.

Item 6. Selected Financial Data

The following tables present selected consolidated financial information and other data of the Company and its Predecessor. The Company was formed on November 15, 2013 to serve as a holding partnership for our businesses. See "Item 1. Business—Organizational Structure."

We derived the following selected consolidated financial data of the Company as of December 31, 2017 and 2016 and for the years ended December 31, 2017 , 2016 and 2015 from the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data of the Company as of and for the year ended 2014 was derived from the audited consolidated financial statements of the Company, which are not included in this Annual Report on Form 10-K. The selected consolidated financial data as of and for the year ended December 31, 2013 was derived from the audited consolidated financial statements of the Predecessor, which are not included in this Annual Report on Form 10-K. The consolidated financial statements were prepared on substantially the same basis as the audited consolidated financial statements and include all adjustments that we consider necessary for a fair presentation of the Predecessor's consolidated financial position and results of operations. The selected historical financial data is not indicative of the expected future operating results of the Company.

For the period ended December 31, 2013, non-controlling interests in Ares Operating Group entities represent equity interests and net income attributable to various minority non-control oriented strategic investment partners, including the Predecessor's historical results. The net income attributable to controlling interests in the Predecessor, from January 1, 2014 to April 30, 2014, is presented together with net income attributable to non-controlling interests in Ares Operating Group entities within the Consolidated Statements of Operations.

The entities comprising our Consolidated Funds are not the same entities for all periods presented primarily due to the adoption of new consolidation guidance. Pursuant to revised consolidation guidance that became effective for us on January 1, 2015, we consolidated entities where we hold a controlling financial interest. The consolidation of funds during the periods generally has the effect of grossing up reported assets, liabilities and cash flow, and has no effect on net income attributable to the Company and the Predecessor. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Consolidation and Deconsolidation of Ares Funds" and "—Critical Accounting Estimates—Principles of Consolidation" and Note 2, "Summary of Significant Accounting Policies," to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K.

The following selected historical consolidated financial data should be read together with "Item 1. Business—Organizational Structure," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"and our historical consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	For the Year Ended December 31,				
	2017	2016	2015	2014	2013
					(Predecessor)
	(Dollars in thousands)				
Statements of operations data					
Revenues					
Management fees (includes ARCC Part I Fees of $105,467, $121,181, $121,491, $118,537 and $110,511 for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively)	$ 722,419	$ 642,068	$ 634,399	$ 486,477	$ 375,572
Performance fees	636,674	517,852	150,615	91,412	79,800
Administrative, transaction and other fees	56,406	39,285	29,428	26,000	23,283
Total revenues	**1,415,499**	**1,199,205**	**814,442**	**603,889**	**478,655**
Expenses					
Compensation and benefits	514,109	447,725	414,454	456,372	333,902
Performance fee compensation	479,722	387,846	111,683	170,028	194,294
General, administrative and other expenses	196,730	159,776	224,798	166,839	138,464
Transaction support expense	275,177	—	—	—	—
Expenses of Consolidated Funds	39,020	21,073	18,105	66,800	135,237
Total expenses	**1,504,758**	**1,016,420**	**769,040**	**860,039**	**801,897**
Other income (expense)					
Net realized and unrealized gain on investments	67,034	28,251	17,009	32,128	8,922
Interest and dividend income	12,715	23,781	14,045	7,244	5,996
Interest expense	(21,219)	(17,981)	(18,949)	(8,617)	(9,475)
Debt extinguishment expense	—	—	(11,641)	—	(1,862)
Other income (expense), net	19,470	35,650	21,680	(2,422)	(200)
Net realized and unrealized gain (loss) on investments of Consolidated Funds	100,124	(2,057)	(24,616)	513,270	479,096
Interest and other income of Consolidated Funds	187,721	138,943	117,373	937,835	1,236,037
Interest expense of Consolidated Funds	(126,727)	(91,452)	(78,819)	(666,373)	(534,431)
Debt extinguishment gain of Consolidated Funds	—	—	—	—	11,800
Total other income	**239,118**	**115,135**	**36,082**	**813,065**	**1,195,883**
Income before taxes	149,859	297,920	81,484	556,915	872,641
Income tax expense (benefit)	(23,052)	11,019	19,064	11,253	59,263
Net income	**172,911**	**286,901**	**62,420**	**545,662**	**813,378**
Less: Net income attributable to redeemable interests in Consolidated Funds	—	—	—	**2,565**	**137,924**
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	**60,818**	**3,386**	**(5,686)**	**417,793**	**448,847**
Less: Net income attributable to redeemable interests in Ares Operating Group entities	—	**456**	**338**	**731**	**2,451**
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**35,915**	**171,251**	**48,390**	**89,585**	**224,156**
Net income attributable to Ares Management, L.P.	**76,178**	**111,808**	**19,378**	**34,988**	—
Less: Preferred equity distributions paid	**21,700**	**12,176**	—	—	—
Net income attributable to Ares Management, L.P. common unitholders	**$ 54,478**	**$ 99,632**	**$ 19,378**	**$ 34,988**	**$ —**

	As of December 31,				
	2017	2016	2015	2014	2013
					(Predecessor)
			(Dollars in thousands)		
Statements of financial condition data					
Cash and cash equivalents	$ 118,929	$ 342,861	$ 121,483	$ 148,858	$ 89,802
Cash and cash equivalents of Consolidated Funds	556,500	455,280	159,507	1,314,397	1,638,003
Investments	647,335	468,471	468,287	174,052	89,438
Investments, at fair value, of Consolidated Funds	5,582,842	3,330,203	2,559,783	19,123,950	20,823,338
Total assets	8,563,522	5,829,712	4,321,408	21,638,992	23,705,384
Debt obligations	616,176	305,784	389,120	243,491	153,119
CLO loan obligations of Consolidated Funds	4,963,194	3,031,112	2,174,352	12,049,170	11,774,157
Consolidated Funds’ borrowings	138,198	55,070	11,734	777,600	2,070,598
Mezzanine debt of Consolidated Funds	—	—	—	378,365	323,164
Total liabilities	7,103,230	4,452,450	3,329,497	14,879,619	16,030,319
Redeemable interest in Consolidated Funds	—	—	—	1,037,450	1,093,770
Redeemable interest in Ares Operating Group entities	—	—	23,505	23,988	40,751
Non-controlling interest in Consolidated Funds	528,488	338,035	323,606	4,950,803	5,847,135
Non-controlling interest in Ares Operating Group entities	358,186	447,615	397,883	463,493	167,731
Total controlling interest in Ares Management, L.P.	274,857	292,851	246,917	283,639	525,678
Total equity	1,460,292	1,377,262	968,406	5,697,935	6,540,544
Total liabilities, redeemable interest, non-controlling interests and equity	8,563,522	5,829,712	4,321,408	21,638,992	23,705,384

Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Ares Management, L.P. is a Delaware limited partnership formed on November 15, 2013. Unless the context otherwise requires, references to "we," "us," "our," "the Partnership" and "the Company" are intended to mean the business and operations of Ares Management, L.P. and its consolidated subsidiaries. The following discussion analyzes the financial condition and results of operations of the Partnership . "Consolidated Funds" refers collectively to certain Ares-affiliated funds, related co- investment entities and certain CLOs that are required under generally accepted accounting principles in the United States ("GAAP") to be consolidated in our consolidated financial statements included in this Annual Report on Form 10-K. Additional terms used by the Company are defined in the Glossary and throughout the Management's Discussion and Analysis in this Annual Report on Form 10-K.

The following discussion and analysis should be read in conjunction with the audited, consolidated financial statements of Ares Management, L.P. and the related notes included in this Annual Report on Form 10-K.

Amounts and percentages presented throughout our discussion and analysis of financial condition and results of operations may reflect rounded results in thousands (unless otherwise indicated) and consequently, totals may not appear to sum.

Our Business

We are a leading global alternative asset manager that operates through three distinct but complementary investment groups, which are our reportable segments. In 2017, we reclassified certain expenses from OMG to our operating segments. We have presented our reportable segments for the years ended December 31, 2016 and 2015 to conform to the year ended December 31, 2017 presentation.

Our three operating segments are:

- *Credit Group:* Our Credit Group is a leading manager of credit strategies across the non-investment grade credit universe in the U.S. and Europe, with approximately $71.7 billion of assets under management and 139 funds as of December 31, 2017 . The Credit Group offers a range of credit strategies across the liquid and illiquid spectrum, including syndicated loans, high yield bonds, credit opportunities, structured credit investments and U.S. and European direct lending. The Credit Group provides solutions for traditional fixed income investors seeking to access the syndicated loans and high yield bond markets and capitalizes on opportunities across traded corporate credit. It additionally provides investors access to directly originated fixed- and floating-rate credit assets and the ability to capitalize on illiquidity premiums across the credit spectrum. The Credit Group's syndicated loans strategy focuses on liquid, traded non-investment grade secured loans to corporate borrowers. The high yield bond strategy seeks to deliver a diversified portfolio of liquid, traded non-investment grade corporate bonds, including secured, unsecured and subordinated debt instruments. Credit opportunities is a "go anywhere" strategy seeking to capitalize on market inefficiencies and relative value opportunities across the capital structure. The structured credit strategy invests across the capital structures of syndicated collateralized loan obligation vehicles (CLOs) and in directly-originated asset-backed instruments comprised of diversified portfolios of consumer and commercial assets. We are one of the largest self-originating direct lenders to the U.S. and European middle markets, providing one-stop financing solutions for small-to-medium sized companies, which the Company believes are increasingly underserved by traditional lenders. We provide investors access to these capabilities through several vehicles, including commingled funds, separately managed accounts and a publicly traded vehicle. The Credit Group conducts its U.S. corporate lending activities primarily through ARCC, the largest business development company as of December 31, 2017 , by both market capitalization and total assets. In addition, the Credit Group manages a commercial finance business that provides asset-based and cash flow loans to small and middle-market companies, as well as asset-based facilities to specialty finance companies. The Credit Group's European direct lending platform is one of the most significant participants in the European middle-market, focusing on self-originated investments in illiquid middle-market credits.

- *Private Equity Group:* Our Private Equity Group has approximately $24.5 billion of assets under management as of December 31, 2017 , broadly categorizing its investment strategies as corporate private equity, U.S. power and energy infrastructure and special situations. As of December 31, 2017 , the group managed five corporate private equity commingled funds focused on North America and Europe and two focused on greater China, five commingled funds and six related co-investment vehicles focused on U.S. power and energy infrastructure and three special situations funds. In its North American and European flexible capital strategy, the Company targets opportunistic majority or shared-control investments in businesses with strong franchises and attractive growth opportunities in North America and Europe. The U.S. power and energy infrastructure strategy targets U.S. energy infrastructure-related assets across the power generation, transmission and midstream sectors, seeking attractive risk-adjusted equity returns with current cash flow and capital

appreciation. The special situations strategy seeks to invest opportunistically across a broad spectrum of distressed or mispriced investments, including corporate debt, rescue capital, private asset-backed investments, post-reorganization securities and non-performing portfolios.

- *Real Estate Group:* Our Real Estate Group manages comprehensive public and private equity and debt strategies, with approximately $10.2 billion of assets under management across 42 funds as of December 31, 2017 . Real Estate equity strategies focus on applying hands-on value creation initiatives to mismanaged and capital-starved assets, as well as new development, ultimately selling stabilized assets back into the market. The Real Estate Group manages both a value-add strategy and an opportunistic strategy. The value-add strategy seeks to create value by buying assets at attractive valuations and through active asset management of income-producing properties across the U.S. and Western Europe. The opportunistic strategy focuses on manufacturing core assets through development, redevelopment and fixing distressed capital structures across major property types in the U.S. and Europe. The Company's debt strategies leverage the Real Estate Group's diverse sources of capital to directly originate and manage commercial mortgage investments on properties that range from stabilized to requiring hands-on value creation. In addition to managing private debt funds, the Real Estate Group makes debt investments through a publicly traded commercial mortgage REIT, ACRE.

The Operations Management Group ("OMG") consists of five shared resource groups to support our operating segments by providing infrastructure and administrative support in the areas of accounting/finance, operations/information technology, business development/corporate strategy, legal/compliance and human resources. Additionally, the OMG provides services to certain of our investment companies and partnerships, which reimburse the OMG for expenses equal to the cost of services provided. The OMG's expenses are not allocated to our three reportable segments but we consider the cost structure of the OMG when evaluating our financial performance.

The focus of our business model is to provide our investment management capabilities through various funds and products that meet the needs of a wide range of institutional and retail investors. Our revenues consist primarily of management fees and performance fees, as well as investment income and administrative expense reimbursements. Management fees are generally based on a defined percentage of average fair value of assets, total commitments, invested capital, net asset value, net investment income or par value of the investment portfolios we manage. Performance fees are based on certain specific hurdle rates as defined in the funds' applicable investment management or partnership agreements and represent either an incentive fee or carried interest. Other income (expense) represents the investment income, realized gains (losses) and unrealized appreciation (depreciation) resulting from the investments of the Company and the Consolidated Funds, as well as interest expense. We provide administrative services to certain of our affiliated funds that are presented within administrative, transaction and other fees for GAAP reporting, but are presented net of respective expenses for segment reporting purposes. We also receive transaction fees from certain affiliated funds for activities related to fund transactions, such as loan originations. In accordance with GAAP, we are required to consolidate those funds in which we hold a significant economic interest and substantive control rights. However, for segment reporting purposes, we present revenues and expenses on a combined segment basis, which shows the results of our reportable segments without giving effect to the consolidation of the funds. Accordingly, our segment revenues consist of management fees, other income, realized and unrealized performance fees, and net investment income. Our segment expenses consist of compensation and benefits, net of administrative fees, general, administrative and other expenses, net of administrative fees, as well as realized and unrealized performance fee compensation.

Trends Affecting Our Business

We believe that our disciplined investment philosophy across our three distinct but complementary investment groups contributes to the stability of our firm's performance throughout market cycles. Additionally, as approximately 72% of our assets under management were in funds with a contractual life of three years or more and approximately 42% were in funds with a contractual life of seven years or more as of December 31, 2017 , our funds have a stable base of committed capital enabling us to invest in assets with a long term focus over different points in a market cycle and to take advantage of market volatility. However, our results of operations, including the fair value of our AUM, are affected by a variety of factors, including conditions in the global financial markets and the economic and political environments, particularly in the United States and Western Europe.

December 2017 marked a modestly positive end to the year for credit markets as improving economic conditions, rising corporate earnings, accommodative monetary policy and falling inflation expectations supported investor sentiment. Despite sector specific gains experienced in November, credit spreads generally continued to tighten throughout the fourth quarter of 2017. In response to compressing yields, investors generally sought higher yielding risk assets globally. Similar to 2016, market participants were rewarded for a "risk-on" posture and as a result, the ICE BofAML High Yield Master II Index returned 7.48% for 2017, primarily driven by the CCC portion of the index which returned 10.59% during the year. The leveraged loan market experienced similar return patterns with the Credit Suisse Leveraged Loan Index delivering a 4.25% total return for the full year, led by a 7.45% return for the lower tier segment of the market. Against a backdrop of improving macroeconomic and corporate fundamentals as

well as enthusiasm over tax reform in the U.S., equities (measured by the S&P 500 Index) continued to reach record highs throughout the year and outperformed most asset classes with a year-to-date return of 21.83%.

European markets continued to show notable stability during the fourth quarter of 2017 as improving growth prospects and increased appetite for risk in the region seemed to offset geopolitical and monetary policy concerns. As a result, the ICE BofAML European High Yield Index and the Credit Suisse Western European Leveraged Loan Index delivered strong performance for the year-to-date period, returning 6.74% and 5.32% during 2017, respectively. Economic growth in Europe showed signs of strength as gross domestic product readings consistently beat expectations and the unemployment rate dipped to lows not seen since January 2009.

Notwithstanding the potential opportunities represented by market volatility, future earnings, cash flows and distributions are affected by a range of factors, including realizations of our funds' investments, which are subject to significant fluctuations from period to period.

In 2018, some of the considerations informing our strategic decisions include:

- *Our ability to fundraise and increase AUM and fee paying AUM.* During the year ended December 31, 2017, we raised $16.7 billion, both in commingled and separately managed accounts, and continued to expand our investor base, raising capital from over 65 different funds and approximately 146 institutional investors, including 78 direct institutional investors that were new to Ares. Our fundraising efforts helped drive AUM growth of approximately 11.8% for 2017. During 2018, we expect that our fundraising will come from a combination of our existing and new strategies primarily in the U.S and Europe. During the year ended December 31, 2017, we earned approximately 1.1% on our FPAUM, which was consistent with 2016. As of December 31, 2017, we also had $15.0 billion of AUM not yet earning fees, which represents approximately $164.4 million in annual potential management fee revenue. Of the $164.4 million, $126.1 million relates to $11.8 billion of AUM available for future deployment. Our pipeline of potential fees, coupled with our future fundraising opportunities, gives us the potential to increase our management fees in 2018.

- *Our ability to attract new capital and investors with our broad multi-asset class product offering.* Our ability to attract new capital and investors in our funds is driven, in part, by the extent to which they continue to see the alternative asset management industry generally, and our investment products specifically, as an attractive vehicle for capital appreciation. We continually seek to create avenues to meet our investors' evolving needs by offering an expansive range of investment funds, developing new products and creating managed accounts and other investment vehicles tailored to our investors' goals. We continue to expand our distribution channels, seeking to meet the needs of insurance companies, as well as the needs of traditional institutional investors, such as pension funds, sovereign wealth funds, and endowments. If market volatility persists or increases, investors may seek absolute return strategies that seek to mitigate volatility. We offer a variety of investment strategies depending upon investors' risk tolerance and expected returns.

- *Our disciplined investment approach and successful deployment of capital.* Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital that our investors have committed to our investment funds. Greater competition, high valuations, cost of credit and other general market conditions have affected and may continue to affect our ability to identify and execute attractive investments. Under our disciplined investment approach, we deploy capital only when we have sourced a suitable investment opportunity at an attractive price. During the year ended December 31, 2017, we deployed $16.4 billion of gross capital across our three investment groups compared to approximately $10.2 billion deployed in 2016. As of December 31, 2017, we had $25.1 billion of capital available for investment and we remain well-positioned to invest our assets opportunistically.

- *Our ability to invest capital and generate returns through market cycles.* The strength of our investment performance affects investors' willingness to commit capital to our funds. The flexibility of the capital we are able to attract is one of the main drivers of the growth of our AUM and the management fees we earn. Current market conditions and a changing regulatory environment have created opportunities for Ares' businesses, particularly in the Credit Group's direct lending funds, and in the Private Equity's special situations funds, which utilize flexible investment mandates to manage portfolios through market cycles. As market conditions shift and default risk and interest rate risk come under greater focus, having the ability to move up and down the capital structure enables both our Credit and Private Equity Groups to reduce risk and enhance returns. Similarly, given our broad capabilities in leveraged loans, such flexibility enables our Credit Group to reduce sensitivities to changing interest rates by increasing allocations to floating rate syndicated loans. On a market value basis, more than 75% of the debt assets within our Credit Group are floating rate instruments, which we believe helps mitigate volatility associated with changes in interest rates.

- *Our ability to continue to achieve stable distributions to investors.* Our fee related earnings represented approximately 80% of our distributable earnings for the year ended December 31, 2017. We believe that the high percentage of fee related earnings (versus performance related earnings) in our distributable earnings provides greater stability for our distributions relative to some peers. During 2017, we experienced higher relative distributable earnings compared to 2016 primarily driven by higher realized performance related earnings within the Private Equity Group, mostly as a result of market appreciation in a retail portfolio company following its initial public offering. In addition, we have historically experienced and expect to continue to experience higher realizations within our Credit Group funds during the second half compared to the first half of the year, as certain Credit Group funds, including ARCC, pay incentive fees annually when hurdles are exceeded, which are typically realized during the last six months of the year.

See "Item 1A. Risk Factors" included in this Annual Report on Form 10-K for a discussion of the risks to which our businesses are subject.

The Election for Ares Management, L.P. to be Taxed as a Corporation

We have filed an election with the Internal Revenue Service ("IRS") to be treated as a corporation for U.S. federal income tax purposes (collectively, the "Tax Election"), with an effective date of March 1, 2018 (the "Effective Date"). Although we will be treated as a corporation for U.S. federal income tax purposes, we will remain a limited partnership under state law. In connection with the Tax Election, effective March 1, 2018, we have amended and restated our partnership agreement to, among other things, reflect our new tax classification and change the name of our common units and preferred units to common shares and preferred shares, respectively. The terms of such common shares and preferred shares, and the associated rights, otherwise remain unchanged. See "Item 1A. Risk Factors–Our common shareholders do not elect our general partner or, except in limited circumstances, vote on our general partner's directors and have limited ability to influence decisions regarding our businesses."

Asset managers structured as pass-through entities for income tax purposes have historically traded at substantial discounts to asset managers taxed as corporations. Further, we believe that our pass-through tax structure has historically limited our investor universe due to complexities related to this structure. The Tax Election is intended to simplify our tax structure and expand our eligible investor universe and, in turn, enhance our liquidity and trading volume, which may, among other things, provide us with a more liquid and attractive currency for potential strategic transactions to further long term growth. Moreover, we historically have paid corporate level taxes on our fee related earnings, which has averaged over 80% of total fee income since our initial public offering. This, combined with a reduction in the statutory federal corporate tax rate from 35% to 21%, also presented compelling reasons to make the Tax Election in 2018.

Shareholders will receive a final Schedule K-1 reflecting their allocable share of the partnership's items for the period beginning January 1, 2018 and ending on the day immediately before the Effective Date. On and after the Effective Date, public common shareholders will not have current income tax obligations arising from their investment in Ares Management, L.P. other than on the receipt of distributions treated as dividends for tax purposes, which will be reported on Form 1099-DIV. This change reduces the legal and tax preparation costs associated with Schedule K-1 preparation and simplifies a shareholder's tax reporting obligations.

We expect that neither Ares Management, L.P. nor its shareholders will recognize a material amount of gain or loss as a result of the Tax Election.

On the Effective Date, the aggregate tax basis of the shares held by a shareholder will equal the aggregate tax basis in such shares immediately before the Effective Date (reduced by the shareholder's allocable share of our liabilities) and increased by the gain, if any, recognized by such shareholder as a result of the Tax Election. We believe that a shareholder's holding period in the shares will generally be long-term. There is no assurance, however, that such treatment will be respected by the IRS.

The foregoing discussion is based on our expectation that all the relevant tax requirements for non-recognition treatment will have been met. There is no assurance, however, that such treatment will be respected by the IRS.

The rules governing the U.S. federal income tax treatment of the Tax Election are complex and their application to non-U.S. shareholders, in particular, is unclear. Accordingly, shareholders should consult their tax advisors regarding the tax treatment of the Tax Election in light of their particular situation.

Differences in Taxation of Partnerships and Corporations and Their Owners

An entity treated as a partnership for U.S. federal income tax purposes is not a taxable entity and generally incurs no U.S. federal income tax liability. Instead, each partner is required to take into account its share of items of income, gain, loss and deduction of the partnership in computing its U.S. federal income tax liability, regardless of whether distributions are made to it by the partnership. Distributions by an entity treated as a partnership to a partner are generally not taxable to the partnership or the partner and instead reduce a partner's adjusted basis in its partnership interest.

An entity treated as a corporation for U.S. federal income tax purposes is a taxable entity and generally pays U.S. federal income tax on its taxable income. The maximum U.S. federal tax rate imposed on the net income of an entity treated as a corporation was recently changed from 35% to 21% for taxable years beginning after December 31, 2017. Such rate may be further changed in the future. An owner of an entity treated as a corporation generally is not taxed on any income earned by the entity until the entity distributes to it either cash or property. A distribution from an entity treated as a corporation is generally treated as a dividend to the extent it is paid from current or accumulated earnings and profits. We expect any dividends made to individuals and certain other qualifying owners to constitute "qualified dividend" income that is generally taxed at a favorable, lower tax rate than the ordinary income tax rate, if the requisite holding periods have been met. If the distribution exceeds current and accumulated

earnings and profits, the excess is treated as a nontaxable return of capital, reducing the owner's tax basis in the stock to the extent of the owner's tax basis in that stock. Any remaining excess is treated as capital gain. Because entities treated as corporations are taxed on their own taxable income, and because owners of such entities are taxed on any dividends distributed from such entities, there are two levels of potential tax upon income earned by entities treated as corporations.

Following the Effective Date, our shareholders (including holders of Series A Preferred Shares) will be subject to the tax treatment applicable to owners of entities that are treated as corporations described above.

The foregoing description addresses only certain U.S. federal income tax consequences of the Tax Election applicable to shareholders generally. We do not provide tax advice and nothing herein should be considered as such. Each shareholder should consult its tax advisor concerning the particular U.S. federal income, U.S. federal estate or gift, state, local, foreign and other tax consequences of the Tax Election to it.

2017 Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act was enacted into law creating significant and material updates to the Internal Revenue Code. The most significant change is a decrease of the corporate tax rate from 35% to 21%. The reduction in the corporate tax rate is effective for tax years beginning on or after January 1, 2018. We estimated the tax effects of the Tax Cuts and Jobs Act in our fourth quarter tax provision in accordance with our understanding of the changes and guidance available as of the date of this filing. The result was a $0.7 million income tax benefit in the fourth quarter of 2017, the period of enactment of the new tax law. The provisional amount relates to the remeasurement of certain deferred tax assets and liabilities based on the new rates at which they are expected to be reversed. Other significant changes are also included in the Tax Cuts and Jobs Act and will continue to be analyzed.

On December 22, 2017, the SEC issued Staff Accounting Bulletin ("SAB") 118 to address the application of U.S. GAAP in regards to the change in tax law for registrants that do not have all of the necessary information available to analyze and calculate the accounting impact for the tax effects of the Tax Cuts and Jobs Act. Under SAB 118, we determined that approximately $0.7 million of deferred tax benefit should be recorded as a result of the remeasurement of certain deferred tax assets and liabilities that are impacted by the reduction in the U.S. federal tax rate at December 31, 2017. Additional work is necessary for a more detailed analysis on the tax effects of all aspects of the Tax Cuts and Jobs Act. Any subsequent adjustments to these amounts will be recorded to tax expense in the quarter that the required analysis is completed.

ARCC and American Capital, Ltd. Merger Agreement

On January 3, 2017, ARCC completed its acquisition of American Capital, Ltd. ("ACAS") pursuant to a definitive merger agreement entered into in May 2016 (the "ARCC-ACAS Transaction"). To support the ARCC-ACAS Transaction, we, through our subsidiary Ares Capital Management LLC, which serves as the investment adviser to ARCC, provided $275.2 million of cash consideration to ACAS shareholders upon the closing of the ARCC-ACAS Transaction in accordance with the terms and conditions of the merger agreement. In addition, we agreed to waive up to $10 million per quarter of ARCC's Part I Fees for ten calendar quarters, which began in the second quarter of 2017. We received a favorable private letter ruling from the IRS in the second quarter of 2017 which supports the full deductibility of the $275.2 million support payment in the 2017 tax year.

Consolidation and Deconsolidation of Ares Funds

Pursuant to GAAP, we consolidate the Consolidated Funds into our financial results as presented in this Annual Report on Form 10-K. These funds represented approximately 6.4% of our AUM as of December 31, 2017 , 3.0% of our management fees and 0.8% of our performance fees for the year ended December 31, 2017 . As of December 31, 2017, 2016 and 2015 , we consolidated 10 , 7 and 5 CLOs, respectively, and 9 private funds. As of December 31, 2017 , five of the CLOs were consolidated through risk retention vehicles.

The consolidation of these funds had the impact of increasing interest and other income of Consolidated Funds, interest expense of Consolidated Funds, net realized and unrealized gain (loss) on investment of Consolidated Funds and net income attributable to redeemable interests in Consolidated Funds, among others, for the years ended December 31, 2017 , 2016 and 2015 . Also, the consolidation of these funds typically has the impact of decreasing management and performance fees to the extent such fees were eliminated upon consolidation. For the actual impact that consolidation had on our results, see the Consolidating Schedules within Note 19, "Consolidation", to our consolidated financial statements included in this Annual Report on Form 10-K.

The assets and liabilities of our Consolidated Funds are held within separate legal entities and, as a result, the liabilities of our Consolidated Funds are non-recourse to us. Generally, the consolidation of our Consolidated Funds has a significant gross-up effect on our assets, liabilities and cash flows but has no net effect on the net income attributable to us. The net economic ownership interests of our Consolidated Funds, to which we have no economic rights, are reflected as non-controlling interests in the Consolidated Funds in our consolidated financial statements.

We generally deconsolidate funds we advise and CLOs when we are no longer deemed to have a controlling interest in the entity. During the year ended December 31, 2017 , there were two Consolidated Funds liquidated or dissolved and no non-VIEs experienced a significant change in ownership or control that resulted in deconsolidation during the period.

The performance of our Consolidated Funds is not necessarily consistent with, or representative of, the combined performance trends of all of our funds.

Managing Business Performance

Non-GAAP Financial Measures

We use the following non-GAAP measures to assess and track our performance:

- Economic Net Income (ENI)
- Fee Related Earnings (FRE)
- Performance Related Earnings (PRE)
- Realized Income (RI)
- Distributable Earnings (DE)

These non-GAAP financial measures supplement and should be considered in addition to and not in lieu of the results of operations, which are discussed further under "—Components of Consolidated Results of Operations" and are prepared in accordance with GAAP. For the specific components and calculations of these non-GAAP measures, as well as a reconciliation of these measures to the most comparable measure in accordance with GAAP, see Note 18, "Segment Reporting," to our consolidated financial statements included in this Annual Report on Form 10-K.

Operating Metrics

We monitor certain operating metrics that are common to the alternative asset management industry, which are discussed below.

Assets Under Management

Assets under management refers to the assets we manage. We view AUM as a metric to measure our investment and fundraising performance as it reflects assets generally at fair value plus available uncalled capital. For our funds other than CLOs, our AUM equals the sum of the following:

- net asset value ("NAV") of such funds;
- the drawn and undrawn debt (at the fund-level including amounts subject to restrictions); and
- uncalled committed capital (including commitments to funds that have yet to commence their investment periods).

NAV refers to the fair value of all the assets of a fund less the fair value of all liabilities of the fund.

For CLOs, our AUM is equal to subordinated notes (equity) plus all drawn and undrawn debt tranches.

The tables below provide the period-to-period rollforwards of our total AUM by segment for the years ended December 31, 2017, 2016 and 2015 (in millions):

	Credit Group	Private Equity Group	Real Estate Group	Total AUM
Balance at 12/31/2016	**$ 60,466**	**$ 25,041**	**$ 9,752**	**$ 95,259**
Acquisitions	3,605	—	—	3,605
Net new par/equity commitments	8,670	356	800	9,826
Net new debt commitments	5,989	—	509	6,498
Distributions	(10,852)	(3,014)	(1,599)	(15,465)
Change in fund value	3,854	2,147	767	6,768
Balance at 12/31/2017	**$ 71,732**	**$ 24,530**	**$ 10,229**	**$ 106,491**
Average AUM(1)	**$ 67,071**	**$ 24,914**	**$ 10,261**	**$ 102,246**

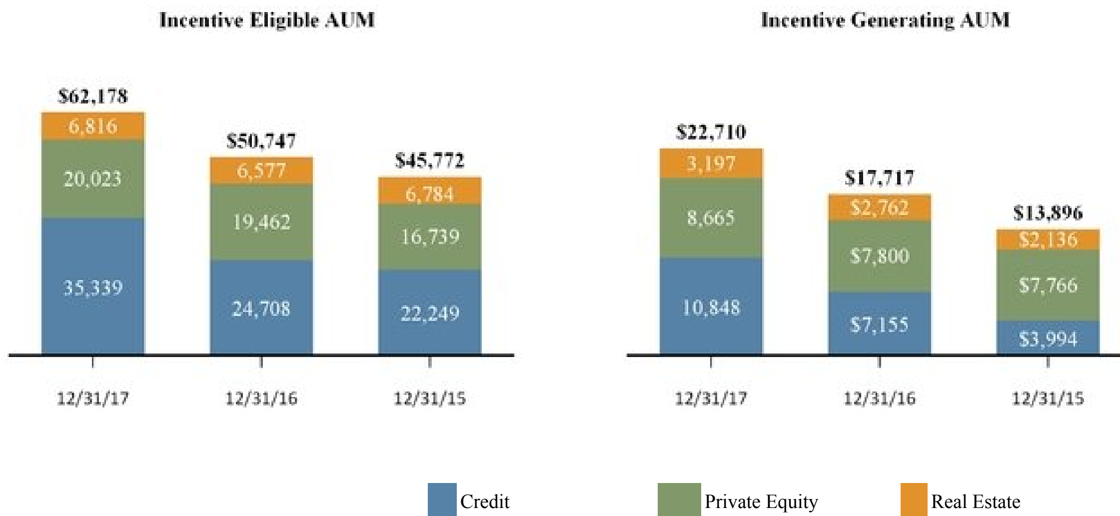
	Credit Group		Private Equity Group		Real Estate Group		Total AUM	
Balance at 12/31/2015	$	60,386	$	22,978	$	10,268	$	93,632
Net new par/equity commitments		5,453		2,314		840		8,607
Net new debt commitments		5,030		—		225		5,255
Distributions		(11,968)		(2,519)		(1,813)		(16,300)
Change in fund value		1,565		2,268		232		4,065
Balance at 12/31/2016	$	60,466	$	25,041	$	9,752	$	95,259
Average AUM(1)	$	60,297	$	24,553	$	10,144	$	94,994

	Credit Group		Private Equity Group		Real Estate Group		Total AUM	
Balance at 12/31/2014	$	59,099	$	12,087	$	10,575	$	81,761
Acquisitions		—		4,581		—		4,581
Net new par/equity commitments		7,316		6,700		1,328		15,344
Net new debt commitments		6,554		—		105		6,659
Distributions		(11,949)		(1,081)		(2,072)		(15,102)
Change in fund value		(634)		691		332		389
Balance at 12/31/2015	$	60,386	$	22,978	$	10,268	$	93,632
Average AUM(1)	$	60,975	$	17,115	$	10,182	$	88,272

(1) Represents a five-point average of quarter-end balances for each period.

Please refer to “— Results of Operations by Segment” for a more detailed presentation of AUM by segment for each of the periods presented.

The graphs below presents our Incentive Generating AUM and Incentive Eligible AUM by segment as of December 31, 2017, 2016 and 2015 (in millions):



As of December 31, 2017, 2016 and 2015 , our available capital, which we refer to as dry powder, was $25.1 billion , $23.2 billion and $22.4 billion, respectively, primarily attributable to our funds in the Credit Group and the Private Equity Group.

Fee Paying Assets Under Management

The following components generally comprise our FPAUM:

- The amount of limited partner capital commitments for certain closed-end funds within the reinvestment period in the Credit Group, funds in the Private Equity Group and certain private funds in the Real Estate Group;
- The amount of limited partner invested capital for the aforementioned closed-end funds beyond the reinvestment period as well as the structured assets funds in the Credit Group, certain managed accounts within their reinvestment period, the mezzanine fund in the Credit Group, European commingled funds in the Credit Group and co-invest vehicles in the Real Estate Group;
- The gross amount of aggregate collateral balance, for CLOs, at par, adjusted for defaulted or discounted collateral; and
- The portfolio value, gross asset value or NAV, adjusted in certain instances for cash or certain accrued expenses, for the remaining funds in the Credit Group, ARCC, certain managed accounts in the Credit Group and certain debt funds in the Real Estate Group.

The tables below provide the period-to-period rollforwards of our total FPAUM by segment for the years ended December 31, 2017, 2016 and 2015 (in millions):

	Credit Group	Private Equity Group	Real Estate Group	Total
FPAUM Balance at 12/31/2016	**$ 42,709**	**$ 11,314**	**$ 6,540**	**$ 60,563**
Acquisitions	2,789	—	—	2,789
Commitments	5,060	7,955	665	13,680
Subscriptions/deployment/increase in leverage	5,094	1,122	582	6,798
Redemptions/distributions/decrease in leverage	(8,733)	(1,606)	(841)	(11,180)
Change in fund value	2,322	(375)	183	2,130
Change in fee basis	209	(1,552)	(940)	(2,283)
FPAUM Balance at 12/31/2017	**$ 49,450**	**$ 16,858**	**$ 6,189**	**$ 72,497**
Average FPAUM(1)	**$ 46,598**	**$ 15,886**	**$ 6,547**	**$ 69,031**

	Credit Group	Private Equity Group	Real Estate Group	Total
FPAUM Balance at 12/31/2015	**$ 39,925**	**$ 12,462**	**$ 6,757**	**$ 59,144**
Commitments	3,631	159	462	4,252
Subscriptions/deployment/increase in leverage	3,712	93	630	4,435
Redemptions/distributions/decrease in leverage	(5,815)	(665)	(1,019)	(7,499)
Change in fund value	1,316	(168)	(58)	1,090
Change in fee basis	(60)	(567)	(232)	(859)
FPAUM Balance at 12/31/2016	**$ 42,709**	**$ 11,314**	**$ 6,540**	**$ 60,563**
Average FPAUM(1)	**$ 40,938**	**$ 11,800**	**$ 6,669**	**$ 59,407**

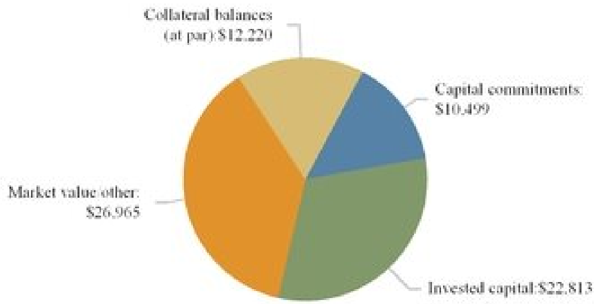
	Credit Group	Private Equity Group	Real Estate Group	Total
FPAUM Balance at 12/31/2014	**$ 37,274**	**$ 7,702**	**$ 6,118**	**$ 51,094**
Acquisitions	—	4,046	—	4,046
Commitments	4,117	523	988	5,628
Subscriptions/deployment/increase in leverage	4,139	691	803	5,633
Redemptions/distributions/decrease in leverage	(5,242)	(414)	(797)	(6,453)
Change in fund value	(57)	(31)	(68)	(156)
Change in fee basis	(306)	(55)	(287)	(648)
FPAUM Balance at 12/31/2015	**$ 39,925**	**$ 12,462**	**$ 6,757**	**$ 59,144**
Average FPAUM(1)	**$ 38,328**	**$ 11,155**	**$ 6,208**	**$ 55,691**

(1) Represents a five-point average of quarter-end balances for each period.

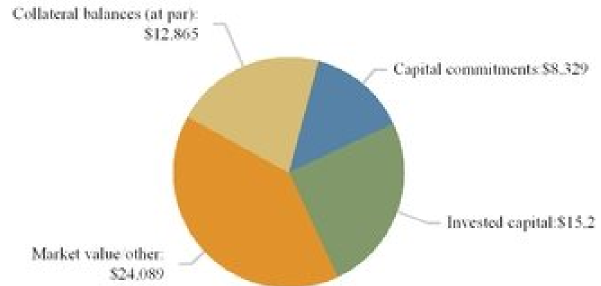
Please refer to "— Results of Operations by Segment" for detailed information by segment of the activity affecting total FPAUM for each of the periods presented.

The charts below present FPAUM by its fee basis as of December 31, 2017, 2016 and 2015 (in millions):

December 31, 2017



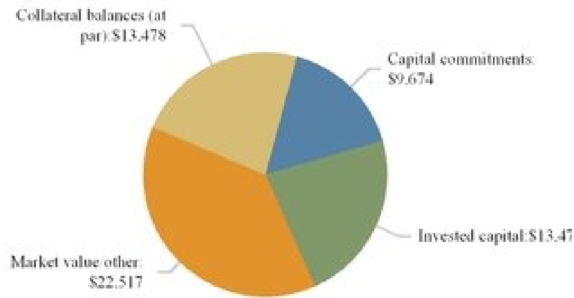
December 31, 2016



FPAUM: $72,497

FPAUM: $60,563

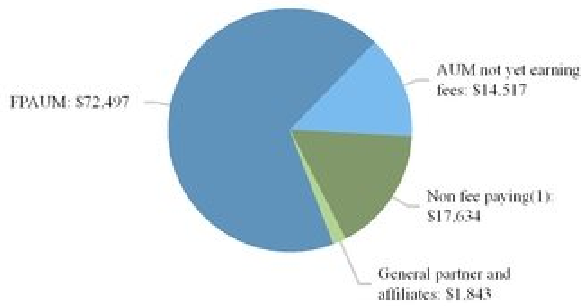
December 31, 2015



FPAUM: $59,144

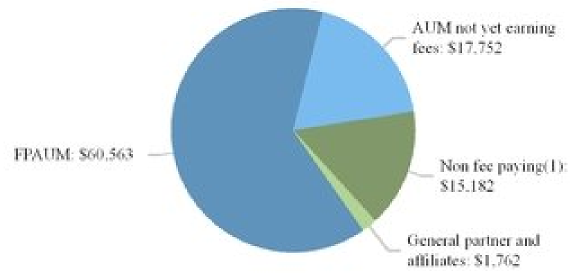
The components of our AUM, including the portion that is FPAUM, are presented below as of December 31, 2017, 2016 and 2015 (in millions):

December 31, 2017



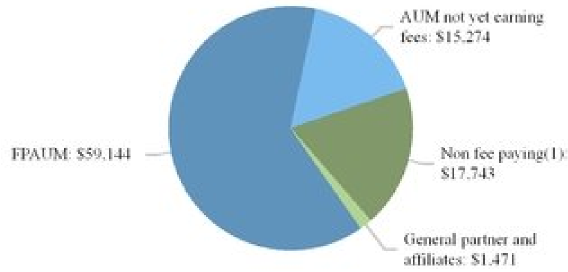
AUM: $106,491

December 31, 2016



AUM: $95,259

December 31, 2015



AUM: $93,632

(1) Includes $5.7 billion , $6.4 billion and $9.9 billion of AUM of funds from which we indirectly earn management fees as of December 31, 2017 , 2016 and 2015 , respectively.

Fund Performance Metrics

Fund performance information for our investment funds that are considered to be “significant funds” is included throughout this discussion with analysis to facilitate an understanding of our results of operations for the periods presented. Our significant funds include those that contributed at least 1% of our total management fees for the year ended December 31, 2017 or comprised at least 1% of the Company’s total FPAUM as of December 31, 2017 , and for which we have sole discretion for investment decisions within the fund. In addition to management fees, each of our significant funds may generate performance fees upon the achievement of performance hurdles. The fund performance information reflected in this discussion and analysis is not indicative of our overall performance. An investment in Ares is not an investment in any of our funds. Past performance is not indicative of future results. As with any investment there is always the potential for gains as well as the possibility of losses. There can be no assurance that any of these funds or our other existing and future funds will achieve similar returns.

Components of Consolidated Results of Operations

Revenues

Management Fees. Management fees are generally based on a defined percentage of average fair value of assets, total commitments, invested capital, NAV, net investment income or par value of the investment portfolios managed by us. The fees are generally based on a quarterly measurement period and amounts can be paid in advance or in arrears depending on each specific fund. Management fees also include ARCC Part I Fees, a quarterly fee on investment income from ARCC, our publicly traded business development company registered under the Investment Company Act, which is managed by our subsidiary. ARCC Part I Fees are equal to 20% of ARCC's net investment income (before ARCC Part I Fees and incentive fees payable based on ARCC’s net capital gains), subject to a fixed “hurdle rate” of 1.75% per quarter, or 7.0% per annum. No fee is earned until ARCC’s net investment income exceeds a 1.75% hurdle rate, with a “catch up” provision such that we receive 20% of ARCC’s net investment income from the first dollar earned. ARCC Part I Fees are classified as management fees as they are predictable and are recurring in nature, are not subject to contingent repayment and are generally cash-settled each quarter. Management fees are recognized as revenue in the period advisory services are rendered, subject to our assessment of collectability. Additional details regarding our management fees are presented below:

Credit Group:

- *Syndicated loans and high yield bonds* : Typical management fees range from 0.35% to 0.65% of par plus cash or NAV. The syndicated loan funds have an average management contract term of 13.1 years as of December 31, 2017 and the fee ranges generally remain unchanged at the close of the re-investment period. The funds in the high-yield strategy generally represent open-ended managed accounts, which typically do not include investment period termination or management contract expiration dates.

- *Credit opportunities and structured credit* : Typical management fees range from 0.45% to 1.50% of NAV, gross asset value, committed capital or invested capital. The funds in the credit opportunities strategy generally include open-ended or managed account structures, which typically do not have investment period termination or management contract expiration dates. The funds in the structured credit strategy include a publicly-traded closed-end fund, which does not include investment period termination or management contract termination dates. The funds in these strategies (excluding ARDC) had an average management contract term of 8.0 years as of December 31, 2017 .

- *U.S and E.U. direct lending* : Typical management fees range from 0.50% to 1.50% of invested capital, NAV or total assets. Following the expiration or termination of the investment period, the fee basis for certain closed-end funds and managed accounts in this strategy generally change to the aggregate cost or market value of the portfolio investments. In addition, management fees include the ARCC Part I Fees. Management fees on the lower end of the typical fee range are generally accompanied by transaction based fees. The funds in this strategy (excluding ARCC) had an average management contract term of 8.6 years as of December 31, 2017 .

Private Equity Group:

- *Private Equity funds* : Typical management fees range from 1.50% to 2.00% of total capital commitments during the investment period. The management fees for corporate private equity funds generally step down to between 0.75% and 1.25% of the aggregate adjusted cost of unrealized portfolio investments following the earlier to occur of: (i) the expiration or termination of the investment period or (ii) the launch of a successor fund. The power and energy and infrastructure funds generally step down the fee base to the aggregated adjusted cost of unrealized portfolio investments, while retaining the same fee rate, following the expiration or termination of the investment period. The funds in this strategy had an average management contract term of 11.1 years as of December 31, 2017 .

- *Special situations funds* : Typical management fees range from 1.00% to 1.50% of the lesser of the aggregate cost basis of unrealized portfolio investments or committed capital. The funds in this strategy are comprised of closed-end funds, with investment period termination or management contract termination dates. The special situation funds also include managed accounts, which generally do not include investment period termination or management contract termination dates. The funds in this strategy had an average management contract term of 8.8 years as of December 31, 2017 .

Real Estate Group:

Real Estate funds : Typical management fees range from 0.50% to 1.50% of invested capital, stockholders’ equity or total capital commitments. Following the expiration or termination of the investment period, the basis on which

management fees are earned for certain closed-end funds, managed accounts and co-investment vehicles in this strategy, which pay fees based on committed capital, change from committed capital to invested capital with no change in the management fee rate. The funds in this strategy (excluding ACRE) had an average management contract term of 11.2 years as of December 31, 2017 .

In some instances, we may not record management fees that we have earned when a fund does not have sufficient liquidity to pay management fees or may be restricted by certain covenants from making payment. Management fees are not recorded until collectability is assured, which may include meeting certain performance conditions. We refer to these fees as deferred management fees. In future periods, the amount of deferred management fees that we will record typically increases with the length of time the fees were deferred. No material management fees earned were deferred as of December 31, 2017 , 2016 and 2015 **.**

As of the reporting date, accrued but unpaid management fees, net of management fee reductions and management fee offsets, are included under management fees receivable on the consolidated statements of financial condition. See Note 12, "Related Party Transactions," to our consolidated financial statements included in this Annual Report on Form 10-K for more information.

Performance Fees. Performance fees are based on certain specific hurdle rates as defined in the applicable investment management or partnership agreements of the funds that we manage. Performance fees are recorded on an accrual basis to the extent such amounts are contractually due. The investment returns of most of our funds may be volatile. Performance fees are assessed as a percentage of the investment return of the funds. The performance fee measurement period varies by type of fund and is typically indicative of when realizations are likely to occur. The performance fees from certain Credit Group; credit opportunities funds, structured credit funds and ARCC Part II Fees are measured and realized on an annual basis, typically in the second half of the year. The performance fees from our Credit Group syndicated loans funds, high yield bonds, credit opportunities funds, structured credit funds, managed accounts and Private Equity Group funds are generally measured on an as-if liquidated basis, assuming that the fund was liquidated based on the measurement date net asset value. The performance fees are earned based on cumulative return hurdles and realizations occur as the fund is liquidating. The performance fees for our CLOs are earned based on yearly return hurdles and realizations occur periodically based on the management agreement. For U.S. and E.U. direct lending Credit Group funds, performance fees are measured and distributed on an annual basis. Private Equity Group funds may also distribute performance fees as individual investment realizations occur. For Real Estate Group funds, performance fees are measured at the liquidation of the fund and distributions of performance fees do not occur until all capital is returned to investors. Further, Real Estate Group, Private Equity Group, Credit Group syndicated credit and certain high yield bonds funds may make annual tax distributions based on the tax obligation at year-end and may be greater than the performance fees that were recognized during the year.

Credit Group:

- *Syndicated loans and high yield bonds:* Typical performance fees represent 15% to 20% of each incentive eligible fund's profits, subject to a preferred return of approximately 12% per annum.

- *Credit opportunities and structured credit:* Typical performance fees represent 10% to 20% of each incentive eligible fund's profits, subject to a preferred return of approximately 5% to 8% per annum.

- *U.S. and E.U. direct lending:* Typical performance fees represent 10% to 20% of each incentive eligible fund's profits, or cumulative realized capital gains (net of losses and unrealized capital depreciation), and are subject to a preferred return rate of approximately 5% to 8% per annum.

Private Equity Group:

- *Private Equity funds:* Performance fees represent 20% of each incentive eligible fund's profits, subject to a preferred return of approximately 8% per annum.

- *Special situations funds:* Performance fees represent 20% of each incentive eligible fund's profits, subject to a preferred return of approximately 8% per annum.

Real Estate Group:

- *Real estate funds:* Typical performance fees represent 10% to 20% of each incentive eligible fund's profits, subject to a preferred return of approximately 8% to 10% per annum.

We may be liable to certain funds for previously realized performance fees if the fund's investment values decline below certain return hurdles, which vary from fund to fund. As of December 31, 2017 , 2016 and 2015 , if the funds were liquidated at their fair values at that date, there would have been no contingent repayment obligation or liability. When the fair value of a fund's investment remains constant or falls below certain return hurdles, previously recognized performance fees are reversed. In all cases, each fund is considered separately in evaluating carried interest and potential contingent repayment obligations. For any given period, performance fees could therefore be negative; however, cumulative performance fees can never be negative over the life of a fund. If upon a hypothetical liquidation of a fund's investments at the then-current fair values previously recognized and distributed performance fees would be required to be returned, a liability would be established in our financial statements for the potential contingent repayment obligation that may differ from the amount of revenue that we reverse. At December 31, 2017 , 2016 and 2015 , if we assumed all existing investments were valued at $0, the total amount of performance fees subject to contingent repayment obligations, net of tax, would have been approximately $476.1 million , $418.3 million and $322.2 million , respectively, of which approximately $370.0 million , $323.9 million and $247.9 million , respectively, would have been reimbursable by professionals who have received such performance fees.

We are entitled to receive incentive fees from certain funds when the return on investment exceeds previous calendar year-end or date of investment high-watermarks. Some of our funds pay annual incentive fees or allocations equal to 10% to 20% of the fund's profit for the year, subject to a high-watermark. The high-watermark is the highest historical NAV attributable to a fund investor's account on which incentive fees were paid and represents the measuring floor for all future incentive fees. In these arrangements, incentive fees are recognized when the performance benchmark has been achieved based on the fund's then-current fair value and are included in performance fees in our consolidated statement of operations. These incentive fees are a component of performance fees in our consolidated financial statements and are treated as accrued until paid.

For any given period, performance fee revenue in our consolidated statement of operations may include reversals of previously recognized performance fees due to a decrease in the value of a particular fund that results in a decrease of cumulative performance fees earned to date. Since many of our fund return hurdles are cumulative, previously recognized fees also may be reversed in a period of appreciation that is lower than the particular fund's hurdle rate.

Administrative, Transaction and Other Fees. Other fees primarily include revenue from administrative services provided to certain of our affiliated funds that are paid to us, and revenues associated with Real Estate Group activities such as development and construction. In addition, we may receive fees from certain affiliated funds for activities related to fund transactions, such as loan originations. These fees are recognized as revenue in the period the transaction related services are rendered.

Expenses

Compensation and Benefits. Compensation generally includes salaries, bonuses, health and welfare benefits, equity-based compensation, and ARCC Part I Fee incentive compensation expenses. Compensation cost relating to the issuance of restricted units and options is measured at fair value at the grant date, reduced for actual forfeitures, and expensed over the vesting period on a straight-line basis. Phantom equity unit awards are re-measured at the end of each reporting period. Bonuses are accrued for the service period to which they relate. Compensation and benefits expenses are typically correlated to the operating performance of our segments, which is used to determine incentive based compensation for each segment. Our senior partners receive distributions based on their equity interests and are not paid an annual salary or bonus.

Performance Fee Compensation. Performance fee compensation includes compensation directly related to segment performance fees, which generally consists of percentage interests that we grant to our professionals. Depending on the nature of each fund, the performance fee participation is generally structured as a fixed percentage or as an annual award. The liability is calculated based upon the changes to realized and unrealized performance fees but not payable until the performance fees are realized. We have an obligation to pay our professionals a portion of the performance fees earned from certain funds, including performance fees from Consolidated Funds that are eliminated in consolidation.

Although changes in performance fee compensation are directly correlated with changes in performance fees reported within our segment results, this correlation does not always exist when our results are reported on a fully consolidated basis in accordance with GAAP. This discrepancy is caused by the fact that performance fees earned from our Consolidated Funds are eliminated upon consolidation while performance fee compensation is not eliminated.

General, Administrative and Other Expenses. General and administrative expenses include costs primarily related to placement fees, professional services, occupancy and equipment expenses, depreciation and amortization expenses, travel and related expenses, communication and information services and other general operating items. These expenses are not borne by fund investors.

Expenses of Consolidated Funds. Consolidated Funds' expenses consist primarily of costs incurred by our Consolidated Funds, including professional fees, research expenses, trustee fees, travel expenses and other costs associated with administering these funds and with launching new products.

Other Income (Expense)

Interest and Dividend Income. Interest and dividend income consists of interest income and dividend income primarily generated from investments in products that we manage. Interest and dividend income are recognized on an accrual basis to the extent that such amounts are expected to be collected.

Interest Expense. Interest expense includes interest related to our Credit Facility, which has a variable interest rate based upon a credit spread that is adjusted with changes to corporate credit ratings, to our senior notes, which have a fixed coupon rate, and to our term loans.

Other Income (Expense), Net. Other income (expense), net consists of transaction gain (loss) and other non-operating and non-investment related activity, such as loss on disposal of assets and gain (loss) due to the change in fair value of our contingent consideration liabilities.

Net Realized and Unrealized Gain (Loss) on Investments. Net gain (loss) from investment activities include realized and unrealized gains and losses from our investment portfolio. A realized gain (loss) is recognized when we redeem all or a portion of our investment or when we receive a distribution of capital. Unrealized gains (losses) on investments result from appreciation (depreciation) in the fair value of our investments, as well as reversals of previously recorded unrealized appreciation (depreciation) at the time the gain (loss) on an investment becomes realized.

Interest and Other Income of Consolidated Funds. Interest and other income of Consolidated Funds primarily includes interest and dividend income generated from the underlying investment securities incurred under the Consolidated CLOs' and Consolidated Funds' debt facilities.

Interest Expense of Consolidated Funds. Interest expense primarily consists of interest related to our Consolidated CLOs' loans payable and, to a lesser extent, revolving credit lines, term loans and notes of other Consolidated Funds.

Net Realized and Unrealized Gain (Loss) on Investments of Consolidated Funds. Net gain (loss) from investment activities of our Consolidated Funds include realized and unrealized gains and losses resulting from their investment portfolios. Realized gains (losses) arise from dispositions of investments held by our Consolidated Funds. Unrealized gains (losses) are recorded to reflect appreciation (depreciation) of investments held by the Consolidated Funds due to periodic changes in fair value of the investments, as well as reversals of previously recorded unrealized appreciation (depreciation) of investments upon disposition, when the gain (loss) on an investment becomes realized.

Income Taxes. Prior to the effectiveness of the Tax Election, a substantial portion of our earnings flows through to our owners without being subject to federal income tax at the entity level. A portion of our operations is conducted through domestic corporations that are subject to corporate level taxes and for which we record current and deferred income taxes at the prevailing rates in the various jurisdictions in which these entities operate. The majority of our Consolidated Funds are not subject to income tax as the funds' investors are responsible for reporting their share of income or loss. To the extent required by federal, state and foreign income tax laws and regulations, certain funds may incur income tax liabilities.

Income taxes are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Non-Controlling and Redeemable Interests. Net income attributable to non-controlling and redeemable interests in Consolidated Funds represents the ownership interests that third parties hold in entities that are consolidated into our consolidated financial statements.

Net income attributable to non-controlling interests and redeemable interests in Ares Operating Group entities represents the results attributable to various minority, non-control oriented strategic investment partners based on the proportional daily average ownership in Ares Operating Group entities.

Results of Operations

Consolidated Results of Operations

The following table and discussion sets forth information regarding our consolidated results of operations for the years ended December 31, 2017, 2016 and 2015 . We consolidate funds where we are deemed to hold a controlling financial interest. The Consolidated Funds are not necessarily the same entities in each year presented due to changes in ownership, changes in limited partners' rights, and the creation and termination of funds. The consolidation of these funds had no effect on net income attributable to us for the periods presented.

	For the Years Ended December 31,			2017 vs. 2016		2016 vs. 2015	
	2017	2016	2015	Favorable (Unfavorable)		Favorable (Unfavorable)	
				$ Change	% Change	$ Change	% Change
Revenues				(Dollars in thousands)			
Management fees (includes ARCC Part I Fees of $105,467, $121,181, and $121,491 for the years ended December 31, 2017, 2016 and 2015, respectively)	$ 722,419	$ 642,068	$ 634,399	$ 80,351	13 %	$ 7,669	1 %
Performance fees	636,674	517,852	150,615	118,822	23 %	367,237	244 %
Administrative, transaction and other fees	56,406	39,285	29,428	17,121	44 %	9,857	33 %
Total revenues	**1,415,499**	**1,199,205**	**814,442**	216,294	18 %	384,763	47 %
Expenses							
Compensation and benefits	514,109	447,725	414,454	(66,384)	(15)%	(33,271)	(8)%
Performance fee compensation	479,722	387,846	111,683	(91,876)	(24)%	(276,163)	(247)%
General, administrative and other expenses	196,730	159,776	224,798	(36,954)	(23)%	65,022	29 %
Transaction support expense	275,177	—	—	(275,177)	NM	—	NM
Expenses of Consolidated Funds	39,020	21,073	18,105	(17,947)	(85)%	(2,968)	(16)%
Total expenses	**1,504,758**	**1,016,420**	**769,040**	(488,338)	(48)%	(247,380)	(32)%
Other income (expense)							
Net realized and unrealized gain on investments	67,034	28,251	17,009	38,783	137 %	11,242	66 %
Interest and dividend income	12,715	23,781	14,045	(11,066)	(47)%	9,736	69 %
Interest expense	(21,219)	(17,981)	(18,949)	(3,238)	(18)%	968	5 %
Debt extinguishment expense	—	—	(11,641)	—	NM	11,641	NM
Other income, net	19,470	35,650	21,680	(16,180)	(45)%	13,970	64 %
Net realized and unrealized gain (loss) on investments of Consolidated Funds	100,124	(2,057)	(24,616)	102,181	NM	22,559	NM
Interest and other income of Consolidated Funds	187,721	138,943	117,373	48,778	35 %	21,570	18 %
Interest expense of Consolidated Funds	(126,727)	(91,452)	(78,819)	(35,275)	(39)%	(12,633)	(16)%
Total other income	**239,118**	**115,135**	**36,082**	123,983	108 %	79,053	219 %
Income before taxes	149,859	297,920	81,484	(148,061)	(50)%	216,436	266 %
Income tax expense (benefit)	(23,052)	11,019	19,064	34,071	NM	8,045	42 %
Net income	**172,911**	**286,901**	**62,420**	(113,990)	(40)%	224,481	NM
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	**60,818**	**3,386**	**(5,686)**	57,432	NM	9,072	NM
Less: Net income attributable to redeemable interests in Ares Operating Group entities	—	**456**	**338**	(456)	NM	118	35 %
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**35,915**	**171,251**	**48,390**	(135,336)	(79)%	122,861	254 %
Net income attributable to Ares Management, L.P.	**76,178**	**111,808**	**19,378**	(35,630)	(32)%	92,430	NM
Less: Preferred equity distributions paid	**21,700**	**12,176**	—	(9,524)	(78)%	12,176	NM
Net income attributable to Ares Management, L.P. common unitholders	**$ 54,478**	**$ 99,632**	**$ 19,378**	(45,154)	(45)%	80,254	NM

NM - Not Meaningful

The following two sections discuss the year-over-year fluctuations of our consolidated results of operations for 2017 compared to 2016 , as well as 2016 compared to 2015 . Additional details behind the fluctuations attributable to a particular segment are included in "—Results of Operations by Segment" for each of the segments.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenues

Management Fees. Total management fees increased by $80.4 million , or 13% , to $722.4 million , after giving effect to an increase in management fees of $5.0 million that were eliminated upon consolidation, for the year ended December 31, 2017 compared to year ended December 31, 2016 . Segment management fees attributable to the Private Equity Group and Credit Group increased by $50.7 million and $36.8 million, respectively, and segment management fees attributable to the Real Estate Group decreased by $2.1 million compared to the year ended December 31, 2016. For more detail regarding the fluctuations of management fees within each of the segments see "—Results of Operations by Segment."

Performance Fees. Performance fees increased by $118.8 million , or 23% , to $636.7 million , after giving effect to an increase in performance fees of $4.0 million that were eliminated upon consolidation, for the year ended December 31, 2017 compared to year ended December 31, 2016 . Segment performance fees attributable to the Real Estate Group, Private Equity Group and Credit Group increased by $61.0 million, $60.2 million and $1.0 million, respectively, compared to the year ended December 31, 2016. For more detail regarding the fluctuations of performance fees within each of the segments see "—Results of Operations by Segment."

Administrative, Transaction and Other Fees. Administrative, transaction and other fees increased by $17.1 million , or 44% , to $56.4 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase was primarily due to a $9.7 million increase in fees associated with certain funds within the U.S. and E.U. direct lending groups, from which we earned transaction fees of $18.2 million for the year ended December 31, 2017 compared to $8.5 million for the year ended December 31, 2016 . We began to recognize transaction-based fees from certain direct lending funds in the fourth quarter of 2016. These fees will change with the level of deployed capital and the number of new funds, however we do not earn this fee from each fund. In addition, administrative fees included $30.7 million of compensation and benefits expense reimbursements for the year ended December 31, 2017, of which $7.7 million related to temporary employees that were assisting with the integration of ACAS into ARCC. Comparatively, administrative fee reimbursements offsetting compensation and benefits was $23.9 million for the year ended December 31, 2016.

Expenses

Compensation and Benefits. Compensation and benefits expenses increased by $66.4 million , or 15% , to $514.1 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase was due to an increase in headcount, including an additional $16.8 million attributable to employees hired in connection with ARCC's acquisition of ACAS, of which $7.7 million related to temporary employees assisting with the integration. In addition, equity compensation increased $21.6 million due to restricted stock units granted as part of a one-time grant to certain employees in the current year.

Performance Fee Compensation. Performance fee compensation increased by $91.9 million , or 24% , to $479.7 million for the year ended December 31, 2017 compared to year ended December 31, 2016 . The change in performance fee compensation expense directly correlates with the change in our performance fees before giving effect to the performance fees earned from our Consolidated Funds that are eliminated upon consolidation.

General, Administrative and Other Expenses. General, administrative and other expenses increased by $37.0 million , or 23% , to $196.7 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase was attributable to an increase of placement fees of $13.3 million primarily due to the fundraising on two funds within our Credit Group during the current year. We incurred expenses of $4.4 million in connection with the operations of a new joint venture distribution platform. The platform will be used to raise capital for registered investment companies through independent brokerage networks. The first such fund, a direct lending closed end fund, was launched in 2017. Diligence related costs associated with potential acquisitions and capital transactions increased by $4.0 million. Also impacting the year ended December 31, 2017 was a $2.5 million one-time non-income tax expense. The remaining portion of the increase in expense was a result of additional occupancy-related and support costs associated with an increase in headcount. Total headcount increased by 8%, to more than 1,000 employees as of December 31, 2017 compared to total headcount as of December 31, 2016 .

Transaction Support Expense. Transaction support expense represents a one-time payment of $275.2 million that we made, through our subsidiary Ares Capital Management LLC, to ACAS shareholders during the first quarter of 2017 upon the closing of ARCC's acquisition of ACAS. In connection with this acquisition, our AUM increased by $3.6 billion and FPAUM increased by $2.8 billion at closing. No similar expenses were incurred in the year ended December 31, 2016.

Expenses of Consolidated Funds. Expenses of the Consolidated Funds increased by $17.9 million , or 85% , to $39.0 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase was primarily due to increased organizational and offering costs incurred to launch four new funds that we began consolidating in 2017 compared to organizational and offering costs incurred to launch two new funds that we began consolidating in 2016.

Other Income (Expense)

When evaluating the changes in other income (expense), we separately analyze the other income (expense) generated by the Company from the investment returns generated by our Consolidated Funds.

Net Realized and Unrealized Gain on Investments. Net gain on investments of the Company increased by $38.8 million to $67.0 million for the year ended December 31, 2017 compared to $28.3 million for the year ended December 31, 2016 . The increase was primarily attributable to ACOF III, which had increases in net returns of $32.2 million for the year ended 2017 due to market appreciation in one of its portfolio companies that completed its initial public offering.

Interest and Dividend Income. Investment and dividend income of the Company decreased by $11.1 million from $23.8 million for the year ended December 31, 2016 to $12.7 million for the year ended December 31, 2017 . The decrease was driven by a $14.2 million decrease in interest and dividend income received from our investment in ACOF III for the year ended December 31, 2017 compared to the year ended December 31, 2016 . Recapitalization of portfolio companies within ACOF III caused increased disbursements during the year ended December 31, 2016 that did not recur in 2017. The decrease was offset by an increase of $2.1 million of interest income compared to the year ended December 31, 2016 from investments in our syndicated loan strategies, which increased as a result of our compliance with risk retention requirements.

Interest Expense. Interest expense increased by $3.2 million to $21.2 million for the year ended December 31, 2017 compared to $18.0 million for the year ended December 31, 2016 . The increase in interest expense was primarily due to CLO term loan balance increasing from $61.1 million as of December 31, 2016 to $160.9 million as of December 31, 2017. CLO term loans entered in 2017 were in connection with risk retention requirements.

Other Income (Expense), Net. Other income of the Company decreased by $16.2 million , or 45% , to $19.5 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease was primarily due to gains of $16.2 million for the year ended December 31, 2016 compared to losses of $1.7 million from the revaluation of certain assets and liabilities denominated in foreign currencies. In 2016, the Brexit vote caused exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business, primarily the British pounds sterling and the Euro. That strengthening of the U.S. dollar against these foreign currencies resulted in gains in 2016. In 2017, a portion of these gains reversed as the British pounds sterling and the Euro strengthened against the U.S. dollar. The impact was partially mitigated by reductions in liabilities denominated in foreign currencies during 2017.

Net Realized and Unrealized Gain (Loss) on Investments of Consolidated Funds. Net gain (loss) on investments of the Consolidated Funds increased $102.2 million from a net investment loss of $2.1 million for the year ended December 31, 2016 to a net investment gain of $100.1 million for the year ended December 31, 2017 . The increase was driven by unrealized appreciation on certain investments of $38.5 million in an Asian corporate private equity fund and an increase in net realized and unrealized gains of $47.1 million in an E.U. direct lending fund due to the strengthening Euro for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The remaining portion of the increase was primarily attributable to the impact of unrealized gains from investments in funds we began consolidating in 2017.

Interest and Other Income of Consolidated Funds. Interest income and other income of the Consolidated Funds increased by $48.8 million , or 35% , to $187.7 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase was primarily driven by $28.8 million of interest income from funds we began consolidating in 2017 in addition to the impact of a full year of interest income from funds we began consolidating late in 2016. Also contributing to the increase was income from an Asian corporate private equity investment. These increases were offset by a decrease in interest income from the liquidation of a Consolidated Fund during the year ended December 31, 2017.

Interest Expense of Consolidated Funds. Interest expense of the Consolidated Funds increased by $35.3 million , or 39% , to $126.7 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase was driven

by interest expense from new borrowing arrangements for four new funds combined with a full year of interest expense from two new funds that we began consolidating in 2016.

Income Tax Expense (Benefit). Not all Company and Consolidated Fund entities are subject to taxes. As a result, income taxes may not move in tandem with income before taxes. Specifically, the Company's investment income and performance fees, prior to the effectiveness of the Tax Election, are generally not subject to income tax.

Income tax benefit was $23.1 million for the year ended December 31, 2017 compared to income tax expense of $11.0 million for the year ended December 31, 2016 . T he tax benefit for the year ended December 31, 2017 was largely driven by the pre-tax losses recognized by AHI, a U.S. taxable entity, resulting from the $275.2 million transaction support payment made in connection with ARCC's acquisition of ACAS.

Non-Controlling and Redeemable Interests. Net income attributable to non-controlling and redeemable interests in Ares Operating Group entities represents results attributable to the owners of AOG Units that are not held by Ares Management, L.P. and is allocated based on the weighted average daily ownership of the AOG unitholders. The former owners of Indicus Advisors, LLP ("Indicus"), a company we acquired in 2011, exercised the put option on their redeemable interest during the third quarter of 2016, at which time the redeemable interest in Ares Operating Group entities ceased to exist.

Net income attributable to non-controlling and redeemable interests in Ares Operating Group entities decreased $135.3 million , from $171.3 million for the year ended December 31, 2016 to $35.9 million for the year ended December 31, 2017 . Net income attributable to non-controlling interests decreased by a higher percentage than net income of the Company for the comparative period due to the the tax benefits recognized by AHI being solely attributable to the Company. The weighted average daily ownership for non-controlling and redeemable AOG unitholders was 61.4% for the year ended December 31, 2017 compared to 62.0% for the year ended December 31, 2016 .

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenues

Management Fees. Total management fees increased by $7.7 million, or 1%, to $642.1 million for the year ended December 31, 2016 compared to year ended December 31, 2015. The increase is primarily due to strong deployment of capital and new funds launched within the U.S. and E.U. direct lending strategy during the year ended December 31, 2016. The increase was partially offset by a decline in Private Equity Group management fees, due to an extension of ACOF II's term that included fee waivers beginning in the first quarter of 2016. Management fees from the Real Estate Group remained relatively flat year over year.

Performance Fees. Performance fees increased by $367.2 million, or 244%, to $517.9 million for the year ended December 31, 2016 compared to year ended December 31, 2015. The Private Equity Group had an increase in performance fees of $303.7 million compared to the year ended December 31, 2015 due primarily to increases of $203.3 million and $70.4 million in performance fees attributable to Ares Corporate Opportunities Fund IV, L.P. ("ACOF IV") and Ares Corporate Opportunities Fund III ("ACOF III"), respectively, due to stronger performance of the underlying portfolio companies. In addition, the Credit Group and Real Estate Group experienced increases in performance fees of $54.6 million and $8.8 million, respectively, over the prior year.

Administrative, Transaction and Other Fees. Administrative, transaction and other fees increased by $9.9 million, or 33%, to $39.3 million for the year ended December 31, 2016 compared to the year ended December 31, 2015, primarily due to an increase in fees associated with certain illiquid credit funds within the Credit Group, from which we earned transaction fees of approximately $8.5 million for the year ended December 31, 2016. Transaction fees based on loan originations were a new source of revenue in 2016 that we expect to continue in future periods.

Expenses

Compensation and Benefits. Compensation and benefits expenses increased by $33.3 million, or 8%, to $447.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was primarily due to an increase in headcount, which drove increases in incentive based compensation and salary and benefit expenses. The employee headcount of OMG increased as part of an effort to reduce our reliance on professional service providers by internalizing certain corporate support functions.

Performance Fee Compensation. Performance fee compensation increased by $276.2 million, or 247%, to $387.8 million for the year ended December 31, 2016 compared to year ended December 31, 2015. The change in performance fee compensation expense directly correlates with the change in our performance fees before giving effect to the performance fees earned from our Consolidated Funds that are eliminated upon consolidation.

General, Administrative and Other Expenses. General, administrative and other expenses decreased by $65.0 million, or 29%, to $159.8 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease was primarily due to $35.9 million of costs incurred in 2015 associated with discontinued merger efforts that did not recur in 2016. Depreciation and amortization expenses also decreased $19.6 million, including a $5.9 million reduction of accelerated amortization, due to certain intangible assets becoming fully amortized in 2015. Additionally, professional fees decreased $5.0 million primarily due to costs associated with the initial adoption of Sarbanes-Oxley in the prior year.

Expenses of Consolidated Funds. Expenses of the Consolidated Funds increased by $3.0 million, or 16%, to $21.1 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was primarily due to organizational and offering costs incurred to launch new funds in 2016. The increase was partially offset by a reduction in professional fee expenses of the funds in 2016.

Other Income (Expense)

When evaluating the changes in other income (expense), we separately analyze the other income generated by the Company from the investment returns generated by our Consolidated Funds.

Net Realized and Unrealized Gain (Loss) on Investments. Net gain on investments of the Company increased by $11.2 million to $28.3 million for the year ended December 31, 2016 compared to $17.0 million for the year ended December 31, 2015. The increase is primarily attributable to our special situations funds and syndicated loan funds, which had net losses of $16.9 million and $0.5 million, respectively, in 2015 and net gains of $5.7 million and $6.2 million, respectively, in the current year. Partially offsetting these increases, was a $20.0 million realized loss in 2016 related to our minority interest equity method investment in Deimos Management Holdings LLC due to the winding down of its operations.

Interest and Dividend Income. Interest and dividend income of the Company increased by $9.7 million , or 69% , to $23.8 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was primarily due to a $10.7 million increase in dividends and interest income from our investments in the Private Equity Group funds, including a $10.0 million increase in dividends and interest income from our investment in ACOF III for the year ended December 31, 2016 compared to the prior year perio d.

Interest Expense. Interest expense of the Company decreased by $1.0 million, or 5%, to $18.0 million for the year ended December 31, 2016 compared to year ended December 31, 2015. The decrease in interest expense was caused by the repayment of notes in connection with terminating a merger agreement in 2015.

Other Income (Expense), Net. Other income of the Company increased by $14.0 million, or 64%, to $35.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was due to $16.2 million of transaction gains from the revaluation of certain assets and liabilities denominated in foreign currencies as a result of the strengthening U.S. dollar for the year ended December 31, 2016 compared to a net transaction loss of $0.3 million for the year ended December 31, 2015. Partially offsetting this increase, was a decrease in the gain recognized as a result of the revaluation of our contingent consideration liability related to the Energy Investors Funds ("EIF") acquisition. Due to lower than expected commitment period management fee revenue, we reduced our contingent consideration liability in each year, resulting in gains of $17.8 million and $21.1 million recognized during the years ended December 31, 2016 and 2015, respectively.

Net Realized and Unrealized Gain (Loss) on Investments of Consolidated Funds. Net loss on investments of the Consolidated Funds decreased $22.6 million from a net investment loss of $24.6 million for the year ended December 31, 2015 to a net investment loss of $2.1 million for the year ended December 31, 2016. The decrease is primarily driven by an increase in valuation of the underlying investments in one of our Credit Group's Consolidated Funds.

Interest and Other Income of Consolidated Funds. Interest income and other income of Consolidated Funds increased by $21.6 million, or 18%, to $138.9 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase is primarily driven by additional dividend income received by certain Consolidated Funds in our Credit Group.

Interest Expense of Consolidated Funds. Interest expense of Consolidated Funds increased by $12.6 million, or 16%, to $91.5 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was driven by interest expense from the two new funds that we began consolidating in 2016.

Income Tax Expense (Benefit). Not all Company and Consolidated Fund entities are subject to taxes. As a result, income taxes may not move in tandem with income before taxes. Specifically, the Company's investment income and performance fees, prior to the effectiveness of the Tax Election, are generally not subject to income tax.

Income tax expense was $11.0 million for the year ended December 31, 2016 compared to $19.1 million for the year ended December 31, 2015. The decrease was primarily attributable to the recognition of a deferred tax benefit resulting from an agreement between Ares Management, L.P. and a subsidiary whereby the subsidiary will remit cash for shares awarded under its Equity Incentive Plan, ultimately providing for a difference between taxable income and GAAP income that was recorded as a reduction to the income tax provision.

Non-Controlling and Redeemable Interests. Net income attributable to non-controlling and redeemable interests in Ares Operating Group entities represents results attributable to the owners of Ares Operating Group Units ("AOG Units") that are not held by Ares Management, L.P. and is allocated based on the weighted average daily ownership of the AOG unitholders. The former owners of Indicus Advisors, LLP ("Indicus"), a company we acquired in 2011, exercised the put option on their redeemable interest during the third quarter of 2016, at which time the redeemable interest in Ares Operating Group entities ceased to exist.

Net income attributable to non-controlling and redeemable interests in Ares Operating Group entities increased $123.0 million, from $48.4 million for the year ended December 31, 2015 to $171.3 million for the year ended December 31, 2016. The weighted average daily ownership for non-controlling and redeemable AOG unitholders was 62.0% for the year ended December 31, 2016 compared to 62.1% for the year ended December 31, 2015.

Segment Analysis

Under GAAP, we are required to consolidate entities where we have both significant economics and the power to direct the activities of the entity that impact economic performance. For more information regarding consolidation principles, see Note 2, "Summary of Significant Accounting Policies," to our consolidated financial statements included in this Annual Report on Form 10-K.

For segment reporting purposes, revenues and expenses are presented on a basis before giving effect to the results of our Consolidated Funds. As a result, segment revenues from management fees, performance fees and investment income are greater than those presented on a consolidated basis in accordance with GAAP because revenues recognized from Consolidated Funds are eliminated in consolidation. Furthermore, expenses and the effects of other income (expense) are different than related amounts presented on a consolidated basis in accordance with GAAP due to the exclusion of the results of Consolidated Funds.

Discussed below are our results of operations for each of our three reportable segments. In addition to the three segments, we separately discuss the OMG. This information is used by our management to make operating decisions, assess performance and allocate resources.

ENI and Other Measures

The following table sets forth FRE, PRE, ENI, RI and DE by segment basis for the years ended December 31, 2017, 2016 and 2015 . FRE, PRE, ENI, RI and DE are non-GAAP financial measures our management uses when making resource deployment decisions and in assessing performance of our segments. (For definitions of each of these non-GAAP financial measures and how they are being used by management see the Glossary).

	Year Ended December 31,			2017 vs. 2016		2016 vs. 2015	
	2017	2016	2015	Favorable (Unfavorable)		Favorable (Unfavorable)	
				$ Change	% Change	$ Change	% Change
	(Dollars in thousands)						
Fee related earnings:							
Credit Group	$ 276,966	$ 243,177	$ 228,599	$ 33,789	14 %	$ 14,578	6 %
Private Equity Group	113,863	73,379	81,004	40,484	55 %	(7,625)	(9)%
Real Estate Group	14,862	16,157	10,426	(1,295)	(8)%	5,731	55 %
Operations Management Group	(188,701)	(160,363)	(143,037)	(28,338)	(18)%	(17,326)	(12)%
Fee related earnings	**$ 216,990**	**$ 172,350**	**$ 176,992**	44,640	26 %	(4,642)	(3)%
Performance related earnings:							
Credit Group	$ 36,618	$ 70,691	$ 9,688	(34,073)	(48)%	61,003	NM
Private Equity Group	156,796	113,571	12,670	43,225	38 %	100,901	NM
Real Estate Group	45,475	19,752	17,778	25,723	130 %	1,974	11 %
Operations Management Group	11,828	(19,381)	(750)	31,209	161 %	(18,631)	NM
Performance related earnings	**$ 250,717**	**$ 184,633**	**$ 39,386**	66,084	36 %	145,247	NM
Economic net income:							
Credit Group	$ 313,584	$ 313,868	$ 238,287	(284)	< 1 %	75,581	32 %
Private Equity Group	270,659	186,950	93,674	83,709	45 %	93,276	100 %
Real Estate Group	60,337	35,909	28,204	24,428	68 %	7,705	27 %
Operations Management Group	(176,873)	(179,744)	(143,787)	2,871	2 %	(35,957)	(25)%
Economic net income	**$ 467,707**	**$ 356,983**	**$ 216,378**	110,724	31 %	140,605	65 %
Realized income:							
Credit Group	$ 293,724	$ 301,706	$ 288,700	(7,982)	(3)%	13,006	5 %
Private Equity Group	192,814	149,544	93,668	43,270	29 %	55,876	60 %
Real Estate Group	24,527	26,611	20,056	(2,084)	(8)%	6,555	33 %
Operations Management Group	(185,625)	(177,533)	(143,839)	(8,092)	(5)%	(33,694)	(23)%
Realized income	**$ 325,440**	**$ 300,328**	**$ 258,585**	25,112	8 %	41,743	16 %
Distributable earnings:							
Credit Group	$ 268,737	$ 294,814	$ 279,630	(26,077)	(9)%	15,184	5 %
Private Equity Group	187,733	144,140	88,767	43,593	30 %	55,373	62 %
Real Estate Group	19,189	21,594	14,831	(2,405)	(11)%	6,763	46 %
Operations Management Group	(204,024)	(196,242)	(152,639)	(7,782)	(4)%	(43,603)	(29)%
Distributable earnings	**$ 271,635**	**$ 264,306**	**$ 230,589**	7,329	3 %	33,717	15 %

NM - Not Meaningful

Reconciliation of Certain Non-GAAP Measures to Consolidated GAAP Financial Measures

Income before provision for income taxes is the GAAP financial measure most comparable to ENI, RI, FRE, PRE and DE. The following table presents the reconciliation of income before taxes as reported in the Condensed Consolidated Statements of Operations to ENI, RI, FRE, PRE and DE (in thousands):

	For the Year Ended December 31,		
	2017	2016	2015
Economic net income			
Income before taxes	$ 149,859	$ 297,920	$ 81,484
Adjustments:			
Amortization of intangibles	17,850	26,638	46,227
Depreciation expense	12,631	8,215	6,942
Equity compensation expenses	69,711	39,065	32,244
Acquisition and merger-related expenses	259,899	(16,902)	34,864
Placement fees and underwriting costs	19,765	6,424	8,825
Offering costs	688	—	—
Other non-cash (income) expense	(1,730)	(1,728)	110
Expense of non-controlling interests in consolidated subsidiaries	1,739	—	—
(Income) loss before taxes of non-controlling interests in Consolidated Funds, net of eliminations	(62,705)	(2,649)	5,682
Economic net income	**467,707**	**356,983**	**216,378**
Unconsolidated performance fees income - unrealized	(325,915)	(228,472)	(31,647)
Unconsolidated performance fee compensation - unrealized	237,392	189,582	46,492
Unconsolidated net investment (income) loss - unrealized	(53,744)	(17,765)	27,362
Realized income	**325,440**	**300,328**	**258,585**
Unconsolidated performance fees income - realized	(317,787)	(292,998)	(121,948)
Unconsolidated performance fee compensation - realized	242,330	198,264	65,191
Unconsolidated net investment (income) loss	(32,993)	(33,244)	(24,836)
Fee related earnings	**216,990**	**172,350**	**176,992**
Unconsolidated performance fees—realized	317,787	292,998	121,948
Unconsolidated performance fee compensation—realized	(242,330)	(198,264)	(65,191)
Unconsolidated investment and other income realized, net	32,987	33,244	24,836
Adjustments:			
One-time acquisition costs	(4,878)	(841)	(2,916)
Dividend equivalent	(14,997)	(5,323)	(3,337)
Non-cash items	576	870	(758)
Income tax expense	(4,857)	(16,089)	(5,208)
Placement fees and underwriting costs	(16,324)	(6,424)	(8,825)
Depreciation	(12,631)	(8,215)	(6,952)
Offering costs	(688)	—	—
Distributable earnings	**$ 271,635**	**$ 264,306**	**$ 230,589**
Performance related earnings			
Economic net income	$ 467,707	$ 356,983	$ 216,378
Less: fee related earnings	(216,990)	(172,350)	(176,992)
Performance related earnings	**$ 250,717**	**$ 184,633**	**$ 39,386**

The following table reconciles unconsolidated performance fee income to our consolidated GAAP performance fee income (in thousands):

	For the Year Ended December 31,		
	2017	2016	2015
Unconsolidated performance fee income - realized	$ 317,787	$ 292,998	$ 121,948
Performance fee income - realized earned from Consolidated Funds	(8,089)	—	(1,769)
Performance fee - realized reclass(1)	(2,721)	(7,367)	(6,472)
Performance fee income - realized	**306,977**	**285,631**	**113,707**
Unconsolidated performance fee income - unrealized	325,915	228,472	31,647
Performance fee income - unrealized earned from Consolidated Funds	2,997	(1,139)	6,187
Performance fee - unrealized reclass(1)	785	4,888	(926)
Performance fee income - unrealized	**329,697**	**232,221**	**36,908**
Total GAAP performance fee income	**$ 636,674**	**$ 517,852**	**$ 150,615**

(1) Related to performance fees for AREA Sponsor Holdings LLC. Changes in value of this investment are reflected within other (income) expense in the Company's Condensed Consolidated Statements of Operations.

The following table reconciles unconsolidated other income to our consolidated GAAP other income (in thousands):

	For the Year Ended December 31,		
	2017	2016	2015
Unconsolidated net investment income	$ 86,737	$ 51,009	$ (2,526)
Net investment income from Consolidated Funds	129,223	42,244	25,702
Performance fee - reclass(1)	1,936	2,479	7,398
Change in value of contingent consideration	20,156	17,675	21,064
Other non-cash expense	1,730	1,728	(110)
Merger related expense	—	—	(15,446)
Offering costs	(688)	—	—
Other income of non-controlling interests in consolidated subsidiaries	24	—	—
Total GAAP other income	**$ 239,118**	**$ 115,135**	**$ 36,082**

(1) Related to performance fees for AREA Sponsor Holdings LLC. Changes in value of this investment are reflected within other (income) expense in the Company's Condensed Consolidated Statements of Operations.

Results of Operations by Segment

Credit Group

The following table sets forth certain statement of operations data and certain other data of our Credit Group segment for the periods presented.

	For the Years Ended December 31,			2017 vs. 2016		2016 vs. 2015	
	2017	2016	2015	Favorable (Unfavorable)		Favorable (Unfavorable)	
				$ Change	% Change	$ Change	% Change
	(Dollars in thousands)						
Management fees (includes ARCC Part I Fees of $105,467, $121,181, and $121,491 for the years ended December 31, 2017, 2016 and 2015, respectively)	$ 481,466	$ 444,664	$ 432,769	$ 36,802	8 %	$ 11,895	3 %
Other fees	20,830	9,953	414	10,877	109 %	9,539	NM
Compensation and benefits	(192,022)	(182,901)	(174,262)	(9,121)	(5)%	(8,639)	(5)%
General, administrative and other expenses	(33,308)	(28,539)	(30,322)	(4,769)	(17)%	1,783	6 %
Fee Related Earnings	**276,966**	**243,177**	**228,599**	33,789	14 %	14,578	6 %
Performance fees-realized	21,087	51,435	87,583	(30,348)	(59)%	(36,148)	(41)%
Performance fees-unrealized	54,196	22,851	(71,341)	31,345	137 %	94,192	NM
Performance fee compensation-realized	(9,218)	(11,772)	(44,110)	2,554	22 %	32,338	73 %
Performance fee compensation-unrealized	(35,284)	(26,109)	36,659	(9,175)	(35)%	(62,768)	NM
Net performance fees	30,781	36,405	8,791	(5,624)	(15)%	27,614	NM
Investment income-realized	7,102	4,928	13,274	2,174	44 %	(8,346)	(63)%
Investment income (loss)-unrealized	5,480	11,848	(15,731)	(6,368)	(54)%	27,579	NM
Interest and other investment income	5,660	26,119	10,429	(20,459)	(78)%	15,690	150 %
Interest expense	(12,405)	(8,609)	(7,075)	(3,796)	(44)%	(1,534)	(22)%
Net investment income	5,837	34,286	897	(28,449)	(83)%	33,389	NM
Performance related earnings	**36,618**	**70,691**	**9,688**	(34,073)	(48)%	61,003	NM
Economic net income	**$ 313,584**	**$ 313,868**	**$ 238,287**	(284)	< 1%	75,581	32 %
Realized income	**$ 293,724**	**$ 301,706**	**$ 288,700**	(7,982)	(3)%	13,006	5 %
Distributable earnings	**$ 268,737**	**$ 294,814**	**$ 279,630**	(26,077)	(9)%	15,184	5 %

NM - Not meaningful

Accrued performance fees for the Credit Group are comprised of the following:

	As of December 31,	
	2017	2016
	(Dollars in thousands)	
CLOs	$ 451	$ 8,182
CSF	28,158	26,416
ACE II	24,090	16,427
ACE III	43,595	11,541
Other credit funds	72,210	42,386
Total Credit Group	**$ 168,504**	**$ 104,952**

Net performance fee revenues for the Credit Group are comprised of the following:

	Year Ended December 31, 2017			Year Ended December 31, 2016			Year Ended December 31, 2015		
	Realized	Unrealized	Net	Realized	Unrealized	Net	Realized	Unrealized	Net
	(Dollars in thousands)								
CLOs	$ 7,615	$ (7,850)	$ (235)	$ 31,347	$ (18,379)	$ 12,968	$ 16,942	$ (14,413)	$ 2,529
CSF	—	1,742	1,742	—	16,341	16,341	60,000	(84,265)	(24,265)
ARCC	—	—	—	—	—	—	(417)	—	(417)
ACE II	3,201	6,543	9,744	12,124	(8,110)	4,014	1,916	19,659	21,575
ACE III	—	29,557	29,557	—	12,035	12,035	—	—	—
Other credit funds	10,271	24,204	34,475	7,964	20,964	28,928	9,142	7,678	16,820
Total Credit Group	**$ 21,087**	**$ 54,196**	**$ 75,283**	**$ 51,435**	**$ 22,851**	**$ 74,286**	**$ 87,583**	**$ (71,341)**	**$ 16,242**

The following tables present the components of the change in performance fees - unrealized for the Credit Group:

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)							
CLOs	$ (7,615)	$ 282	$ (517)	$ (7,850)	$ (31,347)	$ 13,234	$ (266)	$ (18,379)
CSF	—	1,742	—	1,742	—	16,341	—	16,341
ACE II	(3,201)	9,744	—	6,543	(12,124)	4,014	—	(8,110)
ACE III	—	29,557	—	29,557	—	12,035	—	12,035
Other credit funds	(10,271)	38,236	(3,761)	24,204	(7,964)	30,666	(1,738)	20,964
Total Credit Group	**$ (21,087)**	**$ 79,561**	**$ (4,278)**	**$ 54,196**	**$ (51,435)**	**$ 76,290**	**$ (2,004)**	**$ 22,851**

	Year Ended December 31, 2015			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)			
CLOs	$ (16,942)	$ 4,119	$ (1,590)	$ (14,413)
CSF	(60,000)	—	(24,265)	(84,265)
ARCC	417	—	(417)	—
ACE II	(1,916)	21,575	—	19,659
Other credit funds	(9,142)	18,786	(1,966)	7,678
Total Credit Group	**$ (87,583)**	**$ 44,480**	**$ (28,238)**	**$ (71,341)**

Credit Group—Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Fee Related Earnings:

Fee related earnings increased $33.8 million , or 14% , to $277.0 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees increased by $36.8 million , or 8% , to $481.5 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . ARCC's acquisition of ACAS in the first quarter of 2017 increased FPAUM by approximately $2.8 billion at the time of acquisition, which drove an increase of $34.3 million in management fees generated by ARCC in 2017. Conversely, ARCC Part I Fees decreased $15.7 million due primarily to the $10 million per quarter ARCC Part I Fee waiver, which became effective in the second quarter of 2017 and totaled $30.0 million for 2017. Direct lending funds generated additional management fees of $25.5 million from capital deployment in existing funds during the year ended December 31, 2017, $10.3 million of which was attributable to Ares Capital Europe III, L.P. ("ACE III"). We also earned $16.8 million of management fees from 34 new funds that launched at various points throughout 2017. The aforementioned increases were offset by a decrease of $17.9 million in management fees from 23 funds liquidated during the year ended December 31, 2017.

The effective management fee rate decreased by 0.05% from 1.06% for the year ended December 31, 2016 , to 1.01% for the year ended December 31, 2017 . ARCC Part I Fees' contribution towards the total effective management fee rate of the Credit Group decreased from 0.29% for the year ended December 31, 2016 to 0.22% for the year ended December 31, 2017 . The decrease in effective management fee rate was primarily due to the impact of the ARCC Part I fee waiver, offset partially by new direct lending funds with higher effective fee rates replacing run-off assets with lower fees rates.

Other Fees. Other fees increased by $10.9 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase resulted from a full year of transaction fees based on the increased volume and the amount of loans funded from certain U.S. direct lending funds.

Compensation and Benefits. Compensation and benefits expenses increased by $9.1 million , or 5% , to $192.0 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . Compensation and benefits expenses increased for the year ended December 31, 2017 primarily due to additional headcount and increase of incentive compensation with segment performance compared to the year ended December 31, 2016. Compensation costs related to employees hired in connection with the ARCC-ACAS Transaction was $6.7 million for the year ended December 31, 2017. This increase in expense was offset by a $9.3 million decrease in ARCC Part I compensation during 2017, due to the decrease in ARCC Part I Fee revenue. Compensation and benefits expenses represented 39.9% of management fees for the year ended December 31, 2017 compared to 41.1% for the year ended December 31, 2016 .

General, Administrative and Other Expenses. General, administrative and other expenses increased by $4.8 million , or 17% , to $33.3 million for the year ended December 31, 2017 . The increase in the current year was attributable to $4.4 million of costs incurred from operating expenses from a joint venture distribution platform. The platform will be used to raise capital for registered investment companies through independent brokerage networks. The first such fund, a direct lending closed end fund, was launched in 2017.

Performance Related Earnings:

Performance related earnings decreased $34.1 million to $36.6 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees include realized and unrealized performance fees, net of realized and unrealized performance fee compensation. The impact of reversals of previously recognized performance fee revenue and the corresponding performance fee compensation expense is reflected as a reduction in unrealized performance fees and unrealized performance fee compensation.

Net performance fees decreased by $5.6 million to $30.8 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease in the current year was driven by decreased performance fees primarily from our syndicated loans strategy, which benefited from a broad-based credit market rally in the prior year. These decreases were partially offset by a $23.3 million increase in gross performance fees earned from Ares Capital Europe II, L.P. ("ACE II") and Ares Capital Europe III, L.P. ("ACE III") for the December 31, 2017 compared to the year ended December 31, 2016 , which generated returns in excess of their hurdle rates on an increased capital base.

Net Investment Income. Net investment income decreased by $28.4 million to $5.8 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease in the current year was primarily attributable to the revaluation of certain assets and liabilities denominated in foreign currencies, which resulted in losses of $4.5 million for the year ended December 31, 2017 compared to gains of $16.0 million for the year ended December 31, 2016. In 2016, the Brexit vote caused exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business, primarily the British pounds sterling and the Euro. That strengthening of the U.S. dollar against these foreign currencies resulted in gains in 2016. In 2017, a portion of these gains reversed as the British pounds sterling and the Euro strengthened against the U.S. dollar. The impact was partially mitigated by reductions in liabilities denominated in foreign currencies during 2017. Interest expense also increased $3.8 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 as a result of term loans that were entered into in connection with new CLOs.

Realized Income:

Realized income decreased $8.0 million , or 3% , to $293.7 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease was primarily driven by lower net realized performance fees and net realized investment income as a result of the wind down of legacy CLOs. These decreases were partially offset by an increase in FRE of $33.8 million for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income decreased $0.3 million to $313.6 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 as a result of the fluctuations described above.

Distributable Earnings:

DE decreased $26.1 million , or 9% , to $268.7 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease in DE was due to decreases of $14.0 million in net realized investment and other income and of $27.8 million in net realized performance fees for the year ended December 31, 2017, as described above. Increases in non-core expenses of $18.1 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 also contributed to the decrease of DE. The primary drivers for the increase in non-core expenses were placement fees of $8.5 million related to two new fund launches and to dividend equivalent payments of $8.1 million made on unvested restricted stock. These decreases were partially offset by an increase in FRE of $33.8 million for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Credit Group—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Fee Related Earnings:

Fee related earnings increased $14.6 million, or 6%, to $243.2 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees increased by $11.9 million , or 3% , to $444.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase in management fees was primarily driven by the launch of 11 funds subsequent to December 31, 2015 that increased fees by $11.9 million.

Management fees of the Credit Group include quarterly fees on the net investment income from ARCC (ARCC Part I Fees). Total ARCC management fees for the years ended December 31, 2016 and 2015 were $258.2 million and $255.8 million, respectively, of which $121.2 million and $121.5 million, respectively, were related to ARCC Part I Fees.

The effective management fee rate decreased by 0.07% from 1.13% for the year ended December 31, 2015 , to 1.06% for the year ended December 31, 2016 . ARCC Part I Fees contributed 0.29% and 0.32% towards the total effective management fee rate of the Credit Group for the years ended December 31, 2016 and 2015, respectively.

Other Fees. Other fees increased by $9.5 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 , resulting from the introduction of a transaction fee earned from a new fund based on underwriting and originating activities.

Compensation and Benefits. Compensation and benefits expenses increased by $8.6 million , or 5% , to $182.9 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . Compensation and benefits expenses increased during the year ended December 31, 2016 primarily due to an increase in headcount, which drove increases in incentive based compensation and salary and benefit expenses. In addition, salary and benefits expenses increased in the current year due to merit based increases. Compensation and benefits expenses represented 41.1% of management fees for the year ended December 31, 2016 compared to 40.3% for the year ended December 31, 2015 .

General, Administrative and Other Expenses. General, administrative and other expenses decreased by $1.8 million , or 6% , to $28.5 million for the year ended December 31, 2016 , remaining relatively consistent with the year ended December 31, 2015 .

Performance Related Earnings:

Performance related earnings increased $61.0 million to $70.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees include realized and unrealized performance fees, net of realized and unrealized performance fee compensation. The impact of reversals of previously recognized performance fee revenue and the corresponding performance fee compensation expense is reflected as a reduction in unrealized performance fees and unrealized performance fee compensation.

Net performance fees increased by $27.6 million to $36.4 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 . The increase in performance fees for the year ended December 31, 2016 was primarily driven by market appreciation in credit opportunities, U.S. direct lending and syndicated loans strategies as a result of strengthening credit markets. Additionally, net performance fees increased as a result of realizations from several CLOs in excess of unrealized amounts previously recognized during the year ended December 31, 2016 as compared to the year ended December 31, 2015.

Net Investment Income (Loss). Net investment income increased by $33.4 million to $34.3 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was driven by overall improvements in the credit markets that resulted in unrealized market appreciation of $10.0 million and $4.2 million on investments in our syndicated loan funds and U.S. direct lending funds, respectively, offset by unrealized depreciation of $0.8 million on investments in our E.U. direct lending funds for the year ended December 31, 2016. In comparison, our investments in syndicated loan funds and U.S. direct lending funds experienced unrealized losses of $14.6 million and $0.4 million, respectively, for the year ended December 31, 2015. Additionally, $16.0 million of transaction gains from the revaluation of certain assets and liabilities denominated in foreign currencies is included in interest and other investment income for the year ended December 31, 2016 compared to transaction losses of $0.5 million for the year ended December 31, 2015.

Realized Income:

Realized income increased $13.0 million , or 5% , to $301.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was due to increases of $14.6 million and $2.2 million in FRE and net realized investment and other income, respectively, offset by a decrease in net realized performance fees of $3.8 million.

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income increased $75.6 million, or 32%, to $313.9 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of the fluctuations described above.

Distributable Earnings:

DE increased $15.2 million, or 5%, to $294.8 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. DE was positively impacted by increases in FRE of $14.6 million and an increase of $2.2 million in net realized investment and other income. The increases were partially offset by a decrease in net realized performance fees of $3.8 million.

Credit Group—Assets Under Management

The tables below provide the period-to-period rollforwards of AUM for the Credit Group for the years ended December 31, 2017, 2016 and 2015 (in millions):

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending(1)	E.U. Direct Lending	Total Credit Group
Balance at 12/31/2016	**$ 17,260**	**$ 4,978**	**$ 3,304**	**$ 4,254**	**$ 21,110**	**$ 9,560**	**$ 60,466**
Acquisitions	—	—	—	—	3,605	—	3,605
Net new par/ equity commitments	731	558	(6)	356	6,167	864	8,670
Net new debt commitments	3,536	—	—	—	1,882	571	5,989
Distributions	(5,426)	(1,224)	(146)	(173)	(3,011)	(872)	(10,852)
Change in fund value	429	318	181	354	887	1,685	3,854
Balance at 12/31/2017	**$ 16,530**	**$ 4,630**	**$ 3,333**	**$ 4,791**	**$ 30,640**	**$ 11,808**	**$ 71,732**
Average AUM(2)	**$ 16,861**	**$ 4,685**	**$ 3,343**	**$ 4,482**	**$ 26,957**	**$ 10,743**	**$ 67,071**

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending(1)	E.U. Direct Lending	Total Credit Group
Balance at 12/31/2015	**$ 17,617**	**$ 3,303**	**$ 3,715**	**$ 3,103**	**$ 23,592**	**$ 9,056**	**$ 60,386**
Net new par/ equity commitments	624	1,664	281	905	751	1,228	5,453
Net new debt commitments	2,287	—	—	—	2,411	332	5,030
Distributions	(3,410)	(459)	(923)	(106)	(6,269)	(801)	(11,968)
Change in fund value	142	470	231	352	625	(255)	1,565
Balance at 12/31/2016	**$ 17,260**	**$ 4,978**	**$ 3,304**	**$ 4,254**	**$ 21,110**	**$ 9,560**	**$ 60,466**
Average AUM(2)	**$ 17,162**	**$ 4,217**	**$ 3,365**	**$ 3,743**	**$ 22,299**	**$ 9,511**	**$ 60,297**

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending	E.U. Direct Lending	Total Credit Group
Balance at 12/31/2014	**$ 20,175**	**$ 3,076**	**$ 5,479**	**$ 1,719**	**$ 23,115**	**$ 5,535**	**$ 59,099**
Net new par/ equity commitments	(13)	502	14	1,716	1,537	3,560	7,316
Net new debt commitments	2,949	—	302	—	2,051	1,252	6,554
Distributions	(4,949)	(213)	(1,915)	(201)	(3,654)	(1,017)	(11,949)
Change in fund value	(545)	(62)	(165)	(131)	543	(274)	(634)
Balance at 12/31/2015	**$ 17,617**	**$ 3,303**	**$ 3,715**	**$ 3,103**	**$ 23,592**	**$ 9,056**	**$ 60,386**
Average AUM(2)	**$ 19,605**	**$ 3,281**	**$ 4,533**	**$ 2,804**	**$ 24,179**	**$ 6,573**	**$ 60,975**

(1) Distributions of $3.0 billion and $6.3 billion in 2017 and 2016, respectively, includes $1.6 billion and $4.8 billion reduction in leverage, respectively, related to the paydown associated with the Senior Secured Loan Program (the "SSLP").

(2) Represents a five-point average of quarter-end balances for each period.

Credit Group—Fee Paying AUM

The tables below provides the period-to-period rollforwards of fee paying AUM for the Credit Group for the years ended December 31, 2017, 2016 and 2015 (in millions):

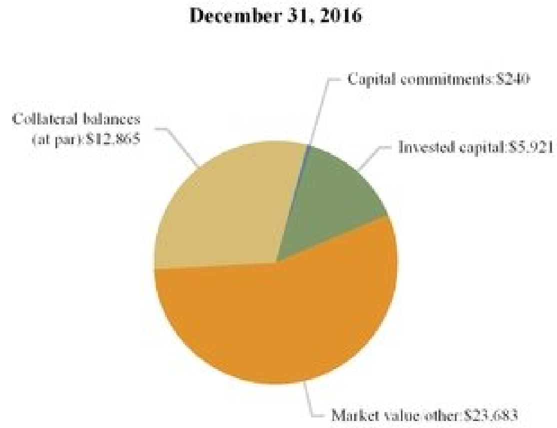
	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending	E.U. Direct Lending	Total Credit Group
FPAUM Balance at 12/31/2016	**$ 15,998**	**$ 4,978**	**$ 2,705**	**$ 3,128**	**$ 11,292**	**$ 4,608**	**$ 42,709**
Acquisitions	—	—	—	—	2,789	—	2,789
Commitments	4,116	495	4	273	172	—	5,060
Subscriptions/deployment/increase in leverage	—	77	65	325	2,998	1,629	5,094
Redemptions/distributions/decrease in leverage	(5,240)	(1,238)	(137)	(587)	(948)	(583)	(8,733)
Change in fund value	377	317	172	295	566	595	2,322
Change in fee basis	—	—	—	—	—	209	209
FPAUM Balance at 12/31/2017	**$ 15,251**	**$ 4,629**	**$ 2,809**	**$ 3,434**	**$ 16,869**	**$ 6,458**	**$ 49,450**
Average FPAUM(1)	**$ 15,550**	**$ 4,685**	**$ 2,788**	**$ 3,316**	**$ 14,627**	**$ 5,632**	**$ 46,598**

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending	E.U. Direct Lending	Total Credit Group
FPAUM Balance at 12/31/2015	**$ 17,180**	**$ 3,303**	**$ 2,606**	**$ 2,558**	**$ 10,187**	**$ 4,091**	**$ 39,925**
Commitments	1,985	1,537	62	7	40	—	3,631
Subscriptions/deployment/increase in leverage	24	127	366	379	1,423	1,393	3,712
Redemptions/distributions/decrease in leverage	(3,239)	(459)	(492)	(112)	(928)	(585)	(5,815)
Change in fund value	48	470	223	296	570	(291)	1,316
Change in fee basis	—	—	(60)	—	—	—	(60)
FPAUM Balance at 12/31/2016	**$ 15,998**	**$ 4,978**	**$ 2,705**	**$ 3,128**	**$ 11,292**	**$ 4,608**	**$ 42,709**
Average FPAUM(1)	**$ 16,234**	**$ 4,217**	**$ 2,569**	**$ 2,805**	**$ 10,640**	**$ 4,473**	**$ 40,938**

	Syndicated Loans	High Yield	Credit Opportunities	Structured Credit	U.S. Direct Lending	E.U. Direct Lending	Total Credit Group
FPAUM Balance at 12/31/2014	**$ 16,236**	**$ 3,075**	**$ 3,943**	**$ 1,602**	**$ 9,400**	**$ 3,018**	**$ 37,274**
Commitments	3,284	341	60	11	421	—	4,117
Subscriptions/deployment/increase in leverage	122	97	164	1,102	1,088	1,566	4,139
Redemptions/distributions/decrease in leverage	(2,252)	(213)	(882)	(218)	(1,254)	(423)	(5,242)
Change in fund value	(281)	(123)	(283)	(53)	793	(110)	(57)
Change in fee basis	71	126	(396)	114	(261)	40	(306)
FPAUM Balance at 12/31/2015	**$ 17,180**	**$ 3,303**	**$ 2,606**	**$ 2,558**	**$ 10,187**	**$ 4,091**	**$ 39,925**
Average FPAUM(1)	**$ 16,533**	**$ 3,256**	**$ 3,290**	**$ 2,261**	**$ 9,525**	**$ 3,463**	**$ 38,328**

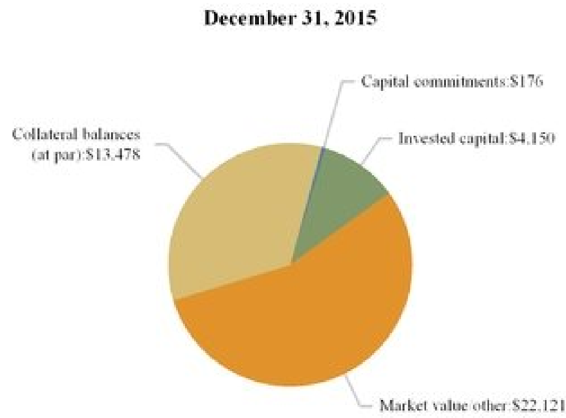
(1) Represents a five-point average of quarter-end balances for each period.

The charts below present FPAUM for the Credit Group by its fee basis as of December 31, 2017, 2016 and 2015 (in millions):



FPAUM: $49,450

FPAUM: $42,709



FPAUM: $39,925

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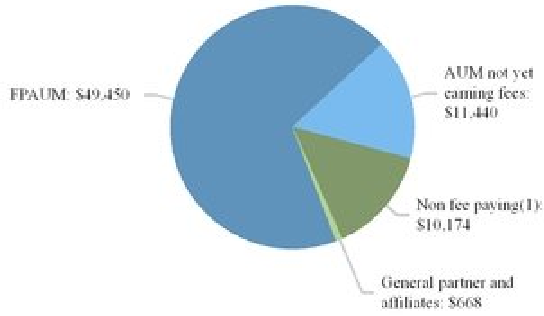
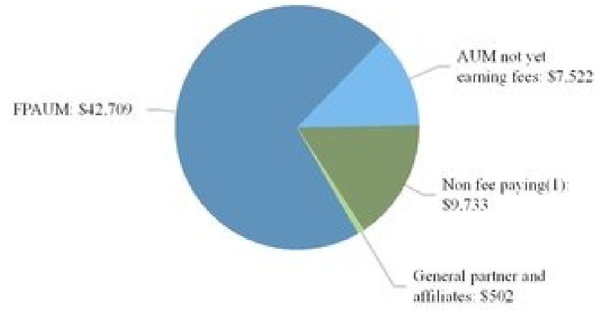
The components of our AUM, including the portion that is FPAUM, for the Credit Group are presented below as of December 31, 2017, 2016 and 2015 (in millions):

December 31, 2017



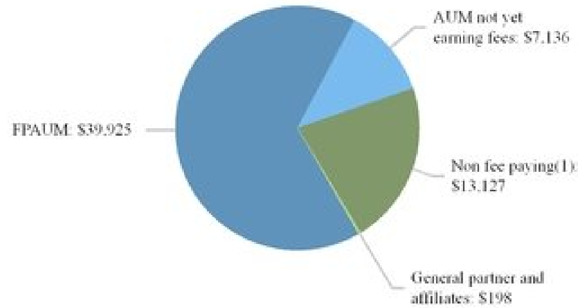
AUM: $71,732

December 31, 2016



AUM: $60,466

December 31, 2015



AUM: $60,386

(1) Includes $5.7 billion , $6.4 billion and $9.9 billion of AUM of funds from which we indirectly earn management fees as of December 31, 2017 , 2016 and 2015 , respectively.

Credit Group—Fund Performance Metrics as of December 31, 2017

The Credit Group managed 139 funds as of December 31, 2017 . ARCC contributed approximately 58% of the Credit Group's total management fees for the year ended December 31, 2017 . In addition to ARCC, we have six significant funds which contributed approximately 9% of the Credit Group's management fees for the year ended December 31, 2017 . Our significant funds that are not drawdown funds are ARCC; one sub-advised fund; Ares ELIS XI, Ltd. ("ELIS XI"), a 2013 vintage separately managed account focused on syndicated loans in the United States; and two separately managed accounts over which we exercise sole investment discretion. Our significant drawdown funds are Ares Capital Europe II, L.P. ("ACE II"), a 2013 vintage commingled fund; and ACE III, a 2015 vintage commingled fund, both of which focus on direct lending to European middle market companies. We do not present fund performance metrics for significant funds with less than two years of historical information, except for those significant funds which pay management fees on invested capital, in which case performance is shown at the earlier of (i) the one year anniversary of the fund's first investment and (ii) such time the fund is 50% or more invested.

The following table presents the performance data for our significant funds in the Credit Group that are not drawdown funds:

		As of December 31, 2017							
			Returns(%)(1)						
	Year of	AUM	Fourth Quarter		Year-To-Date		Since Inception(2)		
Fund	Inception	(in millions)	Gross	Net	Gross	Net	Gross	Net	Investment Strategy
ARCC(3)	2004	$ 14,520	N/A	3.3	N/A	10.8	N/A	11.8	U.S. Direct Lending
Sub-advised Client A(4)	2007	$ 723	0.6	0.5	8.1	7.7	8.0	7.6	High Yield
ELIS XI(4)	2013	$ 716	1.1	1.0	4.9	4.4	3.6	3.1	Syndicated Loans
Separately Managed Account Client A(4)	2015	$ 1,155	2.4	2.3	11.2	10.7	7.1	6.6	Structured Credit
Separately Managed Account Client B(4)	2016	$ 830	0.7	0.6	7.0	6.7	6.7	6.3	High Yield

(1) Returns are time-weighted rates of return and include the reinvestment of income and other earnings from securities or other investments and reflect the deduction of all trading expenses.
(2) Since inception returns are annualized.
(3) Net returns are calculated using the fund's NAV and assume dividends are reinvested at the closest quarter-end NAV to the relevant quarterly ex-dividend dates. Additional information related to ARCC can be found in its financial statements filed with the SEC, which are not part of this report.
(4) Gross returns do not reflect the deduction of management fees or any other expenses. Net returns are calculated by subtracting the applicable management fee from the gross returns on a monthly basis.

The following table presents the performance data of our significant drawdown funds:

			As of December 31, 2017 (Dollars in millions)									
								MoIC		IRR(%)		
Fund	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds(1)	Unrealized Value(2)	Total Value	Gross(3)	Net(4)	Gross(5)	Net(6)	Investment Strategy
ACE II(7)	2013	$ 1,509	$ 1,216	$ 977	$ 458	$ 796	$ 1,254	1.4x	1.3x	10.2	7.5	E.U. Direct Lending
ACE III(8)	2015	$ 5,184	$ 2,822	$ 1,951	$ 102	$ 2,099	$ 2,201	1.2x	1.1x	17.5	13.1	E.U. Direct Lending

(1) Realized proceeds represent the sum of all cash distributions to all partners and if applicable, exclude tax and incentive distributions made to the general partner.
(2) Unrealized value represents the fund's NAV reduced by the accrued performance fees, if applicable. There can be no assurance that unrealized values will be realized at the valuations indicated.
(3) The gross multiple of invested capital ("MoIC") is calculated at the fund-level and is based on the interests of the fee-paying limited partners and if applicable, excludes interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or performance fees. The gross MoIC is before giving effect to management fees, performance fees as applicable and other expenses.
(4) The net MoIC is calculated at the fund-level and is based on the interests of the fee-paying limited partners and if applicable, excludes those interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or performance fees. The net MoIC is after giving effect to management fees, performance fees as applicable and other expenses.
(5) The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Gross IRR reflects returns to the fee-paying limited partners and if applicable, excludes interests attributable to the non-fee paying limited partners and/or the general partner which does not pay management fees or performance fees.

The cash flow dates used in the gross IRR calculation are based on the actual dates of the cash flows. Gross IRRs are calculated before giving effect to management fees, performance fees as applicable, and other expenses.

(6) The net IRR is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund’s residual value at the end of the measurement period. Net IRRs reflect returns to the fee-paying limited partners and if applicable, exclude interests attributable to the non-fee paying limited partners and/or the general partner who does not pay management fees or performance fees. The cash flow dates used in the net IRR calculations are based on the actual dates of the cash flows. The net IRRs are calculated after giving effect to management fees, performance fees as applicable, and other expenses. The funds may utilize a credit facility during the investment period and for general cash management purposes. Net fund-level IRRs would have been lower had such fund called capital from its limited partners instead of utilizing the credit facility.

(7) ACE II is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net IRR and gross and net MoIC presented in the chart are for the U.S. dollar denominated feeder fund as that is the larger of the two feeders. The gross and net IRR for the Euro denominated feeder fund are 12.5% and 9.4%, respectively. The gross and net MoIC for the Euro denominated feeder fund are 1.5x and 1.3x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of the fund's closing. All other values for ACE II are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate. The variance between the gross and net MoICs and the net IRRs for the U.S. dollar denominated and Euro denominated feeder funds is driven by the U.S. GAAP mark-to-market reporting of the foreign currency hedging program in the U.S. dollar denominated feeder fund. The feeder fund will be holding the foreign currency hedges until maturity, and therefore is expected to ultimately recognize a gain while mitigating the currency risk associated with the initial principal investments.

(8) ACE III is made up of two feeder funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net MoIC presented in the chart are for the Euro denominated feeder fund as that is the larger of the two feeders. The gross and net IRR for the U.S. dollar denominated feeder fund are 17.5% and 12.8%, respectively. The gross and net MoIC for the U.S. dollar denominated feeder fund are 1.2x and 1.1x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of the fund's closing. All other values for ACE III are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.

Private Equity Group

The following table sets forth certain statement of operations data and certain other data of our Private Equity Group segment for the periods presented.

	For the Years Ended December 31,			2017 vs. 2016		2016 vs. 2015	
	2017	2016	2015	Favorable (Unfavorable)		Favorable (Unfavorable)	
				$ Change	% Change	$ Change	% Change
	(Dollars in thousands)						
Management fees	$ 198,498	$ 147,790	$ 152,104	$ 50,708	34 %	$ (4,314)	(3)%
Other fees	1,495	1,544	1,406	(49)	(3)%	138	10 %
Compensation and benefits	(68,569)	(61,276)	(56,859)	(7,293)	(12)%	(4,417)	(8)%
General, administrative and other expenses	(17,561)	(14,679)	(15,647)	(2,882)	(20)%	968	6 %
Fee Related Earnings	**113,863**	**73,379**	**81,004**	40,484	55 %	(7,625)	(9)%
Performance fees-realized	287,092	230,162	24,849	56,930	25 %	205,313	NM
Performance fees-unrealized	191,559	188,287	87,809	3,272	2 %	100,478	114 %
Performance fee compensation-realized	(228,774)	(184,072)	(19,255)	(44,702)	(24)%	(164,817)	NM
Performance fee compensation-unrealized	(153,148)	(149,956)	(74,598)	(3,192)	(2)%	(75,358)	(101)%
Net performance fees	96,729	84,421	18,805	12,308	15 %	65,616	NM
Investment income-realized	22,625	18,773	6,840	3,852	21 %	11,933	174 %
Investment income (loss)-unrealized	38,754	(613)	(13,205)	39,367	NM	12,592	(95)%
Interest and other investment income	3,906	16,579	6,166	(12,673)	(76)%	10,413	169 %
Interest expense	(5,218)	(5,589)	(5,936)	371	7 %	347	6 %
Net investment income (loss)	60,067	29,150	(6,135)	30,917	106 %	35,285	NM
Performance related earnings	**156,796**	**113,571**	**12,670**	43,225	38 %	100,901	NM
Economic net income	**$ 270,659**	**$ 186,950**	**$ 93,674**	83,709	45 %	93,276	100 %
Realized income	**$ 192,814**	**$ 149,544**	**$ 93,668**	43,270	29 %	55,876	60 %
Distributable earnings	**$ 187,733**	**$ 144,140**	**$ 88,767**	43,593	30 %	55,373	62 %

NM - Not meaningful

Accrued performance fees for the Private Equity Group are comprised of the following:

	As of December 31,	
	2017	2016
	(Dollars in thousands)	
ACOF III	$ 570,578	$ 342,958
ACOF IV	217,354	234,207
EIF V	16,215	16,510
Other funds	11,260	30,174
Total Private Equity Group	**$ 815,407**	**$ 623,849**

Net performance fee revenues for the Private Equity Group are comprised of the following:

	Year Ended December 31, 2017			Year Ended December 31, 2016			Year Ended December 31, 2015		
	Realized	Unrealized	Net	Realized	Unrealized	Net	Realized	Unrealized	Net
	(Dollars in thousands)								
ACOF III	$ 58,946	$ 227,620	$ 286,566	$ 161,216	$ 4,574	$ 165,790	$ 4,925	$ 90,420	$ 95,345
ACOF IV	223,479	(16,852)	206,627	41,807	181,571	223,378	10,545	9,512	20,057
EIF V	—	(294)	(294)	—	16,510	16,510	—	—	—
Other funds	4,667	(18,915)	(14,248)	27,139	(14,368)	12,771	9,379	(12,123)	(2,744)
Total Private Equity Group	**$ 287,092**	**$ 191,559**	**$ 478,651**	**$ 230,162**	**$ 188,287**	**$ 418,449**	**$ 24,849**	**$ 87,809**	**$ 112,658**

The following tables present the components of the change in performance fees - unrealized for the Private Equity Group:

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)							
ACOF III	$ (58,946)	$ 286,566	$ —	$ 227,620	$ (161,216)	$ 165,790	$ —	$ 4,574
ACOF IV	(223,479)	206,627	—	(16,852)	(41,807)	223,378	—	181,571
EIF V	—	—	(294)	(294)	—	16,510	—	16,510
Other funds	(4,667)	1,016	(15,264)	(18,915)	(27,139)	15,697	(2,926)	(14,368)
Total Private Equity Group	**$ (287,092)**	**$ 494,209**	**$ (15,558)**	**$ 191,559**	**$ (230,162)**	**$ 421,375**	**$ (2,926)**	**$ 188,287**

	Year Ended December 31, 2015			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)			
ACOF III	$ (4,925)	$ 95,345	$ —	$ 90,420
ACOF IV	(10,545)	20,057	—	9,512
Other funds	(9,379)	10,260	(13,004)	(12,123)
Total Private Equity Group	**$ (24,849)**	**$ 125,662**	**$ (13,004)**	**$ 87,809**

Private Equity Group—Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Fee Related Earnings:

Fee related earnings increased $40.5 million , or 55% , to $113.9 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees increased by $50.7 million , or 34% , to $198.5 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase was primarily attributable to ACOF V, which began generating fees in March 2017 totaling $90.8 million for the year ended December 31, 2017. In addition, Ares Energy Investors Fund V, L.P. ("EIF V") held its final close in the second quarter of 2017, generating additional management fees of $8.9 million for the year ended December 31, 2017. Management fees generated by EIF V for the year ended December 31, 2017 included $5.8 million of one-time catch-up fees. Partially offsetting these increases were management fees generated by Ares Corporate Opportunities Fund IV, L.P. (“ACOF IV”), which decreased by $37.1 million due to a reduced fee rate and change in fee basis in connection with the launch of ACOF V. Additionally, management fees attributable to certain U.S. power and energy infrastructure funds decreased $9.4 million as a result of portfolio realizations, which reduced the fee bases of the funds.

The effective management fee rate decreased from 1.26% for the year ended December 31, 2016 to 1.20% for the year ended December 31, 2017 , excluding the effect of one-time catch-up fees. The decreases in the effective management fee rate resulted from the reduced fee rate at ACOF IV and were partially offset by ACOF V management fees.

Compensation and Benefits. Compensation and benefits expenses increased by $7.3 million , or 12% , to $68.6 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase was primarily due to increases in salary and benefits expenses as a result of additional headcount needed to support ACOF V's capital deployment, as well as merit based increases. Compensation and benefits expenses represented 34.5% of management fees for the year ended December 31, 2017 compared to 41.5% for the year ended December 31, 2016 .

General, Administrative and Other Expenses. General, administrative and other expenses increased by $2.9 million , or 20% , to $17.6 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase in the current year was primarily attributable to an increase in recruiting fees of $1.7 million and other business support costs driven by increased headcount.

Performance Related Earnings:

Performance related earnings increased $43.2 million to $156.8 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees include realized and unrealized performance fees, net of realized and unrealized performance fee compensation. The impact of reversals of previously recognized performance fee revenue and the corresponding performance fee compensation expense is reflected as a reduction in unrealized performance fees and unrealized performance fee compensation.

Net performance fees increased by $12.3 million to $96.7 million for the year ended December 31, 2017 compared to $84.4 million for the year ended December 31, 2016 . The increase in net performance fees was primarily driven by significant market appreciation in one of ACOF III's retail portfolio companies following its initial public offering.

Net Investment Income (Loss). Net investment income increased by $30.9 million to $60.1 million for the year ended December 31, 2017 . The increase was primarily attributable to ACOF III, which had an increase of $32.2 million in net realized and unrealized gains for the year ended December 31, 2017 primarily due to market appreciation in one of its retail portfolio companies that completed its initial public offering in the current year.

Realized Income:

Realized income increased $43.3 million , or 29% , to $192.8 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 , primarily driven by increases in net realized performance fees of $12.2 million and FRE of $40.5 million . The increases were partially offset by a $9.4 million decrease in net realized investment and other income.

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income increased $83.7 million , or 45% , to $270.7 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 as a result of the fluctuations described above.

Distributable Earnings:

DE increased $43.6 million , or 30% , to $187.7 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . DE was positively impacted by increases in net realized performance fees of $12.2 million and FRE of $40.5 million . The increases were partially offset by a $9.4 million decrease in net realized investment and other income.

Private Equity Group—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Fee Related Earnings:

Fee related earnings decreased $7.6 million, or 9%, to $73.4 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees decreased by $4.3 million, or 3%, to $147.8 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease was primarily attributable to the absence of management fees from Ares Corporate Opportunities Fund II, L.P. ("ACOF II") in the current year, from which we generated $3.8 million of fees in the year ended December 31, 2015. In connection with an extension of ACOF II's term for one year, we agreed to waive management fees starting in the first quarter of 2016. The effective management fee rate decreased by 0.01% from 1.27% for the year ended December 31, 2015, to 1.26% for the year ended December 31, 2016.

Compensation and Benefits. Compensation and benefits expenses increased by $4.4 million, or 8%, to $61.3 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase is primarily due to an increase in salary and benefits expenses, which were higher due to merit based increases and an increase in headcount in anticipation of ACOF V capital deployment. Additionally, incentive based compensation increased in the current year. Compensation and benefits expenses represented 41.5% of management fees for the year ended December 31, 2016 compared to 37.4% for the year ended December 31, 2015.

General, Administrative and Other Expenses. General, administrative and other expenses decreased by $1.0 million, or 6%, to $14.7 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease was due to the timing of various services delivered over both years. We expect general, administrative and other expenses to increase in 2017 as capital is deployed in ACOF V.

Performance Related Earnings:

Performance related earnings increased $100.9 million to $113.6 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees include realized and unrealized performance fees, net of realized and unrealized performance fee compensation. The impact of reversals of previously recognized performance fee revenue and the corresponding performance fee compensation expense is reflected as a reduction in unrealized performance fees and unrealized performance fee compensation.

Net performance fees increased by $65.6 million to $84.4 million for the year ended December 31, 2016 compared to $18.8 million for the year ended December 31, 2015. The increase in net performance fees for the year ended December 31, 2016 was primarily driven by increases in the valuation of certain underlying portfolio companies within certain of our Private Equity Group's funds.

Net Investment Income (Loss). Net investment income (loss) increased by $35.3 million from a net investment loss of $6.1 million for the year ended December 31, 2015 to net investment income of $29.2 million for the year ended December 31, 2016. Net investment income of $29.2 million for the year ended December 31, 2016 was primarily comprised of $15.6 million and $12.6 million of dividends and net realized gains from sales of ACOF III portfolio companies, respectively. In comparison, there was a $6.1 million net investment loss for the year ended December 31, 2015, primarily as a result of net realized and unrealized losses of $17.9 million and $9.8 million on certain investments in the special situations funds and an Asian corporate

private equity fund, respectively. These losses were offset by unrealized gains of $21.2 million on certain investments in North America and Europe driven by unrealized appreciation of the fair values of certain underlying investments.

Realized Income:

Realized income increased $55.9 million , or 60% , to $149.5 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase was due to increases in net realized performance fees and net realized investment and other income of $40.5 million and $23.0 million, respectively, partially offset by a $7.6 million decrease in FRE.

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income increased $93.3 million, or 100%, to $187.0 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of the fluctuations described above.

Distributable Earnings:

DE increased $55.4 million, or 62%, to $144.1 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. DE was positively impacted by increases in net realized performance fees and net realized investment and other income of $40.5 million and $23.0 million, respectively. The increases were partially offset by a $7.6 million decrease in FRE.

Private Equity Group—Assets Under Management

The tables below provide the period-to-period rollforwards of AUM for the Private Equity Group for the years ended December 31, 2017, 2016 and 2015 (in millions):

	Corporate Private Equity	Private Equity - EIF	Special Situations	Total Private Equity Group
Balance at 12/31/2016	**$ 18,162**	**$ 5,143**	**$ 1,736**	**$ 25,041**
Net new equity commitments	56	300	—	356
Distributions	(2,130)	(697)	(187)	(3,014)
Change in fund value	2,469	(323)	1	2,147
Balance at 12/31/2017	**$ 18,557**	**$ 4,423**	**$ 1,550**	**$ 24,530**
Average AUM(3)	**$ 18,591**	**$ 4,697**	**$ 1,626**	**$ 24,914**

	Corporate Private Equity(1)	Private Equity - EIF	Special Situations	Total Private Equity Group
Balance at 12/31/2015	**$ 15,908**	**$ 5,207**	**$ 1,863**	**$ 22,978**
Net new equity commitments	2,184	130	—	2,314
Distributions	(1,886)	(372)	(261)	(2,519)
Change in fund value	1,956	178	134	2,268
Balance at 12/31/2016	**$ 18,162**	**$ 5,143**	**$ 1,736**	**$ 25,041**
Average AUM(3)	**$ 17,651**	**$ 5,102**	**$ 1,800**	**$ 24,553**

	Corporate Private Equity(2)	Private Equity - EIF	Special Situations	Total Private Equity Group
Balance at 12/31/2014	**$ 10,135**	**$ —**	**$ 1,952**	**$ 12,087**
Acquisitions	—	4,581	—	4,581
Net new equity commitments	5,696	594	410	6,700
Distributions	(728)	(292)	(61)	(1,081)
Change in fund value	805	324	(438)	691
Balance at 12/31/2015	**$ 15,908**	**$ 5,207**	**$ 1,863**	**$ 22,978**
Average AUM(3)	**$ 11,366**	**$ 3,717**	**$ 2,032**	**$ 17,115**

(1) Net new equity commitments in 2016 includes $2.1 billion of commitments to ACOF V.

(2) Net new equity commitments in 2015 represents commitments to ACOF V.

(3) Represents a five-point average of quarter-end balances for each period.

Private Equity Group—Fee Paying AUM

The tables below provide the period-to-period rollforwards of fee paying AUM, for the Private Equity Group for the years ended December 31, 2017, 2016 and 2015 (in millions):

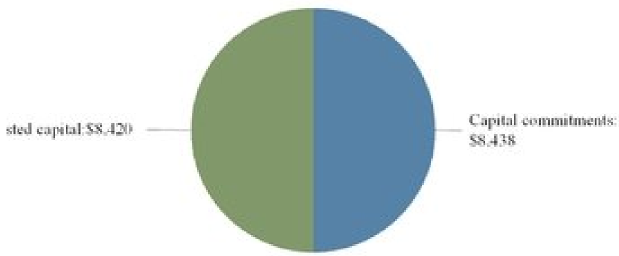
	Corporate Private Equity	Private Equity - EIF	Special Situations	Total Private Equity Group
FPAUM Balance at 12/31/2016	**$ 6,454**	**$ 4,232**	**$ 628**	**$ 11,314**
Commitments	7,655	300	—	7,955
Subscriptions/deployment/increase in leverage	478	230	414	1,122
Redemptions/distributions/decrease in leverage	(966)	(392)	(248)	(1,606)
Change in fund value	4	(351)	(28)	(375)
Change in fee basis	(1,552)	—	—	(1,552)
FPAUM Balance at 12/31/2017	**$ 12,073**	**$ 4,019**	**$ 766**	**$ 16,858**
Average FPAUM(1)	**$ 11,157**	**$ 4,047**	**$ 682**	**$ 15,886**

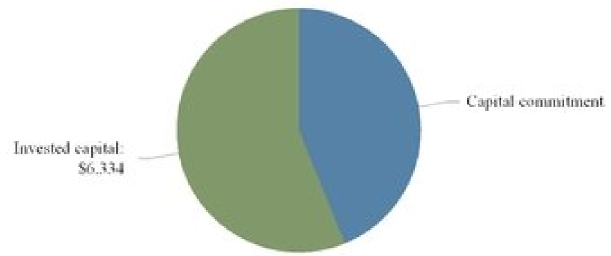
	Corporate Private Equity	Private Equity - EIF	Special Situations	Total Private Equity Group
FPAUM Balance at 12/31/2015	**$ 6,957**	**$ 4,454**	**$ 1,051**	**$ 12,462**
Commitments	29	130	—	159
Subscriptions/deployment/increase in leverage	52	45	(4)	93
Redemptions/distributions/decrease in leverage	(288)	(46)	(331)	(665)
Change in fund value	—	(80)	(88)	(168)
Change in fee basis	(296)	(271)	—	(567)
FPAUM Balance at 12/31/2016	**$ 6,454**	**$ 4,232**	**$ 628**	**$ 11,314**
Average FPAUM(1)	**$ 6,652**	**$ 4,306**	**$ 842**	**$ 11,800**

	Corporate Private Equity	Private Equity - EIF	Special Situations	Total Private Equity Group
FPAUM Balance at 12/31/2014	**$ 7,172**	**$ —**	**$ 530**	**$ 7,702**
Acquisitions	—	4,046	—	4,046
Commitments	—	523	—	523
Subscriptions/deployment/increase in leverage	39	134	518	691
Redemptions/distributions/decrease in leverage	(149)	(247)	(18)	(414)
Change in fund value	—	(2)	(29)	(31)
Change in fee basis	(105)	—	50	(55)
FPAUM Balance at 12/31/2015	**$ 6,957**	**$ 4,454**	**$ 1,051**	**$ 12,462**
Average FPAUM(1)	**$ 7,031**	**$ 3,265**	**$ 859**	**$ 11,155**

(1) Represents a five-point average of quarter-end balances for each period.

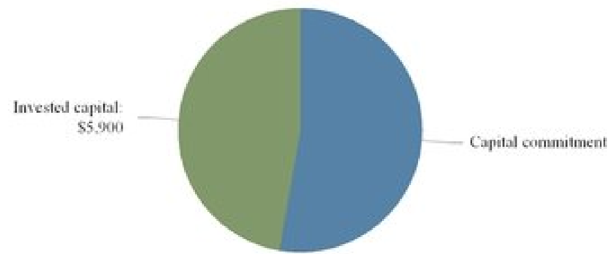
The charts below present FPAUM for the Private Equity Group by its fee basis as of December 31, 2017, 2016 and 2015 (in millions):





FPAUM: $16,858

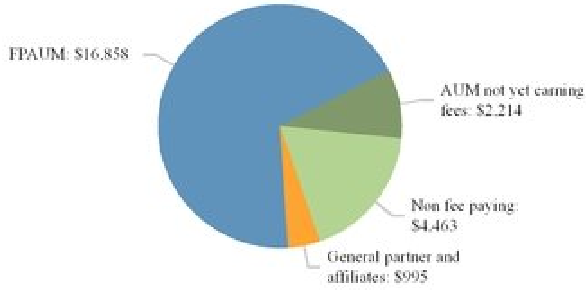
FPAUM: $11,314



FPAUM: $12,462

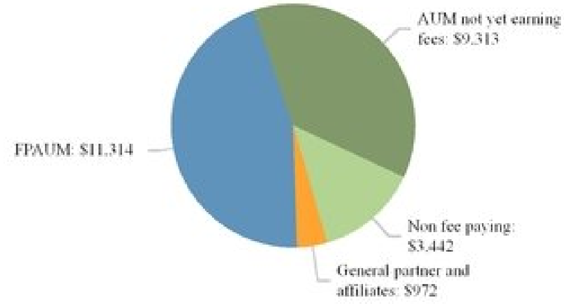
The components of our AUM, including the portion that is FPAUM, for the Private Equity Group are presented below as of December 31, 2017, 2016 and 2015 (in millions):

December 31, 2017



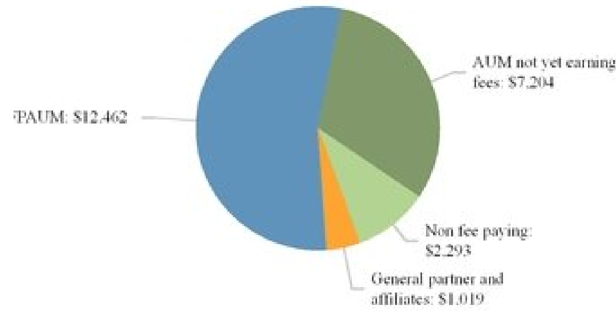
AUM: $24,530

December 31, 2016



AUM: $25,041

December 31, 2015



AUM: $22,978

Private Equity Group—Fund Performance Metrics as of December 31, 2017

The Private Equity Group managed 21 commingled funds and related co-investment vehicles as of December 31, 2017 . Our significant funds combined for approximately 93% of the Private Equity Group's management fees for the year ended December 31, 2017 . Our Corporate Private Equity funds focus on majority or shared-control investments, principally in under-capitalized companies in North America, Europe and Asia. ACOF III and ACOF IV are in harvest mode, meaning they are generally not seeking to deploy capital into new investment opportunities, while ACOF V is in deployment mode. Each of our U.S. power and energy infrastructure funds focuses on generating long-term, stable cash-flowing investments in the power generation, transmission and midstream energy sector. USPF III and USPF IV are in harvest mode, while EIF V is in deployment mode. We do not present fund performance metrics for significant funds with less than two years of historical information, except for those significant funds which pay management fees on invested capital, in which case performance is shown at the earlier of (i) the one year anniversary of the fund's first investment and (ii) such time the fund is 50% or more invested.

The following table presents the performance data for our significant funds in the Private Equity Group, all of which are drawdown funds:

		As of December 31, 2017 (Dollars in millions)										
								MoIC		IRR(%)		
Fund	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds(1)	Unrealized Value(2)	Total Value	Gross(3)	Net(4)	Gross(5)	Net(6)	Investment Strategy
USPF III	2007	$ 824	$ 1,350	$ 1,808	$ 1,764	$ 814	$ 2,578	1.4x	1.4x	7.8	5.1	U.S. Power and Energy Infrastructure
ACOF III	2008	$ 4,548	$ 3,510	$ 3,867	$ 6,181	$ 4,220	$ 10,401	2.7x	2.3x	31.3	23.4	Corporate Private Equity
USPF IV	2010	$ 1,827	$ 1,688	$ 1,846	$ 809	$ 1,639	$ 2,448	1.3x	1.2x	10.1	6.5	U.S. Power and Energy Infrastructure
ACOF IV	2012	$ 5,479	$ 4,700	$ 3,836	$ 2,492	$ 4,313	$ 6,805	1.8x	1.5x	23.6	16.1	Corporate Private Equity
EIF V (7)	2015	$ 882	$ 801	$ 313	$ 77	$ 371	$ 448	1.4x	1.6x	NA	NA	U.S. Power and Energy Infrastructure
ACOF V	2017	$ 7,798	$ 7,850	$ 1,415	$ 14	$ 1,483	$ 1,497	1.1x	1.0x	NA	NA	Corporate Private Equity

(1) Realized proceeds represent the sum of all cash dividends, interest income, other fees and cash proceeds from realizations of interests in portfolio investments.
(2) Unrealized value represents the fair market value of remaining investments. There can be no assurance that unrealized investments will be realized at the valuations indicated.
(3) The gross MoIC is calculated at the investment-level and is based on the interests of all partners. The gross MoIC is before giving effect to management fees, performance fees as applicable and other expenses.
(4) The net MoIC for the U.S. power and energy infrastructure funds is calculated at the fund-level. The net MoIC for the corporate private equity funds is calculated at the investment-level. For all funds, the net MoIC is based on the interests of the fee-paying limited partners and if applicable, excludes those interests attributable to the non-fee paying limited partners and/or the general partner who does not pay management fees or performance fees. The net MoIC is after giving effect to management fees, performance fees as applicable and other expenses.
(5) The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Gross IRRs reflect returns to all partners. Cash flows used in the gross IRR calculation are assumed to occur at month-end. The gross IRRs are calculated before giving effect to management fees, performance fees as applicable, and other expenses.
(6) The net IRR for the U.S. power and energy infrastructure funds is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. The cash flow dates used in the net IRR calculations are based on the actual dates of the cash flows. The net IRR for the corporate private equity funds is an annualized since inception net internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. The funds may utilize a credit facility during the investment period and for general cash management purposes. Net fund-level IRRs would have been lower had such fund called capital from its limited partners instead of utilizing the credit facility. Cash flows used in the net IRR calculations are assumed to occur at month end. For all funds, the net IRRs are calculated after giving effect to management fees, performance fees as applicable, and other expenses and exclude commitments by the general partner and Schedule I investors who do not pay either management fees or carried interest. Including the timing on contribution and distributions to and from the corporate private equity funds, net investor IRRs since inception for ACOF III is 22.7% and for ACOF IV is 15.2%.
(7) The Gross MoIC is lower than the Net MoIC due to the fund's utilization of a credit facility to fund an investment that is currently under construction and not generating cash flow.

Real Estate Group

The following table sets forth certain statement of operations data and certain other data of our Real Estate Group segment for the periods presented.

	For the Years Ended December 31,			2017 vs. 2016		2016 vs. 2015	
	2017	2016	2015	Favorable (Unfavorable)		Favorable (Unfavorable)	
				$ Change	% Change	$ Change	% Change
	(Dollars in thousands)						
Management fees	$ 64,861	$ 66,997	$ 66,045	$ (2,136)	(3)%	$ 952	1 %
Other fees	106	854	2,779	(748)	(88)%	(1,925)	(69)%
Compensation and benefits	(39,586)	(41,091)	(42,632)	1,505	4 %	1,541	4 %
General, administrative and other expenses	(10,519)	(10,603)	(15,766)	84	1 %	5,163	33 %
Fee Related Earnings	**14,862**	**16,157**	**10,426**	(1,295)	(8)%	5,731	55 %
Performance fees-realized	9,608	11,401	9,516	(1,793)	(16)%	1,885	20 %
Performance fees-unrealized	80,160	17,334	15,179	62,826	NM	2,155	14 %
Performance fee compensation-realized	(4,338)	(2,420)	(1,826)	(1,918)	(79)%	(594)	(33)%
Performance fee compensation-unrealized	(48,960)	(13,517)	(8,553)	(35,443)	(262)%	(4,964)	(58)%
Net performance fees	36,470	12,798	14,316	23,672	185 %	(1,518)	(11)%
Investment income-realized	5,534	931	2,658	4,603	NM	(1,727)	(65)%
Investment income-unrealized	2,626	5,418	1,522	(2,792)	(52)%	3,896	256 %
Interest and other investment income	2,495	1,661	259	834	50 %	1,402	NM
Interest expense	(1,650)	(1,056)	(977)	(594)	(56)%	(79)	(8)%
Net investment income	9,005	6,954	3,462	2,051	29 %	3,492	101 %
Performance related earnings	**45,475**	**19,752**	**17,778**	25,723	130 %	1,974	11 %
Economic net income	**$ 60,337**	**$ 35,909**	**$ 28,204**	24,428	68 %	7,705	27 %
Realized income	**$ 24,527**	**$ 26,611**	**$ 20,056**	(2,084,000)	(8)%	6,555,000	33 %
Distributable earnings	**$ 19,189**	**$ 21,594**	**$ 14,831**	(2,405)	(11)%	6,763	46 %

NM - Not Meaningful

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Accrued performance fees for the Real Estate Group are comprised of the following:

	As of December 31,	
	2017	2016
	(Dollars in thousands)	
US VIII	32,940	12,575
EF IV	50,801	4,052
Other real estate funds	37,528	22,001
Subtotal	**121,269**	**38,628**
Other fee generating funds(1)	15,362	16,675
Total Real Estate Group	**$ 136,631**	**$ 55,303**

(1) Relates to investment income from AREA Sponsor Holdings LLC that is reclassified for segment reporting to align with the character of the underlying income generated.

Net performance fee revenues for the Real Estate Group are comprised of the following:

	Year Ended December 31, 2017			Year Ended December 31, 2016			Year Ended December 31, 2015		
	Realized	Unrealized	Net	Realized	Unrealized	Net	Realized	Unrealized	Net
	(Dollars in thousands)								
US VIII	—	20,366	20,366	—	9,482	9,482	—	2,393	2,393
EF IV	—	46,750	46,750	—	4,052	4,052	—	—	—
Other real estate funds	6,887	13,830	20,717	4,034	8,688	12,722	3,044	11,862	14,906
Subtotal	**6,887**	**80,946**	**87,833**	**4,034**	**22,222**	**26,256**	**3,044**	**14,255**	**17,299**
Other fee generating funds(1)	2,721	(786)	1,935	7,367	(4,888)	2,479	6,472	924	7,396
Total Real Estate Group	**$ 9,608**	**$ 80,160**	**$ 89,768**	**$ 11,401**	**$ 17,334**	**$ 28,735**	**$ 9,516**	**$ 15,179**	**$ 24,695**

(1) Relates to investment income from AREA Sponsor Holdings LLC that is reclassified for segment reporting to align with the character of the underlying income generated.

The following tables present the components of the change in performance fees - unrealized for the Real Estate Group:

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)							
US VIII	—	20,366	—	20,366	—	9,482	—	9,482
EF IV	—	46,750	—	46,750	—	4,052	—	4,052
Other real estate funds	(6,887)	21,441	(724)	13,830	(4,034)	13,456	(734)	8,688
Subtotal	**(6,887)**	**88,557**	**(724)**	**80,946**	**(4,034)**	**26,990**	**(734)**	**22,222**
Other fee generating funds(1)	(2,721)	2,769	(834)	(786)	(7,367)	4,093	(1,614)	(4,888)
Total Real Estate Group	**$ (9,608)**	**$ 91,326**	**$ (1,558)**	**$ 80,160**	**$ (11,401)**	**$ 31,083**	**$ (2,348)**	**$ 17,334**

	Year Ended December 31, 2015			
	Performance Fees - Realized	Increases	Decreases	Performance Fees - Unrealized
	(Dollars in thousands)			
US VIII	—	2,393	—	2,393
EF IV	—	—	—	—
Other real estate funds	(3,044)	14,906	—	11,862
Subtotal	**(3,044)**	**17,299**	**—**	**14,255**
Other fee generating funds(1)	(6,472)	7,527	(131)	924
Total Real Estate Group	**$ (9,516)**	**$ 24,826**	**$ (131)**	**$ 15,179**

(1) Relates to investment income from AREA Sponsor Holdings LLC that is reclassified for segment reporting to align with the character of the underlying income generated.

Real Estate Group—Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Fee Related Earnings:

Fee related earnings decreased $1.3 million , or 8% , to $14.9 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees decreased by $2.1 million , or 3% , to $64.9 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease was primarily attributable to a 2% decline in average fee paying AUM for the year ended December 31, 2017 compared to the year ended December 31, 2016 . Ares Real Estate Fund VIII ("US VIII") and Ares European Real Estate Fund IV ("EF IV") had decreases in management fees of $1.1 million and $1.3 million, respectively, for the year ended December 31, 2017 compared to the year ended December 31, 2016 due to a change in the fee basis in connection with the launch of a successor fund and the end of the investment period, respectively. The winding down of one of our U.S. Real Estate Equity funds resulted in a reduction in management fees of $2.1 million for the year ended December 31, 2017 compared to the year ended December 31, 2016. Partially offsetting these decreases were $2.4 million of management fees contributed by one of our U.S. Real Estate Equity funds that began generating fees in the year ended December 31, 2017.

The effective management fee rate, excluding the effect of one-time catch-up fees, remained consistent at 0.98% for the years ended December 31, 2017 and 2016 .

Compensation and Benefits. Compensation and benefits expenses decreased by $1.5 million , or 4% , to $39.6 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease was due to a reorganization of the group's management team that occurred in the latter half of 2016. Compensation and benefits expenses represented 61.0% of management fees for the year ended December 31, 2017 compared to 61.3% for the year ended December 31, 2016 .

Performance Related Earnings:

Performance related earnings increased by $25.7 million to $45.5 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees include realized and unrealized performance fees, net of realized and unrealized performance fee compensation. The impact of reversals of previously recognized performance fee revenue and the corresponding performance fee compensation expense is reflected as a reduction in unrealized performance fees and performance fee compensation.

Net performance fees increased by $23.7 million to $36.5 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase in net performance fees for the current year periods was primarily driven by favorable real estate market fundamentals in both the U.S. and Europe that have resulted in appreciation across the portfolio of properties in our funds, primarily driven by net performance fees attributable to EF IV and US VIII, which collectively increased $21.4 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 .

Net Investment Income. Net investment income increased by $2.1 million to $9.0 million for the year ended December 31, 2017 compared to $7.0 million for the year ended December 31, 2016 . The increase was driven by our investments in both U.S. and E.U. equity funds, which collectively experienced an increase in net gains for the year ended December 31, 2017 compared to the year ended December 31, 2016 .

Realized Income:

Realized income decreased $2.1 million , or 8% , to $24.5 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease was due to decreases in FRE of $1.3 million and net realized performance fees of $3.7 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . These decreases were partially offset by an increase in net realized investment and other income of $2.9 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 .

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income increased $24.4 million , or 68% , to $60.3 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 as a result of the fluctuations described above.

Distributable Earnings:

DE decreased $2.4 million , or 11% , to $19.2 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease in DE was due to decreases in FRE of $1.3 million and net realized performance fees of $3.7 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease in DE was partially offset by an increase in net realized investment and other income of $2.9 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 .

Real Estate Group—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Fee Related Earnings:

Fee related earnings increased $5.7 million, or 55%, to $16.2 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Fee related earnings were impacted by fluctuations of the following components:

Management Fees. Total management fees increased by $1.0 million, or 1%, to $67.0 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The increase is primarily attributable to the launch of Ares European Property Enhancement Program II, L.P. ("EPEP II"), which began generating fees in 2016. The effective management fee rate decreased from 1.02% for the year ended December 31, 2015, to 0.98% for the year ended December 31, 2016. For certain U.S. equity funds, we earn a portion of our management fees on the cost basis of the unrealized investments and a portion on the unfunded commitments to the funds. The decrease in the management fee rates is a result of additional capital raised for those funds that earn a portion of their fees on unfunded commitments, increasing our fee-earning base, however at a lower rate. We expect management fees and the effective rate to increase as capital is deployed.

Compensation and Benefits. Compensation and benefits expenses decreased by $1.5 million, or 4%, to $41.1 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease was primarily a result of a reduction in headcount, including a reorganization of the group's management team. Compensation and benefits expenses represented 61.3% of management fees for the year ended December 31, 2016 compared to 64.5% for the year ended December 31, 2015.

General, Administrative and Other Expenses. General, administrative and other expenses decreased by $5.2 million, or 33%, to $10.6 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Cost reduction measures resulted in lower travel related expenses, professional services expenses and occupancy expenses compared to the prior year.

Performance Related Earnings:

Performance related earnings increased by $2.0 million to $19.8 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Performance related earnings were impacted by fluctuations of the following components:

Net Performance Fees. Net performance fees include realized and unrealized performance fees, net of realized and unrealized performance fee compensation. The impact of reversals of previously recognized performance fee revenue and the corresponding performance fee compensation expense is reflected as a reduction in unrealized performance fees and performance fee compensation.

Net performance fees decreased by $1.5 million, or 11%, to $12.8 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease in net performance fees for the year ended December 31, 2016 was primarily driven by an increase in performance fee compensation expense as a percentage of performance fees. Other incentive fee generating funds, while generating positive returns, experienced diminishing returns in comparison to the prior year. The decrease was offset by funds generating performance fees for the first time, including Ares European Real Estate Fund IV (“EU IV”), which generated $1.6 million net performance fees in 2016.

Net Investment Income (Loss). Net investment income increased by $3.5 million to $7.0 million for the year ended December 31, 2016 compared to $3.5 million for the year ended December 31, 2015. The increase in net investment income was primarily due to increases in valuations of the underlying assets. Our investments in U.S. and E.U. equity funds experienced unrealized market appreciation of $4.6 million and $1.4 million, respectively, for the year ended December 31, 2016 compared to $1.4 million and $0.1 million, respectively, for the year ended December 31, 2015. Of the $4.6 million of unrealized gains in our investments in U.S. equity funds for the year ended December 31, 2016, $2.4 million is attributable to our investment in a U.S. real estate fund.

Realized Income:

Realized income increased $6.6 million , or 33% , to $26.6 million for the year ended December 31, 2016 compared to the year ended December 31, 2015, primarily due to an increase in FRE of $5.7 million and an increase of $1.3 million in net realized performance fees.

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income increased $7.7 million, or 27%, to $35.9 million for the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of the fluctuations described above.

Distributable Earnings:

DE increased $6.8 million, or 46%, to $21.6 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. DE was positively impacted by an increase in FRE of $5.7 million and an increase of $1.3 million in net realized performance fees.

Real Estate Group—Assets Under Management

The tables below provide the period-to-period rollforwards of AUM for the Real Estate Group for the years ended December 31, 2017, 2016 and 2015 (in millions):

	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
Balance at 12/31/2016	**$ 4,106**	**$ 3,100**	**$ 2,546**	**$ 9,752**
Net new equity commitments	800	—	—	800
Net new debt commitments	—	—	509	509
Distributions	(659)	(801)	(139)	(1,599)
Change in fund value	331	405	31	767
Balance at 12/31/2017	**$ 4,578**	**$ 2,704**	**$ 2,947**	**$ 10,229**
Average AUM	**$ 4,459**	**$ 2,956**	**$ 2,846**	**$ 10,261**

	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
Balance at 12/31/2015	**$ 4,617**	**$ 3,059**	**$ 2,592**	**$ 10,268**
Net new equity commitments	355	470	15	840
Net new debt commitments	—	—	225	225
Distributions	(1,125)	(357)	(331)	(1,813)
Change in fund value	259	(72)	45	232
Balance at 12/31/2016	**$ 4,106**	**$ 3,100**	**$ 2,546**	**$ 9,752**
Average AUM	**$ 4,444**	**$ 3,143**	**$ 2,557**	**$ 10,144**

	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
Balance at 12/31/2014	**$ 4,595**	**$ 2,961**	**$ 3,019**	**$ 10,575**
Net new equity commitments	732	755	(159)	1,328
Net new debt commitments	—	—	105	105
Distributions	(1,037)	(619)	(416)	(2,072)
Change in fund value	327	(38)	43	332
Balance at 12/31/2015	**$ 4,617**	**$ 3,059**	**$ 2,592**	**$ 10,268**
Average AUM	**$ 4,505**	**$ 2,983**	**$ 2,694**	**$ 10,182**

(1) Represents a five-point average of quarter-end balances for each period.

Real Estate Group—Fee Paying AUM

The tables below provide the period-to-period rollforwards of fee paying AUM, for the Real Estate Group for the years ended December 31, 2017, 2016 and 2015 (in millions):

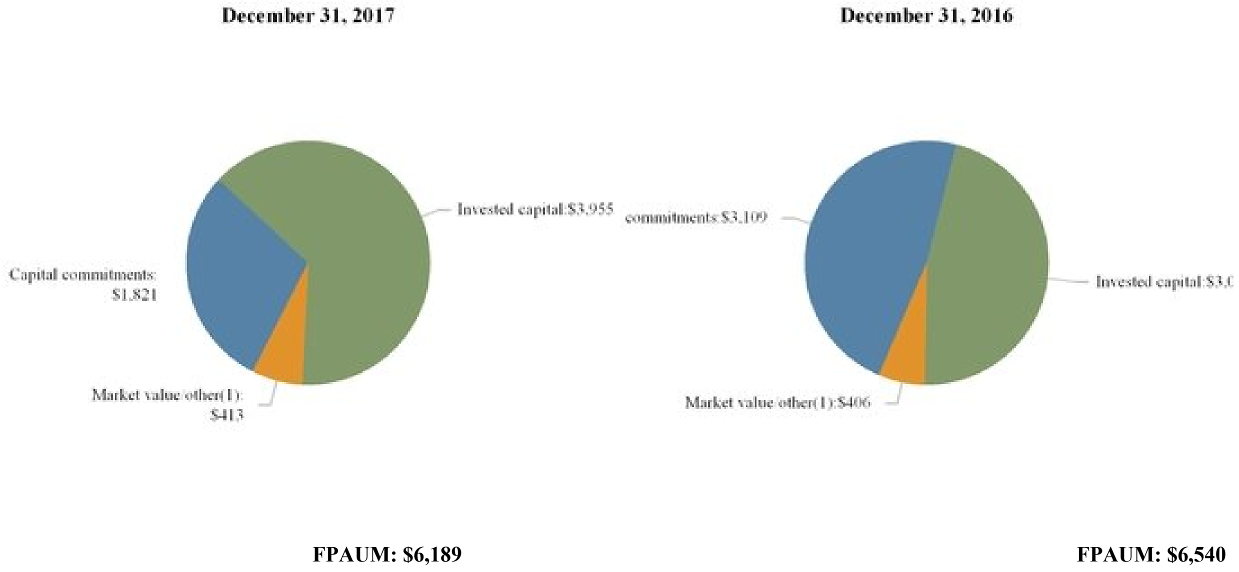
	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
FPAUM Balance at 12/31/2016	**$ 2,891**	**$ 2,531**	**$ 1,118**	**$ 6,540**
Commitments	665	—	—	665
Subscriptions/deployment/increase in leverage	441	138	3	582
Redemptions/distributions/decrease in leverage	(510)	(236)	(95)	(841)
Change in fund value	—	146	37	183
Change in fee basis	(425)	(515)	—	(940)
FPAUM Balance at 12/31/2017	**$ 3,062**	**$ 2,064**	**$ 1,063**	**$ 6,189**
Average FPAUM(1)	**$ 3,017**	**$ 2,429**	**$ 1,101**	**$ 6,547**

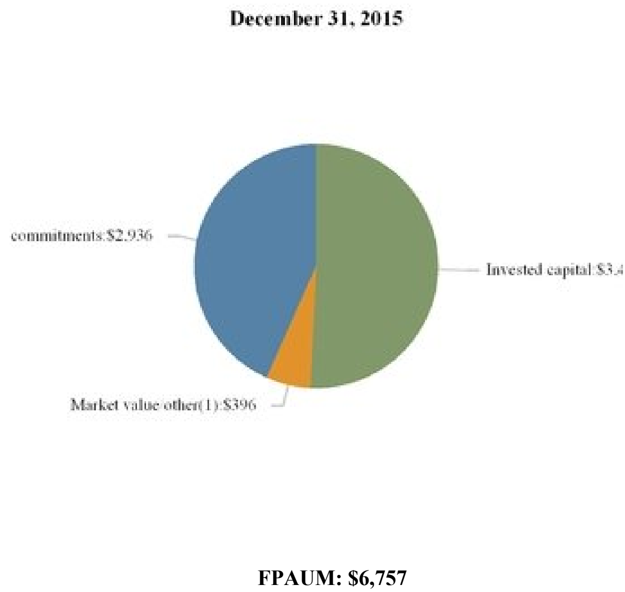
	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
FPAUM Balance at 12/31/2015	**$ 3,205**	**$ 2,554**	**$ 998**	**$ 6,757**
Commitments	97	365	—	462
Subscriptions/deployment/increase in leverage	397	63	170	630
Redemptions/distributions/decrease in leverage	(842)	(87)	(90)	(1,019)
Change in fund value	34	(132)	40	(58)
Change in fee basis	—	(232)	—	(232)
FPAUM Balance at 12/31/2016	**$ 2,891**	**$ 2,531**	**$ 1,118**	**$ 6,540**
Average FPAUM(1)	**$ 3,011**	**$ 2,581**	**$ 1,077**	**$ 6,669**

	Real Estate Equity - U.S.	Real Estate Equity - E.U.	Real Estate Debt	Total Real Estate Group
FPAUM Balance at 12/31/2014	**$ 3,028**	**$ 2,697**	**$ 393**	**$ 6,118**
Commitments	357	548	83	988
Subscriptions/deployment/increase in leverage	260	8	535	803
Redemptions/distributions/decrease in leverage	(347)	(385)	(65)	(797)
Change in fund value	—	(99)	31	(68)
Change in fee basis	(93)	(215)	21	(287)
FPAUM Balance at 12/31/2015	**$ 3,205**	**$ 2,554**	**$ 998**	**$ 6,757**
Average FPAUM(1)	**$ 2,998**	**$ 2,517**	**$ 693**	**$ 6,208**

(1) Represents a five-point average of quarter-end balances for each period.

The charts below present FPAUM for the Real Estate Group by its fee basis as of December 31, 2017, 2016 and 2015 (in millions):

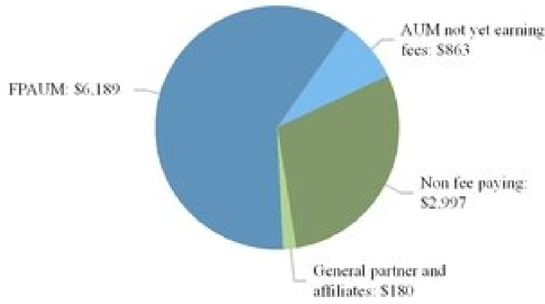




(1) Market value/other includes ACRE fee paying AUM, which is based on ACRE's stockholders' equity.

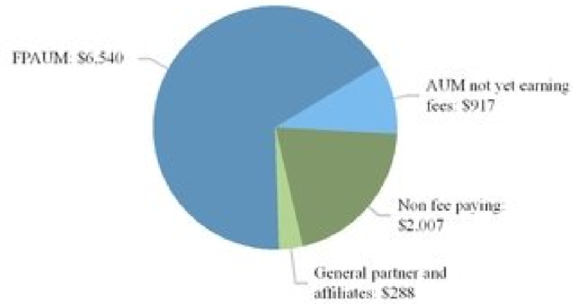
The components of our AUM, including the portion that is FPAUM, for the Real Estate Group are presented below as of December 31, 2017, 2016 and 2015 (in millions):

December 31, 2017



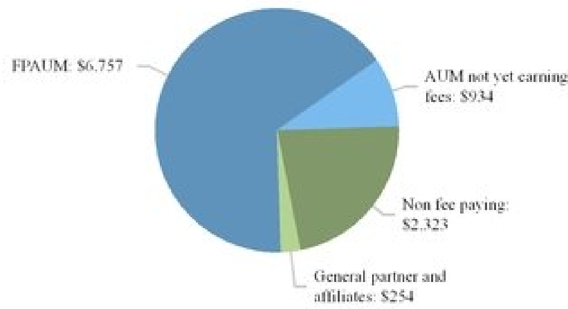
AUM: $10,229

December 31, 2016



AUM: $9,752

December 31, 2015



AUM: $10,268

Real Estate Group—Fund Performance Metrics as of December 31, 2017

The Real Estate Group managed 42 funds as of December 31, 2017 . Our two significant funds in the Real Estate Group combined for approximately 31% of the Real Estate Group's management fees for the year ended December 31, 2017 : EF IV, a commingled fund focused on real estate assets located in Europe, primarily in the United Kingdom, France and Germany; and EPEP II, a commingled fund focused on Europe. We do not present fund performance metrics for significant funds with less than two years of historical information, except for those significant funds which pay management fees on invested capital, in which case performance is shown at the earlier of (i) the one year anniversary of the fund's first investment and (ii) such time the fund is 50% or more invested.

The following table presents the performance data for our significant funds in the Real Estate Group, both of which are drawdown funds:

			As of December 31, 2017 (Dollars in millions)					MoIC		IRR(%)		
Fund	Year of Inception	AUM	Original Capital Commitments	Cumulative Invested Capital	Realized Proceeds(1)	Unrealized Value(2)	Total Value	Gross(3)	Net(4)	Gross(5)	Net(6)	Investment Strategy
EF IV (7)	2014	$ 1,022	$ 1,302	$ 1,057	$ 434	$ 1,008	$ 1,442	1.4x	1.2x	20.6	12.9	E.U. Real Estate Equity
EPEP II (8)	2015	$ 698	$ 747	$ 298	$ 143	$ 226	$ 369	1.2x	1.1x	NA	NA	E.U. Real Estate Equity

(1) Realized proceeds include distributions of operating income, sales and financing proceeds received.
(2) Unrealized value represents the fair market value of remaining investments. There can be no assurance that unrealized investments will be realized at the valuations indicated.
(3) The gross MoIC is calculated at the investment level and is based on the interests of all partners. The gross MoIC for all funds is before giving effect to management fees, performance fees as applicable and other expenses.
(4) The net MoIC is calculated at the fund-level and is based on the interests of the fee-paying partners and, if applicable, excludes interests attributable to the non fee-paying partners and/or the general partner who does not pay management fees or performance fees or has such fees rebated outside of the fund. The net MoIC is after giving effect to management fees, performance fees as applicable and other expenses.
(5) The gross IRR is an annualized since inception gross internal rate of return of cash flows to and from investments and the residual value of the investments at the end of the measurement period. Gross IRRs reflect returns to all partners. Cash flows used in the gross IRR calculation are assumed to occur at quarter-end. The gross IRRs are calculated before giving effect to management fees, performance fees as applicable, and other expenses.
(6) The net IRR is an annualized since inception net internal rate of return of cash flows to and from the fund and the fund's residual value at the end of the measurement period. Net IRRs reflect returns to the fee-paying partners and, if applicable, excludes interests attributable to the non fee-paying partners and/or the general partner who does not pay management fees or performance fees or has such fees rebated outside of the fund. The cash flow dates used in the net IRR calculation are based on the actual dates of the cash flows. The net IRRs are calculated after giving effect to management fees, performance fees as applicable, and other expenses. The funds may utilize a credit facility during the investment period and for general cash management purposes. Net fund-level IRRs would have been lower had such fund called capital from its limited partners instead of utilizing the credit facility.
(7) EF IV is made up of two parallel funds, one denominated in U.S. dollars and one denominated in Euros. The gross and net MoIC and gross and net IRRs presented in the chart are for the U.S. dollar denominated parallel fund as that is the larger of the two funds. The gross and net IRRs for the Euro denominated parallel fund are 20.8% and 14.2%, respectively. The gross and net MoIC for the Euro denominated parallel fund are 1.4x and 1.2x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of fund's closing. All other values for EF IV are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.
(8) EPEP II is made up of dual currency investors and Euro currency investors. The gross and net MoIC presented in the chart are for dual currency investors as dual currency investors represent the largest group of investors in the fund. Multiples exclude foreign currency gains and losses since dual currency investors fund capital contributions and receive distributions in local deal currency (GBP or EUR) and therefore, do not realize foreign currency gains or losses. The gross and net MoIC for the Euro currency investors, which include foreign currency gains and losses, are 1.2x and 1.1x, respectively. Original capital commitments are converted to U.S. dollars at the prevailing exchange rate at the time of fund's closing. All other values for EPEP II are for the combined fund and are converted to U.S. dollars at the prevailing quarter-end exchange rate.

Operations Management Group

The following table sets forth certain statement of operations data and certain other data of the OMG on a segment basis for the periods presented.

	For the Years Ended December 31,			2017 vs. 2016		2016 vs. 2015	
				Favorable (Unfavorable)		Favorable (Unfavorable)	
	2017	2016	2015	$ Change	% Change	$ Change	% Change
	(Dollars in thousands)						
Compensation and benefits	$ (113,558)	$ (99,447)	$ (86,869)	$ (14,111)	(14)%	$ (12,578)	(14)%
General, administrative and other expenses	(75,143)	(60,916)	(56,168)	(14,227)	(23)%	(4,748)	(8)%
Fee Related Earnings	**(188,701)**	**(160,363)**	**(143,037)**	(28,338)	(18)%	(17,326)	(12)%
Investment income (loss)-realized	3,880	(14,606)	(23)	18,486	NM	(14,583)	NM
Investment income (loss)-unrealized	8,627	(2,197)	52	10,824	NM	(2,249)	NM
Interest and other investment income	1,267	149	379	1,118	NM	(230)	(61)%
Interest expense	(1,946)	(2,727)	(1,158)	781	29 %	(1,569)	(135)%
Net investment income (loss)	11,828	(19,381)	(750)	31,209	NM	(18,631)	NM
Performance related earnings	**11,828**	**(19,381)**	**(750)**	31,209	NM	(18,631)	NM
Economic net income	**$ (176,873)**	**$ (179,744)**	**$ (143,787)**	2,871	2 %	(35,957)	(25)%
Realized income	**$ (185,625)**	**$ (177,533)**	**$ (143,839)**	(8,092)	(5)%	(33,694)	(23)%
Distributable earnings	**$ (204,024)**	**$ (196,242)**	**$ (152,639)**	(7,782)	(4)%	(43,603)	(29)%

NM - Not Meaningful

Operations Management Group—Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Fee Related Earnings:

Fee related earnings decreased $28.3 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . Fee related earnings were impacted by fluctuations of the following components:

Compensation and Benefits. Compensation and benefits expenses increased by $14.1 million , or 14% , to $113.6 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 , primarily due to additional headcount and merit based increases. Additional headcount was partially driven by employees hired to support several information technology initiatives and the expansion of our business development platform in order to more effectively raise additional investor commitments for our planned and newly launched funds. Employees hired in connection with ARCC's acquisition of ACAS also contributed to the growth in headcount, ACAS-related compensation expense, net of administrative fee reimbursements, for the year ended December 31, 2017 was $3.4 million.

General, Administrative and Other Expenses. General, administrative and other expenses increased by $14.2 million , or 23% , to $75.1 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The increase in the current year was due to several information technology initiatives to support system implementations, increased occupancy costs from growing headcount and business support costs associated with our expanding business platform during 2017. Also impacting the year ended December 31, 2017 was a $2.5 million one-time non-income tax paid during year ended December 31, 2017.

Performance Related Earnings:

Net Investment Income (Loss). Net investment income increased from a net investment loss of $19.4 million for the year ended December 31, 2016 to net investment income of $11.8 million for the year ended December 31, 2017 . In 2016, we realized a $20.0 million loss on our minority interest equity method investment in Deimos Management Holdings LLC due to the winding down of its operations. In addition, our other fund investments in non-core investment strategies experienced an increase in net realized and unrealized gains of $9.8 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 .

Realized income:

Realized income decreased by $8.1 million , or 5% , to $185.6 million for the year ended December 31, 2017 compared to the year ended December 31, 2016 . The decrease was primarily due to a decrease in FRE of $28.3 million , partially offset by an increase in net realized investment and other income of $20.2 million.

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income increased $2.9 million , or 2% , for the year ended December 31, 2017 compared to the year ended December 31, 2016 as a result of the fluctuations described above.

Distributable Earnings:

DE decreased $7.8 million , or 4% , for the year ended December 31, 2017 compared to the year ended December 31, 2016 . DE decreased primarily due to a decrease in FRE of $28.3 million . The decrease was partially offset by an increase in net realized investment and other income of $20.2 million.

Operations Management Group—Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Fee Related Earnings:

Fee related earnings decreased $17.3 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Fee related earnings were impacted by fluctuations of the following components:

Compensation and Benefits. Compensation and benefits expenses increased by $12.6 million, or 14%, to $99.4 million for the year ended December 31, 2016 compared to the year ended December 31, 2015, primarily due to increases in headcount as part of an effort to reduce our reliance on professional service providers by internalizing certain corporate support functions. In addition, incentive-based compensation increased for the year ended December 31, 2016 compared to the year ended December 31, 2015. Administrative fees, which are presented as a reduction to compensation and benefits expense, increased by $2.4 million for the year ended December 31, 2016, partially offsetting the increase in compensation and benefits expenses in the current year period.

General, Administrative and Other Expenses. General, administrative and other expenses increased by $4.7 million, or 8%, to $60.9 million for year ended December 31, 2016 compared to the year ended December 31, 2015. In 2016 we realigned certain general, administrative and other expenses with our operating activities, resulting in an increase in occupancy expenses recognized within OMG. Administrative fees, which are also presented as a reduction to general, administrative and other expenses, decreased by $1.9 million in for the year ended December 31, 2016, resulting in a net increase in general, administrative and other expenses compared to the prior year. Conversely, professional services expenses decreased due to cost containment initiatives during the current year.

Performance Related Earnings:

Performance related earnings decreased $18.6 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. Performance related earnings were impacted by the fluctuation in net investment loss:

Net Investment Loss. Net investment losses were $19.4 million and $0.8 million for the years ended December 31, 2016 and 2015, respectively. Prior to the fourth quarter of 2015, there was no investment activity within OMG. During the year ended December 31, 2016, we realized a $20.0 million loss on our minority interest, equity method investment in Deimos Management Holdings LLC due to the winding down of its operations. The realized loss was partially offset by net realized gains of $5.5 million from other fund investments in non-core investment strategies. Additionally, interest expense of $2.7 million was allocated to OMG, contributing to the net investment loss for the year ended December 31, 2016.

Realized income:

Realized income decreased by $33.7 million , or 23% , to $177.5 million for the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease was due to a decrease of $17.3 million in FRE and an increase of net realized

investment and other losses of $16.4 million for the year ended December 31, 2016 compared to the year ended December 31, 2015.

Economic Net Income:

Economic net income is comprised of fee related earnings and performance related earnings. Economic net income decreased $35.9 million, or 25%, for the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of the fluctuations described above.

Distributable Earnings:

DE decreased $43.6 million, or 29%, for the year ended December 31, 2016 compared to the year ended December 31, 2015. DE was negatively impacted by a decrease of $17.3 million in FRE. In addition, net realized investment and other losses increased $16.4 million for the year ended December 31, 2016.

Liquidity and Capital Resources

Sources and Uses of Liquidity

Our sources of liquidity are (1) cash on hand, (2) net working capital, (3) cash from operations, including management fees, which are collected monthly, quarterly or semi-annually, net realized performance fees, which are unpredictable as to amount and timing, (4) fund distributions related to our investments that are also unpredictable as to amount and timing and (5) net borrowing provided by the Credit Facility. As of December 31, 2017 , our cash and cash equivalents were $118.9 million , including investments in money market funds, and we had $210.0 million of borrowings outstanding under the Credit Facility. The ability to draw from the Credit Facility is subject to a leverage covenant. We believe that these sources of liquidity will be sufficient to fund our working capital requirements and to meet our commitments in the ordinary course of business for the foreseeable future.

We expect that our primary liquidity needs will continue to be to (1) provide capital to facilitate the growth of our existing investment management businesses, (2) fund our investment commitments, (3) provide capital to facilitate our expansion into businesses that are complementary to our existing investment management businesses, (4) pay operating expenses, including cash compensation to our employees and payments under the tax receivable agreement (“TRA”), (5) fund capital expenditures, (6) service our debt, (7) pay income taxes and (8) make distributions to our common and preferred shareholders in accordance with our distribution policy.

In the normal course of business, we have made distributions to our existing owners, including distributions sourced from investment income and performance fees. If cash flow from operations were insufficient to fund distributions over a sustained period of time, we expect that we would suspend paying such distributions. Unless quarterly distributions have been declared and paid (or declared and set apart for payment) on the preferred shares, we may not declare or pay or set apart payment for distributions on any common shares during the period. Dividends on the preferred shares are not cumulative and the preferred shares are not convertible into common shares or any other security.

Net realized performance fees also provide a source of liquidity. Performance fees are realized when a portfolio investment is profitably disposed of and the fund’s cumulative returns are in excess of the preferred return or hurdle rate. Performance fees are typically realized at the end of each fund’s measurement period when investment performance exceeds a stated benchmark or hurdle rate.

Our gross accrued performance fees by segment as of December 31, 2017 are set forth in the table below. The company did not record any contingent repayment obligation on accrued performance fees as of December 31, 2017 .

	As of December 31, 2017		
Segment	**Accrued Performance Fees**	**Eliminations(1)**	**Consolidated Accrued Performance Fees**
	(Dollars in thousands)		
Credit Group	$ 168,504	$ (5,333)	$ 163,171
Private Equity Group	815,407		815,407
Real Estate Group	121,269	—	121,269
Total	**$ 1,105,180**	**$ (5,333)**	**$ 1,099,847**

(1) Amounts represent accrued performance fees earned from Consolidated Funds that are eliminated in consolidation.

Our consolidated financial statements reflect the cash flows of our operating businesses as well as the results of our Consolidated Funds. The assets of our Consolidated Funds, on a gross basis, are significantly larger than the assets of our operating businesses and therefore have a substantial effect on our reported cash flows. The primary cash flow activities of our Consolidated Funds include: (1) raising capital from third-party investors, which is reflected as non-controlling interests of our Consolidated Funds when required to be consolidated into our consolidated financial statements, (2) financing certain investments by issuing debt, (3) purchasing and selling investment securities, (4) generating cash through the realization of certain investments, (5) collecting interest and dividend income and (6) distributing cash to investors. Our Consolidated Funds are treated as investment companies for financial accounting purposes under GAAP; therefore, the character and classification of all Consolidated Fund transactions are presented as cash flows from operations. Liquidity available at our consolidated funds is typically not available for corporate liquidity needs, and debt of the consolidated funds is non–recourse to the company except to the extent of the Company's investment in the fund.

Cash Flows

The significant captions and amounts from our consolidated financial statements, which include the effects of our Consolidated Funds and CLOs in accordance with GAAP, are summarized below. Negative amounts represent a net outflow, or use of cash.

	Year Ended December 31,		
	2017	2016	2015
	(Dollars in millions)		
Statements of cash flows data			
Net cash used in operating activities	$ (1,863)	$ (626)	$ (528)
Net cash used in investing activities	(33)	(12)	(75)
Net cash provided by financing activities	1,655	881	582
Effect of foreign exchange rate change	17	(22)	(6)
Net change in cash and cash equivalents	**$ (224)**	**$ 221**	**$ (27)**

Operating Activities

Our net cash flows used in operating activities were $1.9 billion , $625.7 million and $528.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. The changes in cash used in operating activities for the comparative periods was primarily driven by net investment activity in our Consolidated Funds related to new funds that we began consolidating in 2017 and 2016, respectively. For the years ended December 31, 2017, 2016 and 2015, net purchases from investments by our Consolidated Funds were $1.8 billion, $765.5 million and $593.3 million, respectively. The change for the year ended December 31, 2017 compared to the year ended December 31, 2016 was also attributable to a change in the timing of annual bonus payments to employees for the year ended December 31, 2017. Employee bonuses earned in 2017 were paid in December 2017, while a majority of employee bonuses earned in 2016 were were paid in January 2017, resulting in an $114.3 million increase in net cash used in operating activities for the year ended December 31, 2017 compared to the year ended December 31, 2016.

Our increasing working capital needs reflect the growth of our business, while the capital requirements needed to support fund-related activities vary based upon the specific investment activities being conducted during such period. The movements within our Consolidated Funds do not adversely impact our liquidity or earnings trends. We believe that our ability to generate cash from revenues, as well as the capacity under the Credit Facility, provides us with the necessary liquidity to manage short-term fluctuations in working capital and to meet our short-term commitments.

Investing Activities

Our investing activities generally reflect cash used for certain acquisitions and purchases of fixed assets. Purchases of fixed assets were $33.2 million, $11.9 million and $10.7 million for the years ended December 31, 2017, 2016 and 2015, respectively. The increase in fixed asset purchases in 2017 largely relates to furniture, fixtures, equipment and leasehold improvements related to a new office location in Los Angeles. In connection with certain business combinations and acquisitions, we record the fair value of management contracts and other finite-lived assets as intangible assets. During the year ended December 31, 2015, we used $64.4 million of cash, net of cash acquired, to complete the EIF acquisition.

Financing Activities

Net cash flows provided by financing activities was $1.7 billion , $880.8 million and $581.5 million for the years ended December 31, 2017, 2016 and 2015 respectively. For the year ended December 31, 2017, financing activities represented a source of cash primarily from net borrowings on debt facilities of the Company and our Consolidated funds. For the year ended December 31, 2016, net cash inflows were primarily due to net proceeds from preferred stock issuances and net borrowings on debt facilities of the Consolidated funds, which were partially offset by net repayments on the Company's debt facilities and a $40 million payment made in connection with our 2011 acquisition of Indicus Advisors, LLP. For the year ended December 31, 2015, net cash inflows were primarily due to net borrowings on debt facilities of the Company and our Consolidated funds.

Net borrowings from our debt obligations were $310.4 million for the year ended December 31, 2017 compared to net repayments on our debt obligations of $84.0 million for the year ended December 31, 2016 and net borrowings of $133.4 million for the year ended December 31, 2015. In the current year, net borrowings under the Credit Facility were used to support earlier payments of annual bonuses and net borrowings from new Term Loans that were issued to support purchases of CLOs that we manage within our risk retention vehicles.

Our Consolidated Funds had net proceeds from debt obligations of $1.5 billion, $905.0 million and $662.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. The increase in net borrowing activity in 2017 for the Consolidated Funds is related to the launch of four new CLOs.

Proceeds from the issuance of preferred equity offering, net of issuance costs, resulted in a cash inflow of $298.8 million for the year ended December 31, 2016.

Distributions to our AOG unitholders and common shareholders were $261.7 million, $200.7 million and $217.8 million for the years ended December 31, 2017, 2016 and 2015, respectively. The changes in distributions are consistent with the changes in distributable earnings. For our Consolidated Funds, net contributions were $128.3 million, $14.5 million and $2.8 million for the years ended December 31, 2017, 2016 and 2015, respectively. The increase was driven by the funding activities of additional funds consolidated in 2017.

Capital Resources

The following table summarizes the Company's debt obligations (in thousands):

				As of December 31, 2017		As of December 31, 2016	
	Debt Origination Date	Maturity	Original Borrowing Amount	Carrying Value	Interest Rate	Carrying Value	Interest Rate
Credit Facility(1)	Revolver	2/24/2022	N/A	$ 210,000	3.09%	$ —	—%
Senior Notes(2)	10/8/2014	10/8/2024	$ 250,000	245,308	4.21%	244,684	4.21%
2015 Term Loan(3)	9/2/2015	7/29/2026	$ 35,205	35,037	2.86%	35,063	2.74%
2016 Term Loan(4)	12/21/2016	1/15/2029	$ 26,376	25,948	3.08%	26,037	N/A
2017 Term Loan A(4)	3/22/2017	1/22/2028	$ 17,600	17,407	2.90%	N/A	N/A
2017 Term Loan B(4)	5/10/2017	10/15/2029	$ 35,198	35,062	2.90%	N/A	N/A
2017 Term Loan C(4)	6/22/2017	7/30/2029	$ 17,211	17,078	2.88%	N/A	N/A
2017 Term Loan D(4)	11/16/2017	10/15/2030	$ 30,450	30,336	2.77%	N/A	N/A
Total debt obligations				**$ 616,176**		**$ 305,784**	

(1) The AOG entities are borrowers under the Credit Facility, which, as amended in February 2017 and increased in September 2017, provides a $1.065 billion revolving line of credit. It has a variable interest rate based on LIBOR or a base rate plus an applicable margin with an unused commitment fee paid quarterly, which is subject to change with the Company's underlying credit agency rating. As of December 31, 2017, base rate loans bear interest calculated based on the base rate plus 0.50% and the LIBOR rate loans bear interest calculated based on LIBOR plus 1.50%. The unused commitment fee is 0.20% per annum. There is a base rate and LIBOR floor of zero .

(2) The Senior Notes were issued in October 2014 by Ares Finance Co. LLC ("AFC"), a subsidiary of the Company, at 98.268% of the face amount with interest paid semi-annually. The Company may redeem the Senior Notes prior to maturity, subject to the terms of the indenture .

(3) The 2015 Term Loan was entered into in August 2015 by a subsidiary of the Company that acts as a manager to a CLO. The 2015 Term Loan is secured by collateral in the form of CLO senior tranches owned by the Company. To the extent the assets are not sufficient to cover the Term Loan, there is no further recourse to the Company to fund or repay the remaining balance. Interest is paid quarterly, and the Company also pays a fee of 0.025% of a maximum investment amount .

(4) The 2016 and 2017 Term Loans ("Term Loans") were entered into by a subsidiary of the Company that acts as a manager to a CLO. The Term Loans are secured by collateral in the form of CLO senior tranches and subordinated notes owned by the Company. Collateral associated with one of the Term Loans may be used to satisfy outstanding liabilities of another term loan should the collateral fall short. To the extent the assets associated with these Term Loans are not sufficient, there is no further recourse to the Company to fund or repay the remaining balance. Interest is paid quarterly, and the Company also pays a fee of 0.03% of a maximum investment amount.

As of December 31, 2017 , we were in compliance with all covenants under the Credit Facility, Senior Notes and Term Loan obligations.

On February 24, 2017, we amended our Credit Facility to, among other things, increase the size of the Credit Facility from $1.03 billion to $1.04 billion and extend the maturity date from April 2019 to February 2022. Under the amended terms of the amended Credit Facility, based on our current credit agency ratings, the stated interest rate is LIBOR plus 1.50% with an unused commitment fee of 0.20%.

In September 2017, we increased our Credit Facility to $1.065 billion from $1.04 billion. The $25 million increase resulted from the exercise of the facility’s accordion feature and the addition of a new bank to the facility. No other terms of the revolving credit facility were impacted by the increase.

We intend to use a portion of our available liquidity to make cash distributions to our preferred and common shareholders on a quarterly basis in accordance with our distribution policies. Our ability to make cash distributions to our preferred and common shareholders is dependent on a myriad of factors, including among others: general economic and business conditions; our strategic plans and prospects; our business and investment opportunities; timing of capital calls by our funds in support of our commitments; our financial condition and operating results; working capital requirements and other anticipated cash needs; contractual restrictions and obligations; legal, tax and regulatory restrictions; restrictions on the payment of distributions by our subsidiaries to us and other relevant factors.

In conjunction with the Tax Election, we have adopted a new distribution policy that will reduce volatility of the quarterly distributions and become more closely aligned with our core management fee business. For further detail on the impact of the Tax Election on our distribution policy, see "Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities - Distribution Policy for Common Shares Prior to Effectiveness of Tax Election & Distribution Policy for Common Shares Following Effectiveness of Tax Election."

We are required to maintain minimum net capital balances for regulatory purposes for our United Kingdom subsidiary and for our subsidiary that operates as a broker-dealer. These net capital requirements are met in part by retaining cash, cash-equivalents and investment securities. As a result, we may be restricted in our ability to transfer cash between different operating entities and jurisdictions. As of December 31, 2017 , we were required to maintain approximately $24.5 million in liquid net assets within these subsidiaries to meet regulatory net capital and capital adequacy requirements. We remain in compliance with all regulatory requirements.

Holders of AOG Units, subject to the terms of the exchange agreement, may exchange their AOG Units for Ares Management, L.P. common shares on a one-for-one basis. These exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of Ares Management, L.P. that otherwise would not have been available. These increases in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of tax that we would otherwise be required to pay in the future. We entered into the TRA with the TRA recipients that provides for the payment by us to the TRA Recipients of 85% of the amount of cash savings, if any, in U.S. federal, state, local and foreign income tax or franchise tax that we actually realize as a result of these increases in tax basis and of certain other tax benefits related to entering into the TRA, including tax benefits attributable to payments under the TRA and interest accrued thereon. Future payments under the TRA in respect of subsequent exchanges are expected to be substantial. As of December 31, 2017 , there have been a limited number of exchanges of AOG Units for Ares Management, L.P. common shares.

Preferred Equity

As of December 31, 2017 and 2016 , the Company had 12,400,000 shares of Series A Preferred Shares (the “Preferred Equity”) outstanding. When, as and if declared by the Company’s board of directors, distributions on the Preferred Equity are paid quarterly at a rate per annum equal to 7.00%. The Preferred Equity may be redeemable at our option, in whole or in part, at any time on or after June 30, 2021, at a price of $25.00 per share.

Cash distributions to our common shareholders may be impacted by any corporate tax liability owed by us and Ares Holdings, Inc. (“AHI”), the wholly owned U.S. corporate subsidiary of the Company. In connection with the Preferred Equity issuance, the Ares Operating Group issued mirror preferred units (“GP Mirror Units”) paying the same 7.00% rate per annum to wholly owned subsidiaries of the Company including AHI. Although income allocated in respect of distributions on the GP Mirror Units may be subject to tax, cash distributions to our preferred shareholders will not be reduced on account of any income taxes owed by us. As a result, the amounts ultimately distributed by us to our common shareholders may be reduced by any corporate taxes imposed on us or AHI.

Exercise of Indicus Put Option

Upon acquisition of Indicus in November 2011, certain former owners of Indicus (“Indicus Owners”) were provided a fixed put option on their equity interest in the Company at an aggregate strike price of $40 million to be exercised during 2016 (“Put Option”). In August 2016, the Indicus Owners exercised their Put Option and, in November 2016, we paid these Indicus Owners a total of $40 million to settle the put option in exchange for redemption of their equity interests in the Company.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates or judgments, however, are both subjective and subject to change, and actual results may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change the underlying assumptions, estimates or judgments. See "—Components of Consolidated Results of Operations" and Note 2, "Summary of Significant Accounting Policies," to our consolidated financial statements included in this Annual Report on Form 10-K for a summary of our significant accounting estimates.

Principles of Consolidation

We consolidate entities based on either a variable interest model or voting interest model. As such, for entities that are determined to be variable interest entities ("VIEs"), we consolidate those entities where we have both significant economics and the power to direct the activities of the entity that impact economic performance. For limited partnerships and similar entities evaluated under the voting interest model, we do not consolidate those entities for which we act as the general partner. However, the Company continues to consolidate entities in which it holds majority voting interest.

The consolidation guidance requires qualitative and quantitative analysis to determine whether our involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., management and performance related fees), would give us a controlling financial interest. This analysis requires judgment. These judgments include: (1) determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (2) evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity, (3) determining whether two or more parties' equity interests should be aggregated, (4) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity and (5) evaluating the nature of relationships and activities of the parties involved in determining which party within a related-party group is most closely associated with a VIE and hence would be deemed the primary beneficiary.

The holders of the consolidated VIEs' liabilities do not have recourse to us other than to the assets of the consolidated VIEs. The assets and liabilities of the consolidated VIEs are comprised primarily of investments and loans payable, respectively.

Fair Value Measurement

GAAP establishes a hierarchal disclosure framework prioritizing the inputs used in measuring financial instruments at fair value into three levels based on their market observability. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available quoted prices from an active market or where fair value can be measured based on actively quoted prices generally have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value.

Financial assets and liabilities measured and reported at fair value are classified as follows:

- *Level I* —Quoted prices in active markets for identical instruments.

- *Level II* —Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and model-derived valuations with directly or indirectly observable significant inputs. Level II inputs include prices in markets with few transactions, non-current prices, prices for which little public information exists or prices that vary substantially over time or among brokered market makers. Other inputs include interest rates, yield curves, volatilities, prepayment risks, loss severities, credit risks and default rates.

- *Level III*— Valuations that rely on one or more significant unobservable inputs. These inputs reflect the Company's assessment of the assumptions that market participants would use to value the instrument based on the best information available.

In some instances, an instrument may fall into multiple levels of the fair value hierarchy. In such instances, the instrument's level within the fair value hierarchy is based on the lowest of the three levels (with Level III being the lowest) that is significant to the fair value measurement. Our assessment of the significance of an input requires judgment and considers factors specific to

the instrument. See Note 6, “Fair Value,” to our consolidated financial statements included in this Annual Report on Form 10-K for a summary of our valuation of investments and other financial instruments by fair value hierarchy levels.

Equity-Based Compensation

We recognize expense related to equity-based compensation in which we receive services from our professionals in exchange for (a) equity instruments of the Company, (b) derivatives based on the Company’s common shares, or (c) liabilities that are based on the fair value of the Company’s equity instruments. Equity-based compensation expense represents expenses associated with restricted units, options and phantom units granted under the Ares Management, L.P. 2014 Equity Incentive Plan.

Total compensation expense related to equity-based awards expected to be recognized in all future periods is determined based on the fair value of the respective equity-based award on the grant date, and is recognized on a straight-line basis over the requisite service period, where applicable. Compensation expense for a liability award is recognized each reporting period until the liability is settled. The fair value of liability award is remeasured at the end of each reporting period through settlement.

The Company recognizes forfeitures in the period they occur as a reversal of previously recognized compensation expense. The reduction in compensation expense is determined based on the specific awards forfeited during that period and could impact the expense for that period.

We record deferred tax assets for equity-based compensation transactions that result in deductions on our income tax returns based on the amount of equity-based compensation recognized and the statutory tax rate in the jurisdiction in which we will receive a tax deduction.

Restricted Shares

Certain restricted shares are subject to a lock up provision that expires on the fifth anniversary of the IPO. We used Finnerty’s average strike-price put option model to estimate the discount associated with this lack of marketability to be applied on the closing price of common shares on the grant date, using the following key assumptions:

Expected volatility factor(1)	20% to 28 %
Average length of holding period restriction (in years)	2.4 year
Weighted average expected dividend yield	5.0%

(1) Expected volatility is based on the Company's guideline companies' expected volatility.

Options

We estimated the fair value of the options as of the grant date using the Black- Scholes option pricing model. Aggregate intrinsic value represents the value of the Company’s closing share price on the last trading day of the period in excess of the weighted-average exercise price multiplied by the number of options exercisable or expected to vest. The Company did not grant new options during the years ended December 31, 2017 and December 31, 2016. The fair value of each option granted during the year ended December 31, 2015 was measured on the date of grant using the Black-Scholes option-pricing model and the following weighted average assumptions:

Risk-free interest rate	1.71% to 1.80%
Weighted average expected dividend yield	5.00%
Expected volatility factor(1)	35.00% to 36.00%
Expected life in years	6.66 to 7.49

(1) Expected volatility is based on comparable companies using daily stock prices.

The fair value of an award is affected by the Company’s share price on the date of grant as well as other assumptions including the estimated volatility of the Company’s share price over the term of the awards and the estimated period of time that management expects employees to hold their share options. The estimated period of time that management expects employees to hold their options was estimated as the midpoint between the vesting date and maturity date.

Phantom Shares

Each phantom share represents an unfunded, unsecured right of the holder to receive an amount in cash per phantom share equal to the average closing price of a common share for the 15 trading days immediately prior to, and the 15 trading days immediately following, the vesting dates. The fair value of the awards is remeasured at each reporting period based on the most recent closing price of common shares.

Income Taxes

Prior to the effectiveness of the Tax Election, a substantial portion of our earnings flow through to our owners without being subject to federal income tax at the entity level. A portion of our operations is conducted through a domestic corporation that is subject to corporate level taxes and for which we record current and deferred income taxes at the prevailing rates in the various jurisdictions in which these entities operate.

We use the liability method of accounting for deferred income taxes pursuant to GAAP. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the statutory tax rates expected to be applied in the periods in which those temporary differences are settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period of the change. A valuation allowance is recorded on our net deferred tax assets when it is more likely than not that such assets will not be realized. When evaluating the realizability of our deferred tax assets, all evidence, both positive and negative, is evaluated. Items considered in this analysis include the ability to carry back losses, the reversal of temporary differences, tax planning strategies and expectations of future earnings.

Under GAAP, the amount of tax benefit to be recognized is the amount of benefit that is “more likely than not” to be sustained upon examination. We analyze our tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where we are required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, we determine that uncertainties in tax positions exist, a liability is established, which is included in accounts payable, accrued expenses and other liabilities in our consolidated financial statements. We recognize accrued interest and penalties related to unrecognized tax positions in the provision for income taxes.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties under GAAP. We review our tax positions quarterly and adjust our tax balances as new information becomes available.

See Note 20, “Subsequent Events,” to our consolidated financial statements included in this Annual Report on Form 10-K for changes made to our tax status in 2018.

Business Combinations

We account for business combinations using the acquisition method of accounting, under which the purchase price of the acquisition is allocated to the fair value of each asset acquired and liability assumed as of the acquisition date. Contingent consideration obligations are recognized as of the acquisition date at fair value based on the probability that contingency will be realized.

Management’s determination of fair value of assets acquired and liabilities assumed at the acquisition date, as well as contingent consideration, are based on the best information available in the circumstances and may incorporate management’s own assumptions and involves a significant degree of judgment. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, estimates are then inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

For a given acquisition, management may identify certain pre-acquisition contingencies as of the acquisition date and may extend the review and evaluation of these pre-acquisition contingencies throughout the measurement period to obtain sufficient information to assess whether management includes these contingencies as a part of the fair value estimates of assets acquired and liabilities assumed and, if so, to determine their estimated amounts. If management cannot reasonably determine the fair value of a pre- acquisition contingency by the end of the measurement period, which is generally the case given the nature of such matters, the Company will recognize an asset or a liability for such pre-acquisition contingency if: (i) it is probable that an asset

existed or a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated. Subsequent to the measurement period, changes in the estimates of such contingencies will affect earnings and could have a material effect on the consolidated statements of operations and financial position.

Intangible Assets and Goodwill

Our intangible assets generally consist of contractual rights to earn future management fees and incentive fees from investment funds we acquire. Finite-lived intangibles are amortized on a straight-line basis over their estimated useful lives, which range from approximately 1 to 13.5 years and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Goodwill represents the excess of cost over the identifiable net assets of businesses acquired and is recorded in the functional currency of the acquired entity. Goodwill is tested annually for impairment. If, after assessing qualitative factors, we believe that it is more likely than not that the fair value of the reporting unit is less than its carrying value, we will use a two-step process to evaluate impairment. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. The second step, used to measure the amount of any potential impairment, compares the implied fair value of the reporting unit with the carrying amount of goodwill.

The assessment requires us to make judgments and involves the use of significant estimates and assumptions. These estimates and assumptions include long-term growth rates and margins used to calculate projected future cash flows, risk-adjusted discount rates based on our weighted average cost of capital and future economic and market conditions. These estimates and assumptions have to be made for each reporting unit evaluated for impairment. Our estimates for market growth, our market share and costs are based on historical data, various internal estimates and certain external sources, and are based on assumptions that are consistent with the plans and estimates we are using to manage the underlying business. If future forecasts are revised, they may indicate or require future impairment charges. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements and their impact on the Company can be found in Note 2, “Summary of Significant Accounting Policies,” in the “Notes to the Consolidated Financial Statements” included in this Annual Report on Form 10-K for a summary of our significant accounting estimates.

Off-Balance Sheet Arrangements

In the normal course of business, we engage in off-balance sheet arrangements, including transactions in derivatives, guarantees, commitments, indemnifications and potential contingent repayment obligations.

Contractual Obligations, Commitments and Contingencies

The following table sets forth information relating to our contractual obligations of the Company and of the Consolidated Funds as of December 31, 2017 :

Ares Obligations	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter	Total
			(Dollars in thousands)		
The Company:					
Operating lease obligations(1)	$ 26,849	$ 48,283	$ 37,177	$ 51,969	$ 164,278
Debt obligations payable(2)	—	—	—	406,176	406,176
Interest obligations on debt(3)	20,244	40,488	36,489	51,473	148,694
Credit Facility(4)	—	—	210,000	—	210,000
Capital commitments(5)	285,695	—	—	—	285,695
Subtotal	**332,788**	**88,771**	**283,666**	**509,618**	**1,214,843**
Consolidated Funds:					
Debt obligations payable	119,542	5,714	—	5,215,824	5,341,080
Interest obligations on debt(3)	130,969	260,350	259,782	687,693	1,338,794
Capital commitments of Consolidated Funds(6)	28,021	—	—	—	28,021
Total	**$ 611,320**	**$ 354,835**	**$ 543,448**	**$ 6,413,135**	**$ 7,922,738**

(1) The table includes future minimum commitments for our operating leases. Office space is leased under agreements with expirations ranging from month-to-month contracts to lease commitments through 2027. Rent expense includes only base contractual rent.
(2) Debt obligations include $245.3 million senior notes and $160.9 million of term loan.
(3) Interest obligations include interest accrued on outstanding indebtedness.
(4) Represent outstanding balance under the Credit Facility
(5) Represent commitments to invest in certain investment products, primarily in funds managed by us. These amounts are generally due on demand and are therefore presented as obligations payable in the less than one year.
(6) Represents commitments by Consolidated Funds to fund certain investments. These amounts are generally due on demand and are therefore presented as obligations payable in the less than one year.

In connection with the initial public offering, we entered into a TRA with the TRA Recipients that requires us to pay them 85% of any tax savings realized by Ares Management, L.P.'s and its wholly owned subsidiaries that are taxable as corporations for U.S. federal income tax purposes from any step-up in tax basis resulting from an exchange of Ares Operating Group Units for Ares Management, L.P. common shares or, at our option, for cash. Because the timing of amounts to be paid under the tax receivable agreement cannot be determined, this contractual commitment has not been presented in the table above. The tax savings achieved may not ensure that we have sufficient cash available to pay this liability, and we may be required to incur additional debt to satisfy this liability.

Indemnifications

Consistent with standard business practices in the normal course of business, we enter into contracts that contain indemnities for our affiliates, persons acting on our behalf or such affiliates and third parties. The terms of the indemnities vary from contract to contract and the maximum exposure under these arrangements, if any, cannot be determined and has not been recorded in our consolidated financial statements. As of December 31, 2017 , we have not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

Capital Commitments

As of December 31, 2017 and December 31, 2016 , we had aggregate unfunded commitments of $285.7 million and $535.3 million , respectively, including commitments to both non-consolidated funds and Consolidated Funds. Total unfunded commitments included $16.5 million and $89.2 million in commitments to funds not managed by us as of December 31, 2017 and December 31, 2016 , respectively.

ARCC Fee Waiver

In conjunction with the ARCC-ACAS Transaction, we agreed to waive up to $10 million per quarter of ARCC's Part I Fees for ten calendar quarters, which began in the second quarter of 2017. ARCC Part I Fees will only be waived to the extent they are paid. If Part I Fees are less than $10 million in any single quarter, the shortfall will not carryover to the subsequent quarters.

As of December 31, 2017 , there are seven remaining quarters as part of the fee waiver agreement, with a maximum of $70 million in potential waivers. ARCC Part I Fees are shown net of the fee waiver.

Contingent Obligations

Generally, if at the termination of a fund (and increasingly at interim points in the life of a fund), the fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, the Company will be obligated to repay carried interest that was received by the Company in excess of the amounts to which the Company is entitled. This contingent obligation is normally reduced by income taxes paid by the Company related to its carried interest.

The partnership documents governing our funds generally include a contingent repayment provision that, if triggered, may give rise to a contingent obligation that may require the general partner to return amounts to the fund for distribution to investors. Therefore, performance fees, generally, are subject to reversal in the event that the funds incur future losses. These losses are limited to the extent of the cumulative performance fees recognized in income to date. Due in part to our investment performance and the fact that our performance fees are generally determined on a liquidation basis, as of December 31, 2017 and December 31, 2016 , if the funds were liquidated at their fair values, there would have been no contingent repayment obligation or liability. There can be no assurance that we will not incur a contingent repayment obligation in the future. If all of the existing investments were deemed worthless, the amount of cumulative revenues that has been recognized would be reversed. We believe that the possibility of all of the existing investments becoming worthless is remote. At December 31, 2017, 2016 and 2015, had we assumed all existing investments were worthless, the amount of carried interest, net of tax, subject to contingent repayment would have been approximately $476.1 million , $418.3 million and $322.2 million , respectively, of which approximately $370.0 million , $323.9 million and $247.9 million , respectively, would be reimbursable to the Company by certain professionals.

Performance fees are also affected by changes in the fair values of the underlying investments in the funds that we advise. Valuations, on an unrealized basis, can be significantly affected by a variety of external factors including, but not limited to, bond yields and industry trading multiples.

Our senior professionals and other professionals who have received carried interest distributions are responsible for funding their proportionate share of any contingent repayment obligations. However, the governing agreements of certain of our funds provide that if a current or former professional from such funds does not fund his or her respective share, then we may have to fund additional amounts beyond what we received in carried interest, although we will generally retain the right to pursue any remedies that we have under such governing agreements against those carried interest recipients who fail to fund their obligations.

Additionally, at the end of the life of the funds there could be a payment due to a fund by us if we have recognized more performance fees than was ultimately earned. The general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of the fund.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our primary exposure to market risk is related to our role as general partner or investment adviser to our investment funds and the sensitivity to movements in the fair value of their investments, including the effect on management fees, performance fees and investment income.

The market price of investments may significantly fluctuate during the period of investment. Investments may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of an investment may decline due to general market conditions, which are not specifically related to such investment, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

Our credit orientation has been a central tenet of our business across our debt and equity investment strategies. Our investment professionals benefit from our independent research and relationship networks in over 50 industries, and insights from our portfolio of active investments. We believe the combination of high-quality proprietary information flow and a consistent, rigorous approach to managing investments across our strategies has been, and we believe will continue to be, a major driver of our strong risk-adjusted returns and the stability and predictability of our income.

Effect on Management Fees

Management fees are generally based on a defined percentage of fair value of assets, total commitments, invested capital, net asset value, net investment income, total assets or par value of the investment portfolios we manage. Management fees calculated based on fair value of assets or net investment income are affected by short-term changes in market values.

The overall impact of a short-term change in market value may be mitigated by a number of factors including, but not limited to, fee definitions that are not based on market value including invested capital and committed capital, market value definitions that exclude the impact of realized and/or unrealized gains and losses, market value definitions based on beginning of the period values or a form of average market value including daily, monthly or quarterly averages as well monthly or quarterly payment terms.

As such, an incremental 10% change in fair value of the funds' investments as of December 31, 2017 , would not have a material impact on management fees.

Effect on Performance Fees

We earn performance fees from our funds when such funds achieve specified performance criteria. Our performance fees will be impacted by changes in market risk factors. However, several major factors will influence the degree of impact, including, but not limited to, the following :

- the performance criteria for each individual fund in relation to how that fund's results of operations are impacted by changes in market risk factors;
- whether such performance criteria are annual or over the life of the fund;
- to the extent applicable, the previous performance of each fund in relation to its performance criteria; and
- whether each funds' performance fee distributions are subject to contingent repayment.

As a result, the impact of changes in market risk factors on performance fees will vary widely from fund to fund. An overall increase of 10% in the general equity markets would not necessarily drive the same impact on our funds' valuations, as many of our investments in our funds are illiquid and do not trade on any exchange. Additionally, as a large percentage of our performance fee income is paid to employees as performance fee compensation, the overall net impact to our income would be mitigated by lower compensation payments. We do not have any material derivatives or other instruments that are directly tied to any particular market's performance. We had $1.1 billion of accrued performance fees on our balance sheet as of December 31, 2017. We did not record any contingent repayment obligation on accrued performance fees as of December 31, 2017. A 10% decrease in NAV across our funds as of December 31, 2017 would not affect the amount of accrued performance fees subject to contingent repayment.

See Note 11, “Commitments and Contingencies,” to our consolidated financial statements included in this Annual Report on Form 10-K for discussion on amount of performance fees, net of tax, subject to contingent repayment if we assumed all existing investments were worthless.

Effect on Investment Income

An investment gain (loss) is realized when we redeem all or a portion of our investment or when we receive cash income, such as dividends or distributions. Unrealized investment gain (loss) results from changes in the fair value of the underlying investment as well as the reversal of unrealized appreciation (depreciation) at the time an investment is realized.

Changes in the fair values of our funds’ investments directly impact investment income. The following table summarizes the incremental impact, including to our Consolidated Funds, of an incremental 10% change in fair value of the funds’ investments by segment as of December 31, 2017 on our investment income:

	As of December 31, 2017	
	10% Increase in Fair Value	10% Decrease in Fair Value
	(Dollars in millions)	
Segment		
Credit Group	$ 37	$ (37)
Private Equity Group	28	(28)
Real Estate Group	9	(9)
Total	**$ 74**	**$ (74)**

Exchange Rate Risk

Our funds hold investments that are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. Movements in the exchange rate between the U.S. dollar and non-U.S. dollar currencies impact the management fees earned by funds with fee paying AUM denominated in non-U.S. dollar currencies as well as by funds with fee paying AUM denominated in U.S. dollars that hold investments denominated in non-U.S. dollar currencies. Additionally, movements in the exchange rate impact operating expenses for our foreign offices that are denominated in non-U.S. currencies and the revaluation of assets and liabilities denominated in non-functional currencies, including cash balances and investments.

We manage our exposure to exchange rate risks through our regular operating activities, wherein we utilize payments received in non-U.S. dollar currencies to fulfill obligations in non-U.S dollar foreign currencies, and, when appropriate, through the use of derivative financial instruments to hedge the net non-U.S. exposure: in the funds that we advise; the balance sheet exposure for certain direct investments denominated in non-U.S. dollar currencies; and the cash flow exposure for non-U.S. dollar currencies. A 10% decrease in the rate of exchange of all foreign currencies against the U.S. dollar may have a material impact on transaction gains and losses of the Company.

A portion of our management fees are denominated in non-U.S. dollar currencies that may be affected by movements in the rate of exchange between the U.S. dollar and non-U.S. dollar currencies. We estimate that as of December 31, 2017 and 2016 a 10% change in the rate of exchange of all foreign currencies against the U.S. dollar would result in a change in management fees of approximately $6.4 million and $5.7 million, respectively.

We enter into currency forward contracts and other exchange traded currency options to mitigate the impact of the exchange rate risk on our management fees and investment portfolio due to the fluctuation of exchange of all foreign currencies against the U.S. dollar.

Interest Rate Risk

As of December 31, 2017 , we had $210.0 million of borrowings outstanding under the Credit Facility.

Our Credit Facility provides a $1.065 billion revolving line of credit with the ability to upsize to $1.28 billion (subject to obtaining commitments for any such additional borrowing capacity) with a maturity date of February 24, 2022. The Credit Facility bears interest at a variable rate based on either LIBOR or a base rate plus an applicable margin with an unused commitment

fee paid quarterly, which is subject to change with our underlying credit agency rating. Currently, base rate loans bear interest calculated based on the base rate plus 0.50% and the LIBOR rate loans bear interest calculated based on LIBOR rate plus 1.50%. Our unused commitment fee is 0.20% per annum. As of December 31, 2017 , we had $210.0 million of borrowings outstanding under the Credit Facility.

We estimate that in the event of a 100 basis point increase in interest rates, to the extent there is an outstanding revolver balance, we would be subject to the variable rate and would expect our interest expense to increase commensurately.

As credit-oriented investors, we are also subject to interest rate risk through the securities we hold in our Consolidated Funds. A 100 basis point increase in interest rates would be expected to negatively affect the fair value of securities that accrue interest income at fixed rates and therefore negatively impact net change in unrealized appreciation on investments of the Company and the Consolidated Funds. The actual impact is dependent on the average duration and amounts of such holdings and the amount of such holdings. Conversely, securities that accrue interest at variable rates would be expected to benefit from a 100 basis points increase in interest rates because these securities would generate higher levels of current income and therefore positively impact interest and dividend income. In the cases where our funds pay management fees based on NAV, we would expect our segment management fees to experience a change in direction and magnitude corresponding to that experienced by the underlying portfolios.

Credit Risk

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In such agreements, we depend on the respective counterparty to make payment or otherwise perform. We generally endeavor to minimize our risk of exposure by limiting to reputable financial institutions the counterparties with which we enter into financial transactions. In other circumstances, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

Item 8. Financial Statements and Supplementary Data

The information required by this item is incorporated by reference to the consolidated financial statements and accompanying notes set forth in the F pages of this Annual Report on Form 10-K.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

Item 9A. Controls And Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our co-principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2017 . Based upon that evaluation and subject to the foregoing, our principal executive officers and principal financial officer concluded that, as of December 31, 2017 , the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2017 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

Report of Management on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our consolidated financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our consolidated financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our consolidated financial statements would be prevented or detected.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2017 . The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the effectiveness of the Company's internal control over financial reporting. Their report follows.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Unitholders of Ares Management, L.P.

Opinion on Internal Control over Financial Reporting

We have audited Ares Management, L.P.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, Ares Management, L.P. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of financial condition of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated March 1, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Los Angeles, California
March 1, 2018

Item 9B. Other Information

In connection with the Tax Election, effective March 1, 2018, we amended and restated our partnership agreement to, among other things, reflect our new tax classification and change the name of our common units and preferred units to common shares and preferred shares, respectively. Our legal structure remains a Delaware limited partnership, and the terms of our common shares and preferred shares, and the associated rights, otherwise remain unchanged.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The directors and executive officers of our general partner as of the date of this filing are:

Name	Age	Position
Michael J Arougheti	45	Director, Co-Founder, Chief Executive Officer & President
Ryan Berry	38	Partner, Chief Marketing and Strategy Officer
David B. Kaplan	50	Director, Co-Founder & Partner
John H. Kissick	76	Director & Co-Founder
Antony P. Ressler	57	Executive Chairman & Co-Founder
Bennett Rosenthal	54	Director, Co-Founder & Partner
R. Kipp deVeer	45	Partner, Global Head of Credit Group
Paul G. Joubert	70	Director
Michael Lynton	58	Director
Dr. Judy D. Olian	66	Director
Michael R. McFerran	46	Partner, Chief Financial Officer & Chief Operating Officer
Michael D. Weiner	65	Executive Vice President, Chief Legal Officer & Secretary

Biographical Information

The following is a summary of certain biographical information concerning the directors, director nominees and officers of our general partner:

Michael J Arougheti. Mr. Arougheti is a Co-Founder of Ares and a Director and the Chief Executive Officer and President of Ares Management GP LLC, Ares general partner. He is a member of the Management Committee. He also serves as Co-Chairman of ARCC and as a director of ACRE. Mr. Arougheti also is a member of the Ares Credit Group’s Direct Lending Investment Committees and the Ares Operations Management Group. Prior to joining Ares in 2004, Mr. Arougheti was employed by Royal Bank of Canada from 2001 to 2004, where he was a Managing Partner of the Principal Finance Group of RBC Capital Partners and a member of the firm's Mezzanine Investment Committee. Mr. Arougheti oversaw an investment team that originated, managed and monitored a diverse portfolio of middle-market leveraged loans, senior and junior subordinated debt, preferred equity and common stock and warrants on behalf of RBC and other third-party institutional investors. Mr. Arougheti joined Royal Bank of Canada in October 2001 from Indosuez Capital, where he was a Principal and an Investment Committee member, responsible for originating, structuring and executing leveraged transactions across a broad range of products and asset classes. Prior to joining Indosuez in 1994, Mr. Arougheti worked at Kidder, Peabody & Co., where he was a member of the firm's Mergers and Acquisitions Group. Mr. Arougheti also serves on the boards of directors of Riverspace Arts, a not-for-profit arts organization and Operation HOPE, a not-for-profit organization focused on expanding economic opportunity in underserved communities through economic education and empowerment. Mr. Arougheti received a B.A. in Ethics, Politics and Economics, cum laude, from Yale University.

Mr. Arougheti’s knowledge of and extensive experience in investment management, leveraged finance and financial services gives the board of directors valuable industry-specific knowledge and expertise on these and other matters and, in addition to his service as a director of other public companies, position him well to service on the board of directors.

Ryan Berry. Mr. Berry is a Partner and Chief Marketing and Strategy Officer of Ares Management GP LLC, Ares general partner. He also serves on the Board of Ares Partners Holdco LLC, the 7-member governing body which controls the firm. He is also a member of the Management Committee of Ares Management. He is responsible for the ongoing global expansion of the firm and oversees a dedicated team of M&A professionals, as well as the firm’s global marketing function, with relationship managers located in Los Angeles, New York, London, Hong Kong, Dubai and Sydney. Among his initiatives in recent years, Mr. Berry has completed asset manager acquisitions, forged strategic partnerships, expanded the firm’s international presence, enhanced the firm’s distribution channels and assisted with Ares’ IPO in May 2014 and related high grade debt offerings. Mr. Berry joined the firm in 2005 and spent several years working as an investment professional in the Private Equity Group, where he participated in various leveraged buyouts, growth equity and distressed debt transactions. Prior to joining Ares, Mr. Berry worked at UBS in Los Angeles as an Investment Banking Analyst. Mr. Berry holds a B.A., with

distinction, from the Ivey Business School at Western University in Business Administration and a B.A. from Huron University College at Western University in Cross Disciplinary Studies.

David B. Kaplan. Mr. Kaplan is a Co-Founder of Ares and a Director and Partner of Ares Management GP LLC, Ares' general partner. He is a Partner and Co-Head of the Ares Private Equity Group and a member of the Management Committee. He additionally serves on several of the investment committees for certain funds managed by the Private Equity Group. Mr. Kaplan joined Ares in 2003 from Shelter Capital Partners, LLC, where he was a Senior Principal from June 2000 to April 2003. From 1991 through 2000, Mr. Kaplan was a Senior Partner of, Apollo Management, L.P. and its affiliates, during which time he completed multiple private equity investments from origination through exit. Prior to Apollo Management, L.P., Mr. Kaplan was a member of the Investment Banking Department at Donaldson, Lufkin & Jenrette Securities Corp. Mr. Kaplan currently serves as Chairman of the Boards of Directors of the parent entities of Neiman Marcus Group, Inc. and Smart & Final, Inc. and as a member of the Boards of Directors of 99 Cents Only Stores LLC, ATD Corporation, Guitar Center Holdings, Inc. and the parent entity of Floor and Decor Outlets of America, Inc. Mr. Kaplan's previous public company Board of Directors experience includes Maidenform Brands, Inc. where he served as the company's Chairman, GNC Holdings, Inc., Dominick's Supermarkets, Inc., Stream Global Services, Inc., Orchard Supply Hardware Stores Corporation and Allied Waste Industries Inc. Mr. Kaplan also serves on the Board of Directors of Cedars-Sinai Medical Center, is a Trustee of the Center for Early Education and serves on the President's Advisory Group of the University of Michigan. Mr. Kaplan graduated with High Distinction, Beta Gamma Sigma, from the University of Michigan, School of Business Administration with a B.B.A. concentrating in Finance.

Mr. Kaplan's knowledge of and extensive experience with leveraged finance, acquisitions and private equity investments, in addition to his service as a director of other public and private companies, position him well to service on the board of directors.

John H. Kissick. Mr. Kissick is a Co-Founder of Ares and a Director of Ares Management GP LLC, Ares' general partner. Until February 13, 2017, Mr. Kissick was a Partner of Ares in the Corporate Strategy and Relationship Management Group and served on Ares' Management Committee and several investment committees across the firm. Prior to joining Ares in 1997, Mr. Kissick co-founded Apollo Management, L.P. in 1990. Mr. Kissick oversaw and led the capital markets activities of Apollo Management, L.P. from 1990 until 1997, particularly focusing on high yield bonds, leveraged loans, distressed debt and other fixed income assets. Prior to 1990, Mr. Kissick served as a Senior Executive Vice President of Drexel Burnham Lambert Inc., where he began in 1975, eventually heading its Corporate Finance Department. Mr. Kissick also serves on the Board of Directors of City Ventures LLC and on the boards of the Cedars-Sinai Medical Center in Los Angeles, the Stanford University Athletic Department and its Graduate School of Education, and L.A.'s Promise which helps economically disadvantaged children graduate from high school through a variety of mentoring and other programs. Mr. Kissick graduated from Yale University with a B.A. in Economics and with highest honors from the Stanford Business School with a M.B.A. in Finance.

Mr. Kissick's experience in leadership positions, corporate governance and finance, in addition to his extensive service as a director of other companies, makes him well qualified to serve as a director on the board of directors.

Antony P. Ressler. Mr. Ressler is a Co-Founder of Ares and the Executive Chairman of Ares Management GP LLC, Ares' general partner. He serves as Chairman of the Management Committee. Mr. Ressler also serves as a member of the Investment Committees of certain funds managed by the Ares Private Equity Group and certain funds managed by the Ares Real Estate Group. Mr. Ressler has been with Ares Management since its founding in 1997. Mr. Ressler previously served on the Boards of Directors of Ares Capital Corporation and Air Lease Corporation. Since June 2015, Mr. Ressler has served as the Principal Owner and Chair of the Atlanta Hawks Basketball Club. In the not for profit sector, Mr. Ressler is a member of the Board of Directors of Cedars-Sinai Medical Center, is Co-Chair of the Los Angeles County Museum of Art (LACMA) Board of Trustees and a member of the Board of Trustees of Georgetown University. Mr. Ressler is also one of the founding Board members and Finance Co-Chair of the Painted Turtle Camp, a southern California based organization (affiliated with Paul Newman's Hole in the Wall Association), which was created to serve children dealing with chronic and life threatening illnesses by creating memorable, old-fashioned camping experiences. Mr. Ressler received his B.S.F.S. from Georgetown University's School of Foreign Service and received his M.B.A. from Columbia University's Graduate School of Business.

Mr. Ressler's intimate knowledge of the business and operations of Ares Management, L.P., his extensive experience in the financial industry and as a partner in investments firms and his service as a director of other public companies provides industry-specific knowledge and expertise to the board of directors.

Bennett Rosenthal. Mr. Rosenthal is a Co-Founder of Ares and a Director and Partner of Ares Management GP LLC, Ares' general partner. He is a Partner and Co-Head of the Ares Private Equity Group and a member of the Management Committee. Mr. Rosenthal additionally serves as the Co-Chairman of the Board of Directors of ARCC. Mr. Rosenthal also is a member of the Investment Committees of certain funds managed by the Ares Private Equity Group. Mr. Rosenthal joined Ares in 1998 from Merrill Lynch & Co. where he served as a Managing Director in the Global Leveraged Finance Group. He currently serves on the

Boards of Directors of City Ventures, LLC and the parent entities of Aspen Dental Management, Inc., CHG Healthcare Holdings L.P., CPG International Inc., Dupage Medical Group, Dawn Holdings, Inc., National Veterinary Associates, Inc., and other private companies. Mr. Rosenthal's previous board of directors experience includes Hanger, Inc., Maidenform Brands, Inc. and Nortek, Inc. Mr. Rosenthal also serves on the Board of Trustees of the Windward School in Los Angeles, and on the Graduate Executive Board of the Wharton School of Business. Mr. Rosenthal graduated summa cum laude with a B.S. in Economics from the University of Pennsylvania's Wharton School of Business where he also received his M.B.A. with distinction.

Mr. Rosenthal’s knowledge of and extensive experience with leveraged finance, acquisitions and direct lending and equity investments, in addition to his service as a director of other public and private companies, position him well to service on the board of directors.

R. Kipp deVeer. Mr. deVeer is a Partner of Ares Management GP LLC, Ares’ general partner, a member of the firm’s Management Committee and the Global Head of the Ares Credit Group. He additionally serves as a Director and Chief Executive Officer of ARCC and is a member of certain Ares Credit Group investment committees. Prior to joining Ares in 2004, Mr. deVeer was a partner at RBC Capital Partners, a division of Royal Bank of Canada, which led the firm's middle market financing and principal investment business. Mr. deVeer joined RBC in October 2001 from Indosuez Capital, where he was Vice President in the Merchant Banking Group. Mr. deVeer has also worked at J.P. Morgan and Co., both in the Special Investment Group of J.P. Morgan Investment Management, Inc. and the Investment Banking Division of J.P. Morgan Securities Inc. Mr. deVeer received a B.A. from Yale University and an M.B.A. from Stanford University's Graduate School of Business.

Paul G. Joubert. Mr. Joubert is a Director of Ares Management GP LLC, Ares’ general partner. He is the Founding Partner of EdgeAdvisors, a privately held management consulting organization founded in July 2008 and has been a Venture Partner in Converge Venture Partners since March 2014. From 1971 until July 2008, Mr. Joubert held various positions at PricewaterhouseCoopers LLP, or PWC, an international consulting and accounting firm. During his tenure at PWC, Mr. Joubert served as a Partner in the firm’s Assurance practice and led its Technology, InfoCom and Entertainment practice for the Northeast region of the United States. Prior to that, he served as Partner-in-Charge of PWC’s Northeast Middle Market Group and Chief of Staff to the Vice-Chairman of PWC’s domestic operations. From May 2009 to September 2010, Mr. Joubert served on the Board of Directors of Phaseforward, a publicly traded company that was acquired by Oracle in the fall of 2010. Mr. Joubert also served on the Board of Directors and as the Audit Committee Chairman of Stream Global Services Inc. from July 2008 until March 2014, when it was acquired by Convergys Corporation. He served on the Board of Directors and as the Audit Committee Chairman for ACRE from April 2012 until June 2014. He has also been involved with a number of professional organizations and other institutions, including the Boston Museum of Science, the National Association of Corporate Directors, the Massachusetts Innovation and Technology Exchange, as a director, and the Northeastern University Entrepreneurship Program. Mr. Joubert received a B.A. from Northeastern University.

Mr. Joubert’s long and varied business career and valuable knowledge, insight and experience in financial and accounting matters positions him well for service on the board of directors.

Michael Lynton. Mr. Lynton is a Director of Ares Management GP LLC, Ares’ general partner. Mr. Lynton currently serves as the Chairman of the Board of Snap Inc. He served as the Chief Executive Officer of Sony Entertainment from April 2012 until February 2017, overseeing Sony’s global entertainment businesses, including Sony Music Entertainment, Sony/ATV Music Publishing and Sony Pictures Entertainment. Lynton also served as Chairman and CEO of Sony Pictures Entertainment since January 2004 and managed the studio’s overall global operations, which include motion picture, television and digital content production and distribution, home entertainment acquisition and distribution, operation of studio facilities, and the development of new entertainment products, services and technologies. Prior to joining Sony Pictures, Lynton worked for Time Warner and served as CEO of AOL Europe, President of AOL International and President of Time Warner International. From 1996 to 2000, Mr. Lynton served as Chairman and CEO of Pearson plc’s Penguin Group. Mr. Lynton joined The Walt Disney Company in 1987 and started Disney Publishing. From 1992 to 1996, he served as President of Disney’s Hollywood Pictures. Mr. Lynton is also a member on the Council on Foreign Relations and the Harvard Board of Overseers and serves on the boards of the Los Angeles County Museum of Art, the USC School of Cinematic Arts and the Rand Corporation. Mr. Lynton holds a B.A. in History and Literature from Harvard College where he also received his M.B.A.

Mr. Lynton’s knowledge and extensive business experience, on a global scale, make him well qualified to serve as a director on the board of directors.

Dr. Judy D. Olian. Dr. Olian is a Director of Ares Management GP LLC, Ares’ general partner. She is the dean of UCLA Anderson School of Management and the John E. Anderson Chair in Management. Her business expertise centers on aligning organizations’ design with market opportunities, developing strategically coherent human resource systems and incentives, and managing top management teams. She began her appointment in 2006 after serving as dean and professor of management at the

Smeal College of Business Administration at the Pennsylvania State University. Earlier, she served in various faculty and executive roles at the University of Maryland and its Robert H. Smith School of Business. Dr. Olian serves on various advisory boards including Beijing University's Guanghua School of Business, the U.S. Studies Centre at the University of Sydney, Catalyst, a global think tank for women in business, and Westwood Technology Transfer and is Chairman of the Loeb Awards for Business Journalism. Dr. Olian also serves on the Board of Directors of United Therapeutics Corporation. Dr. Olian received her B.S. in Psychology from the Hebrew University, Jerusalem and her M.S. and Ph.D. in Industrial Relations from the University of Wisconsin, Madison.

Dr. Olian's knowledge and business expertise in management, in addition to her service on various advisory boards, position her well to service on the board of directors.

Michael R. McFerran. Mr. McFerran is a Partner, Chief Financial Officer and Chief Operating Officer of Ares Management GP LLC, Ares' general partner, and a member of the Management Committee of Ares Management. He serves as Vice President of Ares Dynamic Credit Allocation Fund, Inc., a NYSE-listed closed end fund managed by an affiliate of Ares. He additionally serves as a member of the Ares Operations Management Group and the Ares Enterprise Risk Committee. Prior to joining Ares in March 2015, Mr. McFerran was a Managing Director at KKR where he was Chief Financial Officer of KKR's credit business and Chief Operating Officer and Chief Financial Officer at KKR Financial Holdings LLC. Prior to joining KKR, Mr. McFerran spent the majority of his career at Ernst & Young LLP where he was a senior manager in their financial services industry practice. Mr. McFerran also held Vice President roles at XL Capital Ltd. and American Express. Mr. McFerran holds an M.B.A. from the Haas School of Business at U.C. Berkeley and a B.S. in Business Administration from San Francisco State University.

Michael D. Weiner. Mr. Weiner is Executive Vice President and Chief Legal Officer of Ares Management GP LLC, Ares' general partner, a Partner and General Counsel in the Ares Legal Group and a member of the firm's Management Committee. Mr. Weiner has been an officer of Ares Capital Corporation since 2006, including General Counsel from September 2006 to January 2010, and also serves as Vice President of Ares Commercial Real Estate Corporation and Vice President and Assistant Secretary of Ares Dynamic Credit Allocation Fund, Inc., a NYSE-listed, closed end fund managed by an affiliate of Ares Management. He additionally serves as a member of the Ares Operations Management Group and the Ares Enterprise Risk Committee. Mr. Weiner joined Ares in September 2006. Previously, Mr. Weiner served as General Counsel to Apollo Management L.P. and had been an officer of the corporate general partners of Apollo since 1992. Prior to joining Apollo, Mr. Weiner was a partner in the law firm of Morgan, Lewis & Bockius specializing in corporate and alternative financing transactions and securities law, as well as general partnership, corporate and regulatory matters. Mr. Weiner has served on the boards of directors of several public and private corporations. Mr. Weiner also serves on the Board of Governors of Cedars Sinai Medical Center in Los Angeles. Mr. Weiner graduated with a B.S. in Business and Finance from the University of California at Berkeley and a J.D. from the University of Santa Clara.

There are no family relationships among any of the directors or executive officers of our general partner.

Composition of the Board of Directors

The limited liability company agreement of our general partner establishes a board of directors that is responsible for the oversight of our business and operations. In general, our common shareholders have no right to elect the directors of our general partner. However, when the Holdco Members and other then-current or former Ares personnel directly or indirectly hold less than 10% of the limited partner voting power, our common shareholders will have the right to vote in the election of the directors of our general partner. This Ares control condition is measured on January 31 of each year, and will be triggered if the total voting power held collectively by (i) holders of the special voting shares in Ares Management, L.P. (including our general partner, members of Ares Partners Holdco LLC and their respective affiliates), (ii) then-current or former Ares personnel (including indirectly through related entities) and (iii) Ares Owners Holdings L.P. is less than 10% of the voting power of the outstanding voting shares of Ares Management, L.P. For purposes of determining whether the Ares control condition is satisfied, our general partner will treat as outstanding, and as held by the foregoing persons, all voting shares deliverable to such persons pursuant to equity awards granted to such persons. So long as the Ares control condition is satisfied, our general partner's board of directors is elected in accordance with its limited liability company agreement, which provides that directors generally may be appointed and removed by the sole member of our general partner, an entity owned and controlled by the Holdco Members. In addition, so long as the Ares control condition is satisfied, the sole member of our general partner manages all of our operations and activities, and the board of directors of our general partner has no authority other than that which its member chooses to delegate to it. If the Ares control condition is no longer satisfied, the board of directors of our general partner will be responsible for the oversight of our business and operations.

Management Approach; Limited Partnership Structure

Throughout our history as a privately owned firm, we had a management structure involving strong central management led by our Co-Founders. Our operating businesses are overseen by our Management Committee, which is comprised of our executive officers and other heads of various investment groups and ultimately by Holdco. Our general partner has determined that maintaining our existing management structure as closely as possible is desirable and intends that these practices will continue. We believe that this management structure has been a significant reason for our growth and performance.

Moreover, as a privately owned firm, we were historically managed with a perspective of achieving successful growth over the long-term. Both in entering and building our various businesses over the years and in determining the types of investments to be made by our funds, our management has consistently sought to focus on the best way to grow our businesses and investments over a period of many years and has paid little regard to their short-term impact on revenue, net income or cash flow.

We believe our management approach has been a significant strength and as a public company, we have preserved our management structure with strong central management to maintain our focus on achieving successful growth over the long-term. This desire to preserve our current management structure is one of the principal reasons why, upon listing our common shares on the NYSE, we decided to organize Ares Management, L.P. as a limited partnership that is managed by our general partner and to avail ourselves of the limited partnership exception from certain of the NYSE's corporate governance and other rules. This exception eliminates the requirements that we have a majority of independent directors on the board of directors of our general partner and that our general partner have a compensation committee and a nominating and corporate governance committee composed entirely of independent directors. In addition, we are not required to hold annual meetings of our common shareholders.

Limited Powers of Our Board of Directors

As described above, so long as the Ares control condition is satisfied, the member of our general partner, an entity owned and controlled by the Holdco Members, manages all of our operations and activities, and the board of directors of our general partner has no authority other than that which the member of our general partner chooses to delegate to it. The member of our general partner has delegated to the board of directors of our general partner the authority to establish and oversee the audit committee and any other committee that such board deems necessary, advisable or appropriate. The board of directors of our general partner has established an audit committee, a conflicts committee and an equity incentive committee of the board of directors of our general partner. The audit committee performs the functions described below under "—Committees of the Board of Directors—Audit Committee", the conflicts committee performs the functions described below under "—Committees of the Board of Directors—Conflicts Committee," and the equity incentive committee performs the functions described below under "—Committees of the Board of Directors—Equity Incentive Committee." In the event that the Ares control condition is not satisfied, the board of directors of our general partner and any committees thereof will manage all of our operations and activities.

Where action is required or permitted to be taken by the board of directors of our general partner or a committee thereof, a majority of the directors or committee members present at any meeting of the board of directors of our general partner or any committee thereof at which there is a quorum shall be the act of the board or such committee, as the case may be. The board of directors of our general partner or any committee thereof may also act by unanimous written consent.

Committees of the Board of Directors

The board of directors of our general partner has adopted a charter for the audit committee that complies with current federal and NYSE rules relating to corporate governance matters. The board of directors of our general partner has also established a conflicts committee and an equity incentive committee. The member of our general partner has delegated the authority of the board of directors of our general partner the authority to establish other committees from time to time as it deems necessary, advisable or appropriate.

Audit Committee

The current members of the audit committee of our general partner are Messrs. Joubert and Lynton and Dr. Olian. Mr. Joubert serves as the chairperson of the audit committee. The purpose of the audit committee is to assist the board of directors of our general partner in its oversight of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the qualifications and independence of our independent registered public accounting firm and (iv) the performance of our internal audit function and our independent registered public accounting firm. In addition, the audit committee may review and approve any related person transactions, as described under "Item 13. Certain Relationships and Related Transactions, and Director Independence—Statement of Policy Regarding Transactions with Related Persons." Each of the members of the audit committee meets the independence standards and financial literacy requirements for service on an audit committee of a board of directors pursuant to federal securities regulations and NYSE rules relating to corporate governance matters. The board of directors has determined that Mr. Joubert is an audit committee financial expert, as that term is defined in

the federal securities regulations. The audit committee has a charter which is available on our internet website at http://www.ares-ir.com.

Conflicts Committee

The conflicts committee of our general partner consists of Messrs. Joubert and Lynton and Dr. Olian. The purpose of the conflicts committee is to review and consider the resolution or course of action in respect of any conflicts of interest or potential conflicts of interest brought before it for determination or approval. The conflicts committee determines whether the resolution of any conflict of interest submitted to it is fair and reasonable to us. Any matters approved by the conflicts committee are conclusively deemed approved by us and our common shareholders and not a breach of our partnership agreement (or any agreement referred to therein) or of any duties that our general partner or its affiliates or associates may owe to us or our common shareholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved by the audit committee, as described under “Item 13. Certain Relationships and Related Transactions, and Director Independence—Statement of Policy Regarding Transactions with Related Persons,” and may establish guidelines or rules to cover specific categories of transactions.

Equity Incentive Committee

The equity incentive committee of our general partner consists of Messrs. Arougheti, Kaplan, Ressler and Rosenthal. The purpose of the equity incentive committee is to (i) assist the board of directors of our general partner in discharging its responsibilities relating to granting equity incentive awards to service providers of the company other than directors and executive officers subject to Section 16 of the Exchange Act, (ii) administer the Ares Management, L.P. 2014 Equity Incentive Plan (the “2014 Equity Incentive Plan”) as the equity incentive committee other than with respect to directors and executive officers of the company subject to Section 16 of the Exchange Act and (iii) recommend to the board of directors of our general partner such other matters as the equity incentive committee deems appropriate.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics, which applies to, among others, our principal executive officer, principal financial officer and principal accounting officer. This code is available on our internet website at http://www.ares-ir.com. We intend to disclose any amendment to or waiver of the Code of Business Conduct and Ethics on behalf of an executive officer or director either on our Internet website or in a Form 8-K filing.

Corporate Governance Guidelines

We have Corporate Governance Guidelines that address significant issues of corporate governance and set forth procedures by which our general partner and board of directors carry out their respective responsibilities. Our Corporate Governance Guidelines do not prohibit directors from serving simultaneously on multiple companies’ boards but our Audit Committee charter requires that our Board must determine that the simultaneous service of an Audit Committee member on the audit committees of more than three public companies would not impair such member’s ability to effectively serve on our Audit Committee. The Corporate Governance Guidelines are available on our internet website at http://www.ares-ir.com.

Communications to the Board of Directors

The independent directors of our general partner’s board of directors meet regularly. At each meeting of the independent directors, the independent directors choose a director to lead the meeting. All interested parties, including any employee or shareholder, may send communications to the independent directors of our general partner’s board of directors by writing to: the General Counsel, Ares Management, L.P., 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the executive officers and directors of our general partner, and persons who own more than ten percent of a registered class of our voting equity securities to file initial reports of ownership and reports of changes in ownership with the SEC and to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports furnished to us or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2017 , such persons complied with all such filing requirements.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy

Our business as a global alternative asset manager is dependent on the performance of our named executive officers ("NEOs") and other key employees. Among other things, we depend on their ability to find, select and execute investments, oversee and improve the operations of our portfolio companies, find and develop relationships with fund investors and other sources of capital and provide other services essential to our success. Our compensation program is designed to attract, motivate and retain talented professionals who drive our success.

Our compensation philosophy has several primary objectives: (1) establish a clear relationship between performance and compensation, (2) align the interests of our NEOs and other key employees with our fund investors and shareholders to maximize value and (3) provide competitive incentive compensation opportunities, with an appropriate balance between short-term and long-term incentives.

Base salaries are dictated by employee proficiency and experience in their roles. In addition to base salary, we utilize a blend of variable and long-term pay vehicles to further incentivize and retain talent and provide an overall compensation package that is competitive with the market.

Performance-based discretionary bonuses are generally paid annually to employees based on our profitability, market analysis and employee performance. Select senior professionals may also receive carried interest or incentive fee participation in our funds. These awards will be distributed based on the rules of each individual fund, which generally provide for distributions either around the time of the fund's inception or annually. Certain senior professionals are awarded carried interest or incentive fees in funds outside of their business lines to provide incentives for coordination and collaboration across the firm. In addition, our senior professionals are often offered the opportunity to invest their own capital in our private commingled funds (generally on a no fee, no carry basis).

We believe that carried interest and incentive fee participation as well as investment in our funds aligns the interests of our NEOs and other key employees with those of the investors in our funds, and this alignment has been a key contributor to our strong performance and growth. We also believe that ownership in our funds and the Company by our NEOs results in alignment of their interests with those of our fund investors and shareholders.

Our compensation program is a management tool supporting our mission and values. We believe our program supports, reinforces and aligns our values, business strategy and operations with the goal of increasing assets under management and profitability.

Certain of the Holdco Members (Antony P. Ressler, Michael J. Arougheti, David B. Kaplan and Bennett Rosenthal) in their capacity as our senior Partners, together with Michael R. McFerran, a Holdco Member and our chief financial officer and principal financial officer, are our NEOs for 2017. Incentive fee arrangements with our NEOs are described below under "Elements of Compensation-Incentive Fees." Our NEOs have entered into fair competition agreements with us that are described below under "-Summary Compensation Table-Fair Competition Provisions."

Determination of Compensation for Named Executive Officers

We do not have a compensation committee. The Holdco Members, in their capacity as managers of Ares Partners Holdco LLC, make all determinations regarding the cash compensation of our NEOs, such as salaries and bonuses.

The Equity Incentive Committee of our general partner has been delegated the authority to make equity awards to individuals other than our executive officers and directors. The board of directors of our general partner makes all final determinations regarding equity awards pertaining to our executive officers and directors. For NEOs, carried interest and incentive fee awards are generally determined by the Holdco Members and approved by the Conflicts Committee of the board of directors of our general partner.

It is our policy that the Holdco Members who are Co-Founders generally do not receive compensation other than carried interest and incentive fees or, in certain circumstances, equity grants. For 2017, Mr. McFerran's salary and bonus decisions were based on his individual performance, the performance of the business or group for which he has responsibility and his ability to contribute to our overall performance in both the long and short term. Salary and bonus determinations are based on the judgment

of the Holdco Members and do not rely on quantitative performance targets or other formulaic calculations. Factors that the Holdco Members typically consider in making such salary and bonus determinations include the NEO's role, level of responsibilities and contributions to our success. The Holdco Members also consider the NEO's prior-year compensation while balancing short-term and long-term incentives.

Elements of Compensation

Our NEOs are generally compensated through a combination of carried interest and incentive fees that are designed to reward performance and align the interests of our NEOs with the interests of our fund investors and shareholders, and for NEOs who are not Holdco Members, equity awards. In 2017, Mr. McFerran was the only NEO to receive a base salary and discretionary bonus payment, and Mr. McFerran was the only NEO that received equity awards.

We believe that the elements of compensation for our NEOs serve the primary objectives of our compensation program. However, we periodically review the compensation of our key employees, including our NEOs, and, from time to time, may implement new plans or programs or otherwise make changes to the compensation structure relating to current or future key employees, including our NEOs.

Annual Base Salary. In 2017, Mr. McFerran was the only NEO who received an annual salary, the details of which are set out in the Summary Compensation Table that follows.

We intend the base salary of Mr. McFerran to reflect his position, duties and responsibilities as our chief financial officer, as well as recognize his anticipated contribution to our ongoing initiatives and future success. Mr. McFerran was appointed as our Chief Operating Officer effective January 1, 2018 and his base salary was adjusted to $1,200,000 to reflect his new position. Although we believe that the base salary of our NEOs should not typically be the most significant amount of total compensation, we intend that any base salary amounts should attract and retain top talent as well as assist with the payment of basic living costs throughout the year.

Annual Cash Discretionary Bonus Payments. For 2017, Mr. McFerran is the only NEO who received an annual discretionary bonus.

Mr. McFerran's total discretionary bonus was determined by certain of the Holdco members in their capacity as managers of Ares Partners Holdco LLC and recognizes Mr. McFerran's individual contribution to our overall goals and performance. We intend the discretionary bonus payment to reward Mr. McFerran for assisting us to achieve our annual goals, both for the Company as a whole and in his respective area of responsibility. Factors that were included in determining the size of the bonus payment include Mr. McFerran's accomplishments in driving our results, his leadership and management of his team and our overall performance. Comparisons were made to prior year performance and to our other senior professionals with the intention to reward, motivate and retain Mr. McFerran.

A portion of the 2017 annual discretionary bonus awarded to Mr. McFerran was granted in January 2018 in the form of restricted units to be settled in common shares. We paid 78% of his total discretionary bonus in cash in December 2017, and we awarded the balance in January 2018 as a grant of restricted units equal to 22% of his total discretionary bonus.

Incentive Fees. The general partners or managers of certain of our funds receive performance-based fees from our funds based on the applicable fund's performance each year. Our senior professionals may be awarded a percentage of such incentive fees. These incentive fees are determined based on the seniority of the senior professional and the role of such senior professional in the applicable fund. We intend our incentive fee awards to incentivize the growth of our various operations and help align our investment and other professionals, including our NEOs, with our fund investors and shareholders. Messrs. Arougheti and McFerran are the only NEOs who received incentive fees in 2017. For many partners and managers, these awards are made annually, are not subject to vesting and generally are forfeitable upon termination of employment in certain circumstances. However, for Mr. Arougheti, certain of the incentive fees are structured such that, notwithstanding his termination of employment with us, he may be eligible to continue to receive distributions relating to a declining portion of his incentive fee allocation for a period of up to twelve quarters following his termination of employment. The incentive fee participation interests held by our senior professionals generally are subject to dilution. Incentive fees, if any, in respect of a particular fund are paid to the senior professional only when actually received by the general partner, manager or other Ares entity entitled to receive such fees. In addition, the fees in which our senior professionals are entitled to share do not include base management fees, administrative fees or other expense reimbursements received from our funds. Because our senior professionals' entitlement to incentive fees is generally subject to the fund meeting investment performance hurdles, the interests of our senior professionals are strongly aligned with the interests of our fund investors, thus ultimately benefitting our fund investors and shareholders through our success as a whole.

Carried Interest. The general partners or affiliates of certain of our funds receive a preferred allocation of income and gains from our funds if specified returns are achieved, which we refer to as "carried interest." We intend our carried interest awards to incentivize the growth of our various operations and help align our senior professionals (including our NEOs) with our fund investors and shareholders. Our senior professionals (including our NEOs) who work in these operations collectively own a majority of the carried interest. The percentage of carried interest owned by individual senior professionals varies and generally is subject to dilution for senior professionals owning a larger portion of the carried interest by fund. The percentage of carried interest is determined based on the seniority of the senior professional and the role of such senior professional in such fund. Ownership of carried interest by senior professionals may be subject to a range of vesting conditions, including continued employment, thus serving as an important employment retention mechanism. Carried interest generally vests over the longer of a fund's investment period and five or six years from the date of grant, but may also vest in connection with the end of the fund for certain funds. For certain of our NEOs, certain of their carried interest awards will accelerate upon termination of such NEO's services to us without cause or by reason of death or disability of such NEO. Each of our NEOs (except Mr. McFerran) received cash distributions attributable to carried interest in 2017.

In addition, the general partners that receive allocations of carried interest generally are subject to contingent repayment obligations, under which the general partners are required to return to the applicable fund distributions from carried interest in certain situations. Our senior professionals (including certain of our NEOs) who receive allocations of carried interest are personally subject to this contingent repayment obligation, pursuant to which they may be required to repay previous distributions. Because the amount of carried interest distributions is directly tied to the realized performance of the underlying fund, our senior professionals' direct ownership of carried interest fosters a strong alignment of their interests with the interests of our fund investors, thus ultimately benefitting our fund investors and shareholders through our success as a whole.

Ares Owners Holdings L.P. Interests. Messrs. Ressler, Arougheti, Kaplan and Rosenthal, as Holdco Members, receive cash distributions from Ares Owners Holdings L.P. based on their ownership of units in Ares Owners Holdings L.P. Such amounts are distributions in respect of their equity ownership interests and are not taxed as compensation. However, for purposes of this disclosure we have included the distributions from Ares Owners Holdings L.P. in calculating Messrs. Ressler, Arougheti, Kaplan and Rosenthal's total compensation. We believe inclusion of the cash distributions on the Holdco Members' interests in Ares Owners Holdings L.P. for purposes of this disclosure is appropriate because such distributions provide a more accurate reflection of incentives payable to, and amounts received by, Messrs. Ressler, Arougheti, Kaplan and Rosenthal since they otherwise do not receive cash compensation because of their substantial ownership interest in Ares Owners Holdings, L.P. For additional information related to the Ares Owners Holdings L.P., see "Part I. Item 1 - Business".

Options and Other Equity Grants.

We may grant equity to incentivize our NEOs' continued employment and to align their interests with our fund investors and shareholders. We utilize options to purchase common shares ("options") and grants of restricted shares to be settled in common shares as our principal forms of long-term equity compensation. Option and restricted share awards are granted pursuant to our 2014 Equity Incentive Plan. NEOs are entitled to cash dividends, if any, in respect of restricted shares. In March 2017, pursuant to the terms of his offer letter, we granted Mr. McFerran 27,248 restricted units. On each of the third and fourth anniversaries of Mr. McFerran's commencement of employment, Mr. McFerran is entitled to receive a further equity grant, subject to continued employment. The restricted units granted to Mr. McFerran in March 2017 vest in equal installments on the third, fourth and fifth anniversaries of the date of grant, subject to continued employment.

Upon termination of employment for any reason, the unvested portion of Mr. McFerran's equity grants will generally be forfeited. However, if Mr. McFerran's termination of employment or service is as a result of Mr. McFerran's termination without Cause (as defined in his offer letter) or by reason of death or disability after the first anniversary of the date of grant and prior to the second anniversary of the date of grant, 11% of Mr. McFerran's equity grants will vest. If Mr. McFerran's termination of employment or service is as a result of Mr. McFerran's termination without Cause or by reason of death or disability after the second anniversary of the date of grant and prior to the third anniversary of the date of grant, 22% of Mr. McFerran's equity grants will vest. For further information regarding Mr. McFerran's equity grants, see "-Termination Payments-Equity Arrangements with Michael McFerran."

Deferred Unit Awards. Beginning in 2016, we awarded a portion of the annual discretionary bonus to key employees (including those NEOs who receive annual discretionary bonuses) in the form of restricted units to be settled in common shares. These restricted units vest in four equal installments on the first, second, third and fourth anniversaries of the date of grant, subject to continued employment. We refer to these restricted units as "Deferred Units." In January 2017 we granted 11,462 Deferred Units to Mr. McFerran and in January 2018 we granted 12,103 Deferred Units to Mr. McFerran, in each case, in respect of his discretionary bonus for the preceding calendar year. Generally, upon termination of employment, the unvested portion of the award will lapse. Upon termination of employment without Cause, by reason of death or disability, or for normal retirement

or early retirement, the unvested portion of the award will vest upon termination of employment and the Deferred Units granted in 2017 and 2018 will be paid upon the termination. We believe the period of deferral and the vesting schedule sufficiently aligns the interests of NEOs who receive discretionary bonuses with our interests, as well as the interests of our fund investors and shareholders.

Pursuant to the 2014 Equity Incentive Plan, in January 2017 we granted 100,000 restricted units to Mr. McFerran. The restricted units granted to Mr. McFerran in January 2017 were granted in recognition of his continued service to the Company and will vest on the fifth anniversary of the date of grant, subject to continued employment. Upon termination of employment for any reason, the unvested portion of Mr. McFerran's January 2017 equity grant will be forfeited.

401(k) Retirement Plan . Mr. McFerran is currently the only NEO who is eligible to participate in our 401(k) program. We intend that participation in our 401(k) program will assist him to set aside funds for retirement in a tax efficient manner. The Ares retirement plan provides options for contributing to a traditional pre-tax 401(k), a post-tax Roth 401(k) or a combination of both, up to allowable IRS limits. In addition, we provide a discretionary match equal to 50% of the first 6% of the individual's earnings, up to allowable IRS limits. The match is subject to a four-year vesting schedule, vesting 25% per year over the first four years of employment at Ares. Once employed for four years, 100% of any match outstanding or due to the employee is vested.

Termination Payments

Equity Arrangements with Michael McFerran. With respect to equity grants to Mr. McFerran, other than his August 15, 2016 award, January 31, 2017 award, and the Deferred Units, in the event that Mr. McFerran's employment is terminated without Cause or by reason of death or disability after the first anniversary of the date of grant and prior to the second anniversary of the date of grant, 11% of any grants of restricted units and options will vest. In the event that Mr. McFerran's employment is terminated without Cause or by reason of death or disability after the second anniversary of the date of grant and prior to the third anniversary of the date of grant, 22% of any grants of restricted units and options will vest.

Deferred Unit Awards. If Mr. McFerran's employment is terminated without Cause, by reason of his death or disability or for early or normal retirement, the unvested portion of his Deferred Units will vest and the Deferred Units granted in 2016 will be paid on the previously scheduled vesting dates, while the Deferred Units granted in 2017 and 2018 will vest and be settled upon termination.

Incentive Fees and Carried Interest . For certain of our NEOs, certain of their carried interest awards will accelerate upon termination of such NEO's services to us without cause or by reason of death or disability of such NEO. Our incentive fee awards are generally annual awards and forfeitable upon termination of employment in certain circumstances. However, for Mr. Arougheti, certain of the incentive fees are structured such that, notwithstanding his termination of employment with us, he may be eligible to continue to receive distributions relating to a declining portion of his incentive fee allocation for a period of up to twelve quarters following his termination of employment.

Compensation Risk Assessment

Our compensation policies are targeted to incentivize investing in a risk-controlled fashion and are intended to discourage undue risk. Therefore, the key elements of our compensation consists of the grant of equity and, for senior professionals, carried interest subject to multi-year vesting or annual awards of incentive fees, particularly as employees become more senior in the organization and assume more leadership. We believe this policy encourages long-term thinking and protects us against excessive risk and investing for short-term gain.

Our funds generally distribute carried interest with respect to the disposition of an investment only after we have returned to our investors a preferred return and allocable capital relating to such disposition. As a result, in analyzing investments and making investment decisions, our investment professionals are motivated to take a long-term view of their investments, as short-term results typically do not affect their compensation and because they will have to return previously distributed excess carry due to subsequent under-performance of a fund. Importantly, the amount of carried interest paid to these investment professionals is determined by the performance of the fund as a whole, rather than specific investments, meaning that they have a material interest in every investment. This approach discourages excessive risk taking, as even a hugely successful single investment will result in carried interest payments only if the overall performance of the fund exceeds the requisite hurdle.

Incentive fees are generally paid out to the general partner or manager annually upon the achievement of the requisite hurdles by such fund and our senior professionals similarly receive their proportion of the incentive fee only upon receipt of payment by the fund. Certain of our funds also have "high water marks" such that if the high water mark for a particular fund is not surpassed even if such fund had positive returns in such period, we would not earn an incentive fee with respect to such fund

during a particular period as a result of losses in prior periods. Such hurdle rates or high water marks are an incentive to our professionals to maximize returns over the long run, as excessive risk taking and poor performance in the short term will affect their future receipt of incentive fees.

Compensation Committee Report

As described above, the board of directors of our general partner does not have a compensation committee. The entire board of directors has reviewed and discussed with management the foregoing Compensation Discussion and Analysis and, based on such review and discussion, has determined that the Compensation Discussion and Analysis should be included in this annual report.

Michael J. Arougheti
David B. Kaplan
John H. Kissick
Antony P. Ressler
Bennett Rosenthal
Paul G. Joubert
Michael Lynton
Dr. Judy D. Olian

Compensation Committee Interlocks and Insider Participation

As described above, we do not have a compensation committee. Other than the grant of equity awards by the board of directors of our general partner to our executive officers, the Holdco Members make all determinations regarding executive officer compensation. In such capacity, the Holdco Members have determined that maintaining our existing compensation practices as closely as possible is desirable and intend that these practices will continue. Accordingly, the Holdco Members do not intend to establish a compensation committee of the board of directors of our general partner. For a description of certain transactions between us and our senior professionals see “Item 13. Certain Relationships and Related Transactions, and Director Independence."

COMPENSATION OF OUR EXECUTIVE OFFICERS

Summary Compensation Table for Fiscal 2017

The following table contains information about the compensation paid to or earned by each of our named executive officers during the most recently completed fiscal year.

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)		Total ($)(12)
Antony P. Ressler, *Co-Founder, Executive Chairman and Former Chief Executive Officer*	2017	—	—	—	—	—	—	108,904,413	(4)(10)	108,904,413
	2016	—	—	—	—	—	—	94,074,455	(4)(10)	94,074,455
	2015	—	—	—	—	—	—	72,367,328	(4)(10)	72,367,328
Michael J Arougheti, *Co-Founder, Chief Executive Officer and President*	2017	—	—	—	—	—	—	22,090,000	(5)(10)	22,090,000
	2016	—	—	—	—	—	—	19,905,069	(5)(10)	19,905,069
	2015	—	—	—	—	—	—	22,549,681	(5)(10)	22,549,681
David B. Kaplan, *Co-Founder and Partner*	2017	—	—	—	—	—	—	54,242,110	(6)(10)	54,242,110
	2016	—	—	—	—	—	—	44,465,897	(6)(10)	44,465,897
	2015	—	—	—	—	—	—	17,506,743	(6)(10)	17,506,743
Bennett Rosenthal, *Co-Founder and Partner*	2017	—	—	—	—	—	—	54,242,110	(6)(10)	54,242,110
	2016	—	—	—	—	—	—	44,465,897	(6)(10)	44,465,897
	2015	—	—	—	—	—	—	17,506,743	(6)(10)	17,506,743
Michael R. McFerran, *Chief Financial Officer and Chief Operating Officer* (7)	2017	1,000,000	937,500	2,650,751	—	—	—	577	(8)	4,588,828
	2016	1,000,000	787,500	2,390,749	—	—	—	8,736	(9)	4,186,985
	2015	774,307	597,500	473,025	951,654	—	—	88,294	(11)	2,884,780

(1) In 2017, 2016 and 2015, we did not make salary payments to Messrs. Ressler, Arougheti, Kaplan or Rosenthal.

(2) Represents the cash portion of the discretionary bonuses, which were paid in December 2017 and 2016, and January 2016 related to 2017, 2016 and 2015, respectively. As further described in "—Compensation Discussion and Analysis—Annual Cash Discretionary Bonus Payments", Mr. McFerran received 22%, 21% and 23% of his 2017, 2016 and 2015 discretionary bonuses in restricted units granted in January 2018, January 2017 and January 2016, respectively, which are not included in these amounts.

(3) Represents the grant date fair value of restricted units and options to purchase common shares computed in accordance with ASC Topic 718. See Note 15 to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

(4) Includes actual cash distributions attributable to 'carried interest' allocations of $31,915,796, $32,345,129 and $4,374,304 in 2017, 2016 and 2015, respectively.

(5) Includes actual cash distributions attributable to 'carried interest' allocations of $166,528 , $553,796 and $210,324 and 'incentive fee' payments of $5,800,608 , $6,423,991 and $8,100,339 for 2017, 2016 and 2015, respectively.

(6) Includes actual cash distributions attributable to 'carried interest' allocations of $38,119,246, $31,538,615 and $3,267,725 in 2017, 2016 and 2015, respectively.

(7) Mr. McFerran became an NEO in March 2015.

(8) Includes $577 of actual cash distributions attributable to 'incentive fee' payments, and there were no matching contributions under our 401(k) plan.

(9) Includes $5,194 of actual cash distributions attributable to 'incentive fee' payments and $3,542 in matching contributions under our 401(k) plan.

(10) Messrs. Ressler, Arougheti, Kaplan and Rosenthal (and their family members and estate planning vehicles) also received cash distributions from Ares Owners Holdings L.P. based on their ownership of units in Ares Owners Holdings L.P. Such amounts are distributions in respect of their equity ownership interests and are included in compensation amounts presented. Mr. Ressler received distributions of $76,988,617, $61,729,326 and $67,993,024 in 2017, 2016 and 2015, respectively. Each of Messrs. Arougheti, Kaplan and Rosenthal received distributions of $16,122,864, $12,927,282 and $14,239,018 in 2017, 2016 and 2015, respectively.

(11) Represents a relocation allotment of $88,294 received in 2015 in connection with his move from San Francisco, California to Los Angeles, California. This amount was to compensate him for the transportation of household goods to his new residence and temporary housing and tax gross-up for moving-related assistance reported as personal taxable income.

(12) Excluding the cash distributions from Ares Owners Holdings L.P. based on their ownership of units in Ares Owners Holdings L.P., total compensation in 2017 for (i) Mr. Ressler was $31,915,796, (ii) Mr. Arougheti was $5,967,136, and (iii) Messrs. Kaplan and Rosenthal was $38,119,246.

Offer Letter with Michael R. McFerran

We entered into an offer letter with Mr. McFerran on March 10, 2015 relating to Mr. McFerran's employment as chief financial officer, establishing his position and duties and providing for initial compensatory terms.

See "—Compensation Discussion and Analysis" for a discussion of the current compensatory terms applicable to NEOs.

Grants of Plan-Based Awards in 2017

The following table contains information about each grant of an award made to our NEOs in 2017 under any plan, including awards that subsequently have been transferred.

Name	Grant Date(1)		Stock Awards: Number of Shares of Stock or Units (8)		Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards(2) ($)
Antony P. Ressler	—		—		—	—	—
Michael J Arougheti	—		—		—	—	—
David B. Kaplan	—		—		—	—	—
Bennett Rosenthal	—		—		—	—	—
Michael R. McFerran	1/20/2017		11,462	(3)	—	—	228,094
	1/31/2017	(4)	100,000	(5)	—	—	1,945,000
	3/23/2017	(6)	27,248	(7)	—	—	477,657

(1) For information regarding the timing of restricted units and option grants, see "—Elements of Compensation—Options and Other Equity Grants."

(2) Represents the grant date fair value of restricted units and options to purchase common shares computed in accordance with ASC Topic 718. See Note 15 to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

(3) Represents restricted units granted under our 2014 Equity Incentive Plan to be settled in common shares, awarded to Mr. McFerran as a portion of his annual discretionary bonus. The restricted units generally vest in four equal installments on each of January 20, 2018, 2019, 2020, and 2021, subject to continued employment and earlier vesting upon the occurrence of specified events.

(4) This award was approved by the Board of Directors on January 13, 2017.

(5) Represents restricted units granted under our 2014 Equity Incentive Plan to be settled in common shares upon vesting. The restricted units generally vest on January 31, 2022, subject to continued employment.

(6) On March 17, 2015, in connection with the approval of Mr. McFerran's offer letter, the Board of Directors approved annual restricted unit grants to Mr. McFerran as forth in his offer letter. Subject to Mr. McFerran's continued employment, these grants are made on each anniversary of March 23, 2015 until March 23, 2019.

(7) Represents restricted units granted under our 2014 Equity Incentive Plan to be settled in common shares upon vesting. The restricted units generally vest in three equal installments on each of March 23, 2020, 2021 and 2022, subject to continued employment and earlier vesting upon the occurrence of specified events.

(8) For further information regarding the vesting of restricted units and options, see "—Elements of Compensation—Options and Other Equity Grants."

Outstanding Equity Awards at Fiscal Year-End

The following table contains information concerning unvested equity awards unexercised options; stock that has not vested; and equity incentive plan awards outstanding for each NEO as of December 31, 2017 :

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Antony P. Ressler	—	—	—	-	—	—	—	—
Michael J Arougheti	—	—	—	-	—	—	—	—
David B. Kaplan	—	—	—	-	—	—	—	—
Bennett Rosenthal	—	—	—	-	—	—	—	—
Michael R. McFerran	—	254,453 (1)	18.35	March 23, 2025	313,756 (2) (3) (4) (5) (6) (7) (8)	6,275,120	—	—

(1) The options granted on March 23, 2015 vest in equal installments on each of March 23, 2018, March 23, 2019 and March 23, 2020, subject to continued employment and earlier vesting upon the occurrence of specified events.

(2) 27,248 of the restricted units were granted on March 23, 2015 and vest in equal installments on each of March 23, 2018, March 23, 2019 and March 23, 2020, subject to continued employment and earlier vesting upon the occurrence of specified events.

(3) 15,068 of the restricted units were granted on January 20, 2016 and vest in equal installments on each of January 20, 2017, January 20, 2018, January 20, 2019 and January 20, 2020, subject to continued employment and earlier vesting upon the occurrence of specified events. 3,767 restricted units vested on January 20, 2017 and 11,301 remain unvested.

(4) 36,497 of the restricted units were granted on March 23, 2016 and vest in equal installments on each of March 23, 2019, March 23, 2020, and March 23, 2021, subject to continued employment and earlier vesting upon the occurrence of specified events.

(5) 100,000 of the restricted units were granted on August 15, 2016 and vest on August 15, 2021, subject to continued employment.

(6) 11,462 of the restricted units were granted on January 20, 2017 and vest in equal installments on each of January 20, 2018; January 20, 2019; January 20, 2020; and January 20, 2021, subject to continued employment and earlier vesting upon the occurrence of specified events.

(7) 100,000 of the restricted units were granted on January 31, 2017 and vest on January 31, 2022, subject to continued employment.

(8) 27,248 of the restricted units were granted on March 23, 2017 and vest in equal installments on each of March 23, 2020, March 23, 2021, and March 23, 2022, subject to continued employment and earlier vesting upon the occurrence of specified events.

Common Shares and Ares Operating Group Units

We refer to the common shares and Ares Operating Group Units and common units received in exchange for such Ares Operating Group Units as “subject units.”

The subject units received by our senior professional owners are fully vested. Unless otherwise determined by our general partner, a senior professional owner will generally forfeit 25% of his or her subject units (i) in the case of Messrs. Arougheti, Kaplan, Rosenthal or Ressler, if such person resigns or (ii) generally in the case of a senior professional owner other than those listed in clause (i), if such senior professional owner resigns or is terminated for cause, in all cases prior to the fifth anniversary of our initial public offering or the second anniversary of our initial public offering if such person is at least 60 years old on the date of any resignation.

The subject units owned by each of our senior professional owners are generally subject to the following transfer restrictions: none of the subject units may be transferred or exchanged in the first two years following our initial public offering and up to 20% of the subject units may be transferred or exchanged in each year following the second anniversary of our initial public offering and prior to the seventh anniversary of our initial public offering. However, sales may occur prior to such time

pursuant to acquisitions or other transactions or programs approved by our general partner. After May 2021, any of the subject units may be transferred or exchanged at any time, subject to the restrictions in the exchange agreement.

The forfeiture provisions and transfer restrictions set forth above are generally applicable. There may be some different arrangements for some individuals in isolated instances, none of which are applicable to our NEOs.

Assuming that all of the outstanding Ares Operating Group Units were exchanged for common shares, each of Messrs. Arougheti, Kaplan and Rosenthal would hold, directly or indirectly, common shares representing 6.58% of the total number of common shares outstanding and Mr. Ressler would hold, directly or indirectly, common shares representing 31.14% of the total number of common shares outstanding, in each case subject to transfer restrictions and forfeiture provisions. Mr. McFerran does not hold any Ares Operating Group Units. Assuming that all of the outstanding Ares Operating Group Units were exchanged for common shares, an additional 60 or more senior professionals would own common shares representing approximately 18.61% of the total number of common shares outstanding.

Option Exercises and Stock Vested

Our NEOs did not exercise any options from compensation-related equity awards in fiscal 2017 .

Our NEOs, other than Mr. McFerran, did not vest into equity from compensation-related equity awards in fiscal 2017. On January 20, 2017, Mr. McFerran received 3,767 vested Deferred Units representing 25% Mr. McFerran's January 2016 award.

Pension Benefits For 2017

We provide no pension benefits to our NEOs.

Nonqualified Deferred Compensation For 2017

We provide no defined contribution plans for the deferral of compensation on a basis that is not tax-qualified.

Potential Payments upon Termination or Change-in-Control

Other than as set forth below, our NEOs are not entitled to any additional payments or benefits upon termination of employment, upon a change in control or upon retirement, death or disability. For certain of our NEOs, certain of their carried interest awards will accelerate upon termination of such NEO's services to us without cause or by reason of death or disability of such NEO.

Equity Arrangements with Michael McFerran

In the event that Mr. McFerran's employment is terminated without Cause or by reason of death or disability after the first anniversary of the date of grant and prior to the second anniversary of the date of grant, 11% of the restricted units granted on March 23, 2015, March 23, 2016, and March 23, 2017 and options granted on March 23, 2015 will vest. In the event that Mr. McFerran's employment is terminated without Cause or by reason of death or disability after the second anniversary of the date of grant and prior to the third anniversary of the date of grant, 22% of any restricted units granted on March 23, 2015, March 23, 2016, and March 23, 2017 and options granted on March 23, 2015 will vest. If Mr. McFerran had experienced a termination without Cause or by reason of death or disability on December 31, 2017, Mr. McFerran would have vested in restricted units having a value of $200,180, based on the closing price for our common shares on December 29, 2017, which was $20.00.

Deferred Unit Awards

If Mr. McFerran's employment is terminated without Cause, by reason of his death or disability or for early or normal retirement, the unvested portion of his Deferred Units will vest and the Deferred Units granted in 2016 will be paid on the previously scheduled vesting dates. If Mr. McFerran had experienced a termination without Cause, by reason of death or disability or for early or normal retirement on December 31, 2017, Mr. McFerran would have vested in Deferred Units having a value of $455,260, based on the closing price of our common shares on December 29, 2017, which was $20.00.

Pay Ratio

As a result of the rules recently adopted by the SEC under the Dodd-Frank Act, we are required to disclose the ratio of the annual total compensation of our CEO to the annual total compensation of our median employee, using certain permitted methodologies. To determine our CEO pay ratio and our median employee, we took the following steps:

- We identified our median employee utilizing data as of December 31, 2017 (the "Determination Date") by examining the total amount of compensation as reflected in our payroll records and as reported to the Internal Revenue Service on Form W-2 and Schedule K-1 for 2017 ("total compensation") for all individuals, excluding our CEO, who were employed by us on the Determination Date. Total compensation includes salary, wages and income from equity in the form of Ares Operating Group Units and unvested restricted units (including vesting thereof and distributions on such equity). We included all employees, whether employed on a full-time, part-time, seasonal or temporary basis.

- We did not make any material assumptions, adjustments, or estimates with respect to total compensation. We did not annualize the compensation for any employees.

- We included non-U.S. employees by converting their total compensation to U.S. Dollars from the applicable local currency using the 10-month average exchange rate from January 1, 2017 through October 31, 2017.

- We believe the use of total compensation for all employees is a consistently applied compensation measure because the SEC released guidance providing that compensation determined based on the Company's tax and/or payroll records is an appropriate consistently applied compensation measure.

- After identifying the median employee based on total compensation, we calculated annual total compensation for that employee using the same methodology we used for our named executive officers as set forth in the Summary Compensation Table in this Annual Report on Form 10-K. The annual total compensation of our median employee for 2017 was $198,500.

- The annual total compensation of our CEO for 2017 was $108,904,413, which includes distributions on his equity ownership in Ares Owners Holdings L.P. See the Summary Compensation Table above.

Our pay ratio may not be comparable to the CEO pay ratios presented by other companies. We believe our methodology most accurately reflects the incentives provided to our executives and employees in their roles at the Company. Based on the methodology described above, for 2017, the ratio of the annual total compensation of our CEO to the annual total compensation of the median employee (other than our CEO) is 549:1; excluding distributions on equity ownership in Ares Owners Holdings L.P., the ratio of the annual total compensation of our CEO to the annual total compensation of the median employee (other than our CEO) is 161:1. We believe excluding distributions on equity ownership in Ares Owners Holdings, L.P. reflects a pay ratio determined based on a methodology more similar to the methodologies used by our peers. As of January 1, 2018, Antony P. Ressler stepped down from his position as CEO and Michael J. Arougheti was appointed as the new CEO. The ratio of the annual total compensation of Mr. Arougheti, our current CEO, to the median employee is 111:1; excluding Mr. Arougheti's distributions on equity ownership in Ares Owners Holdings L.P., the ratio of Mr. Arougheti's annual total compensation, to the median employee is 30:1.

Fair Competition Provisions

In connection with the Reorganization, Ares Owners Holdings L.P. entered into new fair competition agreements with the NEOs, and Mr. McFerran entered into a fair competition agreement upon commencement of his employment. Such agreements contain customary restrictive covenants, including a non-competition provision that runs through the one-year period following withdrawal or dissociation from Ares Owners Holdings L.P. and provisions relating to non-solicitation of employees and clients that run through the one-year period following termination of employment. In addition, such agreements require our NEOs to preserve confidential information and include assignments of intellectual property to us and our affiliates, including investment track records.

Compensation of our Directors

Each director who is not an employee of or service provider to (other than as a director) any entity related to Ares Management, L.P. ("independent directors") receives an annual retainer of $100,000, payable in cash for the actual service period. An additional annual cash retainer of $15,000 is payable annually to the chair of our audit committee. In addition, independent

directors received an initial equity grant of 3,947 restricted units upon the completion of our initial public offering, pursuant to the 2014 Equity Incentive Plan, which vested at a rate of one-third per year, beginning on the first anniversary of the grant date.

We also reimburse independent directors for reasonable out-of-pocket expenses incurred in connection with the performance of their duties as directors, including travel expenses in connection with their attendance in-person at board and committee meetings. Directors who are employees of or provide services to (other than as a director) any entity related to Ares Management, L.P. did not receive any compensation for their services as directors. See “Item 13. Certain Relationships and Related Transactions, and Director Independence-Other Transactions.”

Directors Compensation Table

The following table contains information concerning the compensation of the non-employee directors for the fiscal year ended December 31, 2017 .

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
Paul G. Joubert	115,000	—	—	—	—	—	115,000
John H. Kissick(2)	—	—	—	—	—	11,144,713 (3)	11,144,713
Michael Lynton	100,000	—	—	—	—	—	100,000
Dr. Judy D. Olian	100,000	—	—	—	—	—	100,000

(1) On May 1, 2014, Messrs. Joubert and Lynton and Dr. Olian were each granted 3,947 restricted units, vesting in equal installments on each of May 1, 2015, 2016 and 2017. As of December 31, 2017 , Messrs. Joubert and Lynton and Dr. Olian have each vested all of their respective grants of 3,947 restricted units.

(2) Mr. Kissick receives no compensation for his service as a member of our board of directors.

(3) Includes actual cash distributions attributable to 'carried interest' allocations of $4,726,004 and incentive fee payments of $42,969 . Mr. Kissick (and his family members and estate planning vehicles) also received cash distributions from Ares Owners Holdings L.P. based on his ownership of units in Ares Owners Holdings L.P. Such amounts are distributions in respect of his equity ownership interests and are included in compensation amounts presented. Mr. Kissick received distributions of $6,375,740 in 2017 .

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of our common shares and Ares Operating Group Units as of February 15, 2018 by (1) each person known to us to beneficially own more than 5% of any class of the outstanding voting securities of Ares Management, L.P., (2) each of the directors and named executive officers of our general partner and (3) all directors and executive officers of our general partner as a group. We are managed by our general partner, Ares Management GP LLC, and the limited partners of Ares Management, L.P. do not presently have the right to elect or remove our general partner or its directors. Accordingly, we do not believe the common shares are “voting securities” as such term is defined in Rule 12b-2 under the Exchange Act.

The number and percentage of common shares and Ares Operating Group Units beneficially owned is based on the number of our common shares and Ares Operating Group Units issued and outstanding as of February 15, 2018 .

Beneficial ownership is determined in accordance with the rules of the SEC. Under these rules, more than one person may be deemed a beneficial owner of the same securities, and a person may be deemed a beneficial owner of securities as to which he has no economic interest. Beneficial ownership reflected in the table below includes the total units held by the individual and his or her personal planning vehicles. The address of each beneficial owner set forth below is c/o Ares Management, L.P., 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

Name of Beneficial Owner	Common Units with Voting Power Beneficially Owned(1)(2)		Ares Operating Group Units Beneficially Owned(1)(2)(3)	
	Number	% of Class	Number	% of Class
Directors and Named Executive Officers:				
Michael J Arougheti	—	—	10,421,596	4.91%
David B. Kaplan	—	—	10,421,596	4.91%
John H. Kissick	—	—	4,121,190	1.94%
Antony P. Ressler	—	—	49,764,375	23.43%
Bennett Rosenthal	—	—	10,421,596	4.91%
Paul G. Joubert	—	—	—	—
Michael Lynton	—	—	—	—
Dr. Judy D. Olian	—	—	—	—
Michael R. McFerran	—	—	—	—
All directors and executive officers as a group (10 persons)	—	—	85,742,971	40.38%

(1) Subject to certain restrictions, the Ares Operating Group Units are exchangeable for common shares of Ares Management, L.P. on a one-for-one basis (subject to the terms of the exchange agreement). See "Item 13. Certain Relationships and Related Transactions, and Director Independence—Exchange Agreement." As noted above, we do not believe the common shares are "voting securities" as such term is defined in Rule 12b-2 under the Exchange Act. Including common shares receivable upon exchange of the Ares Operating Group Units listed above, each of Messrs. Arougheti, Kaplan and Rosenthal own or have the right to receive 13,901,648 common shares; Mr. Kissick owns or has the right to receive 5,572,936 common shares; Mr. Ressler owns or has the right to receive 65,785,153 common shares; Mr. McFerran owns or has the right to receive 335,497 common shares; Mr. Joubert owns or has the right to receive 13,947 common shares; Dr. Olian owns or has the right to receive 5,747 common shares; and Mr. Lynton owns or has the right to receive 3,947 common shares. See "Item 11. Executive Compensation."

(2) Ares Voting LLC, an entity wholly owned by Ares Partners Holdco LLC, which is in turn owned and controlled by the Holdco Members, holds a special voting share in Ares Management, L.P. that entitles it, on those few matters that may be submitted for a vote of our common shareholders, to a number of votes that is equal to the aggregate number of Ares Operating Group Units held by the limited partners of the Ares Operating Group entities that do not hold a special voting share.

(3) Information presented does not include Ares Operating Group Units with respect to which our named executive officers may be deemed to have shared control due to their control of Ares Voting LLC.

Securities Authorized for Issuance under Equity Incentive Plans

The table set forth below provides information concerning the awards that may be issued under the 2014 Equity Incentive Plan as of December 31, 2017 :

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(2)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders	33,757,927	$ 11.53	26,284,165
Total	33,757,927	$ 11.53	26,284,165

(1) Reflects the aggregate number of outstanding non-qualified options, unit appreciation rights, common shares, restricted units, deferred restricted units, phantom units, unit equivalent awards and other awards based on common shares, to which we collectively refer as our "units," granted under the 2014 Equity Incentive Plan as of December 31, 2017 .

(2) The aggregate number of units available for future grants under our 2014 Equity Incentive Plan is increased on the first day of each fiscal year by the number of units equal to the positive difference, if any, of (a) 15% of the aggregate number of common shares and Ares Operating Group Units outstanding on the last day of the immediately preceding fiscal year (excluding Ares Operating Group Units held by Ares Management, L.P. or its wholly owned subsidiaries) minus (b) the aggregate number of our units otherwise available for future grants under our 2014 Equity Incentive Plan as of such date (unless the administrator of the 2014 Equity Incentive Plan should decide to increase the number of common shares available for future grants under the plan by a lesser amount). The units underlying any award granted under the 2014 Equity Incentive Plan that expire, terminate or are cancelled (other than in connection of a payment) without being settled in units will again become available for awards under the 2014 Equity Incentive Plan. Awards

settled solely in cash do not use units under the 2014 Equity Incentive Plan. As of January 1, 2018, pursuant to this formula, 31,853,504 units were available for issuance under the 2014 Equity Incentive Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Our General Partner

Our general partner manages all of our operations and activities. For so long as, as determined on January 31 of each year, the Ares control condition is satisfied, the board of directors of our general partner has no authority other than that which Ares Partners Holdco LLC, the member of our general partner and an entity owned and controlled by the Holdco Members, chooses to delegate to it. If the Ares control condition is not satisfied, the board of directors of our general partner will be responsible for the oversight of our business and operations.

Our common shareholders have limited voting rights and have no right to remove our general partner or, except in the limited circumstances described below, elect the directors of our general partner. Our common shareholders have no right to elect the directors of our general partner unless the Ares control condition is not satisfied. For so long as the Ares control condition is satisfied, our general partner's board of directors is elected in accordance with its limited liability company agreement, which provides that directors are appointed and removed by Ares Partners Holdco LLC, the member of our general partner. Ares Partners Holdco LLC is owned by the Holdco Members and managed by a board of managers which is composed of Messrs. Arougheti, Berry, de Veer, Kaplan, McFerran, Ressler and Rosenthal. Mr. Ressler has veto power over decisions by the board of managers. The Holdco Members, through Ares Owners Holdings L.P. and the special voting shares held by Ares Voting LLC, have approximately 71.59% of the voting power of Ares Management, L.P. As a result, our common shareholders have limited ability to influence decisions regarding our businesses.

Tax Receivable Agreement

The holders of Ares Operating Group Units, subject to any applicable transfer restrictions and other provisions, may on a quarterly basis (subject to the terms of the exchange agreement), exchange their Ares Operating Group Units for our common shares on a one-for-one basis or, at our option, for cash. A holder of Ares Operating Group Units must exchange one Ares Operating Group Unit in each of the Ares Operating Group entities to effect an exchange for a common share of Ares Management, L.P. The relevant Ares Operating Group entities (and any other entities as may be determined by our general partner) has made or will make an election under Section 754 of the Code for each taxable year in which an exchange of Ares Operating Group Units for common shares occurs, which is expected to result in increases to the tax basis of its assets at the time of an exchange of Ares Operating Group Units. These exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of the relevant Ares Operating Group entity that may reduce the amount of tax that we would otherwise be required to pay in the future. These increases in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The IRS may challenge all or part of the tax basis increase and increased deductions, and a court could sustain such a challenge.

We entered into a tax receivable agreement with the TRA Recipients that provides for the payment by us to the TRA Recipients of 85% of the amount of cash tax savings, if any, in U.S. federal, state, local and foreign income tax that we actually realize (or is deemed to realize in the case of an early termination payment by us or a change in control, as discussed below) as a result of increases in tax basis and certain other tax benefits related to our entering into the tax receivable agreement. The reduction in the statutory corporate tax rate from 35% to 21% would generally reduce the amount of cash tax savings and thus reduce the amount of the payments to the TRA Recipients. On the other hand, due to the Tax Election, a greater percentage of our income will be subject to corporate taxation and thus generally increase the amount payable under the tax receivable agreement. This payment obligation is our obligation and not the obligation of the Ares Operating Group. We will benefit from the remaining 15% of cash tax savings, if any, in income tax we realize. For purposes of the tax receivable agreement, the cash tax savings in income tax will be computed by comparing our actual income tax liability (calculated with certain assumptions) to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of our assets as a result of the exchanges and had we not entered into the tax receivable agreement. A limited partner of an Ares Operating Group entity may elect to exchange Ares Operating Group Units in a tax-free transaction where the limited partner is making a charitable contribution or otherwise with our consent. In such a case, the exchange will not result in an increase in the tax basis of the assets of the relevant Ares Operating Group entity and no payments will be made under the tax receivable agreement.

The term of the tax receivable agreement commenced on May 1, 2014 and will continue until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement (as described in more detail below) or we breach any of its material obligations under the tax receivable agreement in which case all obligations will generally be accelerated and due as if we had exercised its

right to terminate the tax receivable agreement. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, as the calculation depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

- the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair value, which may fluctuate over time, of the depreciable or amortizable assets of the relevant Ares Operating Group entity at the time of each exchange;
- the price of our common shares at the time of the exchange—the increase in any tax deductions, as well as the tax basis increase in other assets, of the Ares Operating Group, is proportional to the price of our common shares at the time of the exchange;
- the extent to which such exchanges are taxable—if an exchange is not taxable for any reason, increased deductions will not be available; and
- the amount and timing of our income—we will be required to pay 85% of the cash tax savings as and when realized, if any.

If we do not have taxable income, we are not required (absent a change of control or other circumstances requiring an early termination payment) to make payments under the tax receivable agreement for that taxable year because no cash tax savings will have been actually realized. However, any cash tax savings that do not result in realized benefits in a given tax year will likely generate tax attributes that may be utilized to generate benefits in previous or future tax years. The utilization of such tax attributes will result in payments under the tax receivables agreement.

Future payments under the tax receivable agreement in respect of subsequent exchanges are expected to be substantial. It is possible that future transactions or events could increase or decrease the actual cash tax savings realized and the corresponding tax receivable agreement payments. There may be a material negative effect on our liquidity if, as a result of timing discrepancies or otherwise, the payments under the tax receivable agreement exceed the actual cash tax savings we realize in respect of the tax attributes subject to the tax receivable agreement and/or distributions to us by the Ares Operating Group are not sufficient to permit us to make payments under the tax receivable agreement after it has paid taxes. The payments under the tax receivable agreement are not conditioned upon the TRA Recipients' continued ownership of us or the Ares Operating Group.

In addition, the tax receivable agreement provides that upon a change of control, our obligations under the tax receivables agreement with respect to exchanged or acquired Ares Operating Group Units (whether exchanged or acquired before or after such change of control) would be accelerated based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement.

Furthermore, we may elect to terminate the tax receivable agreement early by making an immediate payment equal to the present value of the anticipated future cash tax savings. In determining such anticipated future cash tax savings, the tax receivable agreement includes several assumptions, including (1) that any Ares Operating Group Units that have not been exchanged are deemed exchanged for the market value of the common shares at the time of termination, (2) we will have sufficient taxable income in each future taxable year to fully realize all potential tax savings, (3) the tax rates for future years will be those specified in the law as in effect at the time of termination and (4) certain non-amortizable assets are deemed disposed of within specified time periods. In addition, the present value of such anticipated future cash tax savings are discounted at a rate equal to the lesser of (i) 6.5% and (ii) LIBOR plus 100 basis points.

As a result of the change in control provisions and the early termination right, we could be required to make payments under the tax receivable agreement that are greater than or less than the specified percentage of the actual cash tax savings that we realize in respect of the tax attributes subject to the tax receivable agreement. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Decisions made by the Holdco Members in the course of running our businesses may influence the timing and amount of payments that are received by the TRA Recipients (including, among others, the Holdco Members and other executive officers) under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase the tax liability of an exchanging holder without giving rise to any rights to payments under the tax receivable agreement. As an additional example, if future holders of Ares

Operating Group Units do not become TRA Recipients, upon an exchange of Ares Operating Group Units by such future holders, current TRA Recipients (including, among others, the Holdco Members and other executive officers) will be entitled to a portion of the payments payable under the tax receivable agreement with respect to such exchanges.

Payments under the tax receivable agreement will be based on the tax reporting positions that we will determine. Although we are not aware of any issue that would cause the IRS to challenge a tax basis increase, we will not be reimbursed for any payments previously made under the tax receivable agreement with respect to a tax basis increase that is successfully challenged. As a result, in certain circumstances, payments could be made under the tax receivable agreement in excess of our cash tax savings.

Investor Rights Agreement

In connection with the initial public offering, we entered into an Investor Rights Agreement that grants Ares Owners Holdings L.P. and the Strategic Investors the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act common shares delivered in exchange for Ares Operating Group Units or common shares of Ares Management, L.P. otherwise held by them. In addition, we may be required to make available shelf registration statements permitting sales of common shares into the market from time to time over an extended period. Lastly, the parties to the Investor Rights Agreement have the ability to exercise certain piggyback registration rights in respect of common shares held by them in connection with registered offerings requested by other registration rights holders or initiated by us. Under the Investor Rights Agreement, the Strategic Investors have the right to observe the board meetings of our general partner, subject to an ownership threshold.

Ares Operating Group Governing Agreements

Ares Management, L.P. is a holding company and, indirectly through direct subsidiaries, controls and holds equity interests in the Ares Operating Group entities. Ares Management, L.P., either directly or through direct subsidiaries, is the general partner of each of the Ares Operating Group entities. Accordingly, Ares Management, L.P. operates and controls all of the business and affairs of the Ares Operating Group and, through the Ares Operating Group entities and their operating entity subsidiaries, conducts our businesses. Directly or through direct subsidiaries, Ares Management, L.P. has unilateral control over all of the affairs and decision making of the Ares Operating Group. Furthermore, the subsidiaries of Ares Management, L.P. cannot admit substitute general partners to the Ares Operating Group entities without the approval of Ares Management, L.P. or the relevant direct subsidiary.

Pursuant to the governing agreements of the Ares Operating Group entities, the general partner of each of the Ares Operating Group entities has the right to determine when distributions related to the common shares will be made to the partners of the Ares Operating Group entities and the amount of any such distributions. If a distribution to the common shareholders is authorized, such distribution is made to the partners of the Ares Operating Group entities pro rata in accordance with the percentages of their respective partnership units.

Each of the Ares Operating Group entities has an identical number of partnership units outstanding. As of February 15, 2018 , there were 212,835,221 Ares Operating Group Units outstanding. The holders of partnership units in the Ares Operating Group entities, including Ares Management, L.P. or its direct subsidiaries, may incur U.S. federal, state and local income taxes on their proportionate share of any net taxable income of the Ares Operating Group. Net profits and net losses of the Ares Operating Group entities are allocated to their partners (including Ares Management, L.P. or its direct subsidiaries), generally pro rata in accordance with the percentages of their respective partnership units. The agreements of the Ares Operating Group entities provide for cash distributions, which we refer to as "tax distributions," to the partners of such entities if the general partners of the Ares Operating Group entities determine that the taxable income of the relevant Ares Operating Group entity gives rise to taxable income for its partners. Generally, these tax distributions are computed based on our estimate of the net taxable income of the relevant entity multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in Los Angeles, California or New York, New York, whichever is higher (taking into account the non-deductibility of certain expenses and the character of our income). The Ares Operating Group makes tax distributions only to the extent distributions from such entities for the relevant year are otherwise insufficient to cover such tax liabilities.

Subject to any applicable transfer restrictions and other provisions, these partnership units may be exchanged for our common shares as described under "—Exchange Agreement" below.

Exchange Agreement

In connection with the initial public offering, we entered into an exchange agreement (which was amended and restated on April 3, 2017) with the holders of Ares Operating Group Units providing that such holders, subject to any applicable transfer restrictions, may up to four times each year (subject to the terms of the exchange agreement) exchange their Ares Operating Group Units for our common shares on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications, or, at our option, for cash. A holder of Ares Operating Group Units must exchange one Ares Operating Group Unit in each of the three Ares Operating Group entities to effect an exchange for a common share of Ares Management, L.P. Ares Management, L.P. holds, directly or through its subsidiaries, a number of Ares Operating Group Units equal to the number of common shares that Ares Management, L.P. has issued. As a holder exchanges its Ares Operating Group Units, Ares Management, L.P.'s direct or indirect interest in the Ares Operating Group will be correspondingly increased.

Firm Use of Our Co-Founders' Private Aircraft

In the normal course of business, our personnel have made use of aircraft owned by Mr. Ressler and by Messrs. Kaplan and Rosenthal together. Messrs. Ressler, Kaplan and Rosenthal paid for their purchases of the aircraft and bear all operating, personnel and maintenance costs associated with their operation for personal use. Payment by us or certain of our affiliates for the business use of these aircraft by Messrs. Ressler, Kaplan and Rosenthal and other of our personnel is generally made at market rates, which totaled $234,780 during 2017 for Mr. Ressler, and $238,954 for each of Messrs. Kaplan and Rosenthal during 2017 with respect to their shared aircraft.

Co-Investments and Other Investment Transactions

Our senior professionals have the opportunity to invest their own capital alongside certain of our funds' limited partners in a particular fund. Co-investments are investments in a fund on the same terms and conditions as fund investors, except that generally these co-investments are not subject to management fees or carried interest. These investment opportunities are available to our senior professionals and for other professionals associated with the activities of such fund whom we have determined to have a status that reasonably permits us to offer them these types of investments in compliance with applicable laws. See "Item 1. Business—Capital Invested In and Through Our Funds."

During the year ended December 31, 2017 , the following executive officers and directors (and their family members and estate planning vehicles) invested their own capital in and alongside our funds: Mr. Arougheti invested an aggregate of $2,394,224; Mr. Kaplan invested an aggregate of $6,910,670; Mr. Kissick invested an aggregate of $6,956,742; Mr. Ressler invested an aggregate of $11,280,323; Mr. Rosenthal invested an aggregate of $6,910,669; Mr. McFerran invested an aggregate of $154,763; and Mr. Weiner invested an aggregate of $619,653. During the year ended December 31, 2017 , the following executive officers and directors (and their family members and estate planning vehicles) received distributions from our funds as a result of their invested capital: Mr. Arougheti received $2,969,296; Mr. Kaplan received $5,297,263; Mr. Kissick received $9,750,740; Mr. Ressler received $17,745,905; Mr. Rosenthal received $5,292,438; and Mr. Weiner received $1,209,407.

Securities of Publicly Traded Vehicles

From time to time, our managed funds, senior professionals and directors may have the opportunity to purchase securities of our publicly traded vehicles in connection with certain offerings made by such entities. During the year ended December 31, 2017 , none of the entities, executive officers and directors (and their family members and estate planning vehicles) purchased the securities in these offerings. From time to time our executive officers and directors may also purchase the securities of our publicly traded funds in market transactions.

Statement of Policy Regarding Transactions with Related Persons

The audit committee of the board of directors of our general partner is charged with reviewing for approval or ratification all transactions with "related persons" (as defined in paragraph (a) of Item 404 Regulation S-K) that are brought to the audit committee's attention.

Indemnification

Our partnership agreement provides that in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts on an after tax basis: our general partner, any departing general partner, any person who is or was a tax matters partner, member, manager, officer or director of our general partner or any departing general partner, any member, manager officer or director of our general partner or any departing general partner who is or was serving at the request of our general partner or any departing general partner as a director, officer, manager,

employee, trustee, fiduciary, partner, tax matters partner, member, representative, agent or advisor of another person, any person who controls our general partner or any departing general partner, any person who is named in our Form S-1 filed with the SEC on April 22, 2014 as being or about to become a director or of our general partner and any person our general partner in its sole discretion designates as an "indemnitee" for purposes of our partnership agreement. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that these persons acted in bad faith or with criminal intent. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. The general partner is not personally liable for, and does not have any obligation to contribute or loan funds or assets to us to enable it to effectuate, indemnification. We purchased insurance against liabilities asserted against and expenses incurred by persons for our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

Item 14. Principal Accountant Fees and Services

The following table sets forth the aggregate fees for professional service provided by our independent registered public accounting firm, Ernst & Young LLP, for the years ended December 31, 2017 and 2016 :

	For the Year Ended December 31,			
	2017		2016	
	The Company	Ares Funds	The Company	Ares Funds
	(Dollars in thousands)			
Audit fees(1)	$ 3,319	$ 7,841	$ 3,363	$ 6,739
Audit-related fees(2)	701	2,538	—	2,704
Tax fees(3)	101	324	70	221
All other fees(4)	18	—	—	—
Total	$ 4,139	$ 10,703	$ 3,433	$ 9,664

(1) Audit fees consisted of fees for services related to the annual audit of our consolidated financial statements, reviews of our interim consolidated financial statements on Form 10-Q, SEC registration statements, accounting consultations and services that are normally provided in connection with statutory and regulatory filings and engagements.

(2) Audit-related fees consisted of fees related to financial due diligence services in connection with internal controls readiness assessment, attestation services and agreed-upon procedures, as well as acquisitions of portfolio companies for investment by funds managed by the Company and the Ares Funds.

(3) Tax fees consisted of fees related to tax compliance and tax advisory services.

(4) All other fees consisted of advisory services related to regulatory matters.

In accordance with our audit committee charter, the audit committee is required to approve, in advance, all audit and non-audit services to be provided by our independent registered public accounting firm, Ernst & Young LLP. All services reported in the Audit, Audit-related, Tax and All other categories above were approved by the audit committee. Our audit committee charter is available on our website at www.aresmgmt.com under the "Investor Resources—Corporate Governance" section.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

(a) Documents Filed with Report:

Report of Independent Registered Public Accounting Firm
Consolidated Statements of Financial Condition as of December 31, 2017 and 2016
Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015
Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015
Consolidated Statements of Changes in Equity for the years ended December 31, 2017, 2016 and 2015
Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015
Notes to Consolidated Financial Statements

(b) Exhibits.

The following is a list of all exhibits filed or furnished as part of this report.

Exhibit No.	Description
3.1	Certificate of Limited Partnership of Ares Management, L.P. (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-36429, filed with the SEC on February 29, 2016).
3.2*	Third Amended and Restated Limited Partnership Agreement of Ares Management, L.P., dated March 1, 2018.
4.1	Indenture dated as of October 8, 2014 among Ares Finance Co. LLC, Ares Management, L.P., Ares Holdings Inc., Ares Domestic Holdings Inc., Ares Real Estate Holdings LLC, Ares Holdings L.P., Ares Domestic Holdings L.P., Ares Investments L.P., Ares Real Estate Holdings L.P., Ares Management LLC, Ares Investments Holdings LLC and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on October 8, 2014).
4.2	First Supplemental Indenture dated as of October 8, 2014 among Ares Finance Co. LLC, Ares Management, L.P., Ares Holdings Inc., Ares Domestic Holdings Inc., Ares Real Estate Holdings LLC, Ares Holdings L.P., Ares Domestic Holdings L.P., Ares Investments L.P., Ares Real Estate Holdings L.P., Ares Management LLC, Ares Investments Holdings LLC and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on October 8, 2014).
4.3	First Amendment, dated as of August 7, 2015, to the First Supplemental Indenture, dated October 8, 2014, to the indenture, dated October 8, 2014, among Ares Finance Co. LLC, the guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on August 7, 2015).
4.4	Form of 4.000% Senior Note due 2024 (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on October 8, 2014).
4.5*	Amended Form of 7.00% Series A Preferred Share Certificate.
10.1	Amended and Restated Limited Partnership Agreement of Ares Holdings L.P., dated June 8, 2016 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on June 9, 2016).
10.2	Second Amended and Restated Limited Partnership Agreement of Ares Offshore Holdings L.P. dated June 8, 2016 (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on June 9, 2016).
10.3	Amended and Restated Limited Partnership Agreement of Ares Investments L.P. dated June 8, 2016 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on June 9, 2016).
10.4	Form of Investor Rights Agreement (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1/A (File No. 333-194919) filed with the SEC on April 16, 2014).
10.5	2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 7, 2014). #

Exhibit No.	Description
10.6	Second Amended and Restated Exchange Agreement, dated as of April 3, 2017 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36429) filed with the SEC on May 8, 2017).
10.7	Tax Receivable Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 7, 2014).
10.8	Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1/A (File No. 333-194919) filed with the SEC on April 28, 2014).
10.9	Amendment No. 1, dated as of July 15, 2014, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36429) filed with the SEC on November 12, 2014).
10.10	Amendment No. 2, dated as of September 24, 2014, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 001-36429) filed with the SEC on November 12, 2014).
10.11	Amendment No. 3, dated as of July 23, 2015, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on July 28, 2015).
10.12	Amendment No. 4, dated as of August 5, 2015, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on August 7, 2015).
10.13	Amendment No. 5, dated as of December 16, 2015, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on December 21, 2015).
10.14	Amendment No. 6, dated as of May 23, 2016, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings LLC, Ares Domestic Holdings L.P., Ares Investments LLC, Ares Real Estate Holdings L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 26, 2016).
10.15	Amendment No. 7, dated as of February 24, 2017, to the Sixth Amended and Restated Credit Agreement, dated as of April 21, 2014, by and among Ares Holdings L.P., Ares Investments L.P., the Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 001-36429, filed with the SEC on February 27, 2017).
10.16	Restated Investment Advisory and Management Agreement between Ares Capital Corporation and Ares Capital Management LLC, dated as of June 6, 2011 (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1/A (File No. 333-194919) filed with the SEC on April 16, 2014).
10.17	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1/A (File No. 333-194919) filed with the SEC on April 22, 2014). #
10.18	Form of Restricted Unit Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 001-36429, filed with the SEC on February 27, 2017). # .
10.19	Form of Option Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 7, 2014). #
10.20	Form of Phantom Unit Agreement under the 2014 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 7, 2014). #
10.21	Form of ARCC Incentive Fee Award (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1/A (File No. 333-194919) filed with the SEC on April 11, 2014).

Exhibit No.	Description
10.22	Form of Amended and Restated Limited Partnership Agreement of Carry Vehicles (incorporated by reference to Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-36429, filed with the SEC on February 29, 2016).
10.23	Form of Supplemental Award Agreement for Carried Interest (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015 (File No. 001-36429, filed with the SEC on February 29, 2016).
10.24	Form of Annual Incentive Fee Award Letter (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 001-36429, filed with the SEC on February 27, 2017).
10.25	Form of Deferred Restricted Unit Agreement (incorporated by reference to Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2016 (File No. 001-36429, filed with the SEC on February 27, 2017).
10.26	Offer Letter for Michael R. McFerran, dated March 10, 2015 (incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K (File No. 001-36429) filed with the SEC on March 20, 2015).
10.27	Transaction Support and Fee Waiver Agreement, dated May 23, 2016, between Ares Capital Corporation and Ares Capital Management LLC (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on May 26, 2016).
21.1*	Subsidiaries of Ares Management, L.P.
23.1*	Consent of Ernst and Young LLP.
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
99.1	Second Amended and Restated Agreement of Limited Liability Company of the General Partner of the Registrant (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K (File No. 001-36429) filed with the SEC on June 9, 2016).
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.
# Denotes a management contract or compensation plan or arrangement.

Item 16. Summary of 10-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, *thereunto* duly authorized.

ARES MANAGEMENT, L.P.

	By:	Ares Management GP LLC, its general partner
Dated: March 1, 2018	By:	/s/ Michael J Arougheti
		Michael J Arougheti
		Co-Founder, Chief Executive Officer & President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By:	/s/ Antony P. Ressler		
	Name:	Antony P. Ressler	Dated: March 1, 2018
	Title:	Executive Chairman & Co-Founder	
By:	/s/ Michael J Arougheti		
	Name:	Michael J Arougheti	Dated: March 1, 2018
	Title:	Director, Co-Founder, Chief Executive Officer & President (Principal Executive Officer)	
By:	/s/ Michael R. McFerran		
	Name:	Michael R. McFerran	Dated: March 1, 2018
	Title:	Chief Financial Officer & Chief Operating Officer (Principal Financial and Accounting Officer)	
By:	/s/ David B. Kaplan		
	Name:	David B. Kaplan	Dated: March 1, 2018
	Title:	Director, Co-Founder & Partner	
By:	/s/ John H. Kissick		
	Name:	John H. Kissick	Dated: March 1, 2018
	Title:	Director, Co-Founder & Partner	
By:	/s/ Bennett Rosenthal		
	Name:	Bennett Rosenthal	Dated: March 1, 2018
	Title:	Director, Co-Founder & Partner	
By:	/s/ Paul G. Joubert		
	Name:	Paul G. Joubert	Dated: March 1, 2018
	Title:	Director	
By:	/s/ Michael Lynton		
	Name:	Michael Lynton	Dated: March 1, 2018
	Title:	Director	
By:	/s/ Judy D. Olian		
	Name:	Dr. Judy D. Olian	Dated: March 1, 2018
	Title:	Director	

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Unitholders of Ares Management, L.P.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Ares Management, L.P. (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2011.

Los Angeles, California
March 1, 2018

Ares Management, L.P.

Consolidated Statements of Financial Condition

(Amounts in Thousands, Except Unit Data)

	As of December 31,	
	2017	**2016**
Assets		
Cash and cash equivalents	$ 118,929	$ 342,861
Investments	647,335	468,471
Performance fees receivable	1,099,847	759,099
Due from affiliates	165,750	162,936
Deferred tax asset, net	8,326	6,731
Other assets	107,730	65,565
Intangible assets, net	40,465	58,315
Goodwill	143,895	143,724
Assets of Consolidated Funds:		
Cash and cash equivalents	556,500	455,280
Investments, at fair value	5,582,842	3,330,203
Due from affiliates	15,884	3,592
Dividends and interest receivable	12,568	8,479
Receivable for securities sold	61,462	21,955
Other assets	1,989	2,501
Total assets	**$ 8,563,522**	**$ 5,829,712**
Liabilities		
Accounts payable, accrued expenses and other liabilities	$ 81,955	$ 83,336
Accrued compensation	27,978	131,736
Due to affiliates	14,642	17,564
Performance fee compensation payable	846,626	598,050
Debt obligations	616,176	305,784
Liabilities of Consolidated Funds:		
Accounts payable, accrued expenses and other liabilities	64,316	21,056
Payable for securities purchased	350,145	208,742
CLO loan obligations, at fair value	4,963,194	3,031,112
Fund borrowings	138,198	55,070
Total liabilities	**7,103,230**	**4,452,450**
Commitments and contingencies		
Preferred equity (12,400,000 units issued and outstanding at December 31, 2017 and 2016)	**298,761**	**298,761**
Non-controlling interest in Consolidated Funds	**528,488**	**338,035**
Non-controlling interest in Ares Operating Group entities	**358,186**	**447,615**
Controlling interest in Ares Management, L.P.:		
Partners' Capital (82,280,033 units and 80,814,732 units, issued and outstanding at December 31, 2017 and 2016, respectively)	279,065	301,790
Accumulated other comprehensive (benefit) loss, net of tax	(4,208)	(8,939)
Total controlling interest in Ares Management, L.P.	**274,857**	**292,851**
Total equity	**1,460,292**	**1,377,262**
Total liabilities, non-controlling interests and equity	**$ 8,563,522**	**$ 5,829,712**

See accompanying notes to consolidated financial statements.

Ares Management, L.P.

Consolidated Statements of Operations

(Amounts in Thousands, Except Unit Data)

	For the Years Ended December 31,		
	2017	2016	2015
Revenues			
Management fees (includes ARCC Part I Fees of $105,467, $121,181 and $121,491 for the years ended December 31, 2017, 2016 and 2015, respectively)	$ 722,419	$ 642,068	$ 634,399
Performance fees	636,674	517,852	150,615
Administrative, transaction and other fees	56,406	39,285	29,428
Total revenues	**1,415,499**	**1,199,205**	**814,442**
Expenses			
Compensation and benefits	514,109	447,725	414,454
Performance fee compensation	479,722	387,846	111,683
General, administrative and other expenses	196,730	159,776	224,798
Transaction support expense	275,177	—	—
Expenses of Consolidated Funds	39,020	21,073	18,105
Total expenses	**1,504,758**	**1,016,420**	**769,040**
Other income (expense)			
Net realized and unrealized gain on investments	67,034	28,251	17,009
Interest and dividend income	12,715	23,781	14,045
Interest expense	(21,219)	(17,981)	(18,949)
Debt extinguishment expense	—	—	(11,641)
Other income, net	19,470	35,650	21,680
Net realized and unrealized gain (loss) on investments of Consolidated Funds	100,124	(2,057)	(24,616)
Interest and other income of Consolidated Funds	187,721	138,943	117,373
Interest expense of Consolidated Funds	(126,727)	(91,452)	(78,819)
Total other income	**239,118**	**115,135**	**36,082**
Income before taxes	149,859	297,920	81,484
Income tax (benefit) expense	(23,052)	11,019	19,064
Net income	**172,911**	**286,901**	**62,420**
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	**60,818**	**3,386**	**(5,686)**
Less: Net income attributable to redeemable interests in Ares Operating Group entities	**—**	**456**	**338**
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**35,915**	**171,251**	**48,390**
Net income attributable to Ares Management, L.P.	**76,178**	**111,808**	**19,378**
Less: Preferred equity distributions paid	**21,700**	**12,176**	**—**
Net income attributable to Ares Management, L.P. common unitholders	**$ 54,478**	**$ 99,632**	**$ 19,378**
Net income attributable to Ares Management, L.P. per common unit:			
Basic	**$ 0.62**	**$ 1.22**	**$ 0.23**
Diluted	**$ 0.62**	**$ 1.20**	**$ 0.23**
Weighted-average common units:			
Basic	**81,838,007**	**80,749,671**	**80,673,360**
Diluted	**81,838,007**	**82,937,030**	**80,673,360**
Distribution declared and paid per common unit	**$ 1.13**	**$ 0.83**	**$ 0.88**

Substantially all revenue is earned from affiliated funds of the Company. See accompanying notes to consolidated financial statements.

Ares Management, L.P.
Consolidated Statements of Comprehensive Income
(Amounts in Thousands)

	For the Years Ended December 31,		
	2017	2016	2015
Net income	$ 172,911	$ 286,901	$ 62,420
Other comprehensive income:			
Foreign currency translation adjustments, net of tax	13,927	(15,754)	(8,638)
Total comprehensive income	186,838	271,147	53,782
Less: Comprehensive income (loss) attributable to non-controlling interests in Consolidated Funds	62,165	3,336	(5,834)
Less: Comprehensive income attributable to redeemable interests in Ares Operating Group entities	—	409	302
Less: Comprehensive income attributable to non-controlling interests in Ares Operating Group entities	43,764	159,914	43,169
Comprehensive income attributable to Ares Management, L.P.	**$ 80,909**	**$ 107,488**	**$ 16,145**

See accompanying notes to consolidated financial statements.

Ares Management, L.P.
Consolidated Statements of Changes in Equity
(Amounts in Thousands)

	Preferred Equity	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Non-controlling interest in Ares Operating Group Entities	Equity Appropriated for Consolidated Funds	Non-Controlling Interest in Consolidated Funds	Total Equity
Balance at December 31, 2014	**$ —**	**$ 285,025**	**$ (1,386)**	**$ 463,493**	**$ (37,926)**	**$ 4,988,729**	**$ 5,697,935**
Cumulative effect of accounting change due to the adoption of ASU 2015-02	—	—	—	—	25,352	(4,651,189)	(4,625,837)
Relinquished with deconsolidation of funds	—	—	—	—	—	1,652	1,652
Changes in ownership interests	—	7,280	—	(7,362)	—	—	(82)
Deferred tax liabilities arising from allocation of contributions and Partners' capital	—	(735)	—	(97)	—	—	(832)
Contributions	—	—	—	85	—	88,567	88,652
Issuance of AOG Units in connection with acquisitions	—	—	—	25,468	—	—	25,468
Distributions	—	(70,999)	—	(145,763)	—	(85,746)	(302,508)
Net income (loss)	—	19,378	—	48,390	16,089	(21,775)	62,082
Currency translation adjustment	—	—	(3,233)	(5,221)	(148)	—	(8,602)
Equity compensation	—	11,588	—	18,890	—	—	30,478
Balance at December 31, 2015	**—**	**251,537**	**(4,619)**	**397,883**	**3,367**	**320,238**	**968,406**
Cumulative effect of accounting change due to the adoption of ASU 2014-13	—	—	—	—	(3,367)	—	(3,367)
Issuance of preferred equity	298,761	—	—	—	—	—	298,761
Changes in ownership interests	—	1,446	—	(2,327)	—	—	(881)
Reallocation of equity due to redemption of ownership interest	—	1,276	—	2,061	—	—	3,337
Deferred tax assets effects arising from allocation of Partners' capital	—	724	—	3	—	—	727
Contributions	—	—	—	—	—	132,932	132,932
Distributions	(12,176)	(67,041)	—	(132,961)	—	(118,471)	(330,649)
Net income	12,176	99,632	—	171,251	—	3,386	286,445
Currency translation adjustment	—	—	(4,320)	(11,337)	—	(50)	(15,707)
Equity compensation	—	14,216	—	23,042	—	—	37,258
Balance at December 31, 2016	**298,761**	**301,790**	**(8,939)**	**447,615**	**—**	**338,035**	**1,377,262**
Changes in ownership interests	—	(5,370)	—	(10,286)	—	—	(15,656)
Deferred tax liabilities effects arising from allocation of Partners' capital		(6,609)		89			(6,520)
Contributions	—	1,036	—	4,213	—	190,154	195,403
Distributions	(21,700)	(92,587)	—	(169,069)	—	(61,866)	(345,222)
Net income	21,700	54,478	—	35,915	—	60,818	172,911
Currency translation adjustment	—	—	4,731	7,849	—	1,347	13,927
Equity compensation	—	26,327	—	41,860	—	—	68,187
Balance at December 31, 2017	**$ 298,761**	**$ 279,065**	**$ (4,208)**	**$ 358,186**	**$ —**	**$ 528,488**	**$ 1,460,292**

See accompanying notes to consolidated financial statements.

Ares Management, L.P.
Consolidated Statements of Cash Flows
(Amounts in Thousands)

	For the Years Ended December 31,		
	2017	**2016**	**2015**
Cash flows from operating activities:			
Net income	**$ 172,911**	**$ 286,901**	**$ 62,420**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Equity compensation expense	69,711	39,065	32,244
Depreciation and amortization	32,809	37,455	55,275
Debt extinguishment expenses	—	—	11,641
Net realized and unrealized gain on investments	(67,034)	(28,251)	(17,009)
Contingent consideration	(20,156)	(17,674)	(21,064)
Other non-cash amounts	(1,731)	—	10
Investments purchased	(257,295)	(120,413)	(150,231)
Proceeds from sale of investments	154,278	145,439	59,979
Allocable to non-controlling interests in Consolidated Funds:			
Receipt of non-cash interest income and dividends from investments	(453)	(7,720)	(8,288)
Net realized and unrealized (gain) loss on investments	(100,124)	2,057	24,616
Amortization on debt and investments	(4,017)	(4,566)	(1,197)
Investments purchased	(4,058,936)	(2,263,891)	(1,643,079)
Proceeds from sale or pay down of investments	2,303,315	1,498,398	1,049,765
Cash flows due to changes in operating assets and liabilities:			
Net performance fees receivable	(90,444)	(28,306)	20,611
Due to/from affiliates	(2,483)	(26,000)	8,017
Other assets	(28,674)	(162)	32,232
Accrued compensation and benefits	(105,109)	9,181	(6,028)
Accounts payable, accrued expenses and other liabilities	14,559	5,328	(37,194)
Deferred taxes	(8,112)	(28,463)	1,427
Allocable to non-controlling interest in Consolidated Funds:			
Change in cash and cash equivalents held at Consolidated Funds	(101,224)	(295,769)	1,154,889
Cash acquired/relinquished with consolidation/deconsolidation of Consolidated Funds	198,297	—	(870,390)
Change in other assets and receivables held at Consolidated Funds	(48,837)	3,872	(1,444)
Change in other liabilities and payables held at Consolidated Funds	85,654	167,864	(285,188)
Net cash used in operating activities	**(1,863,095)**	**(625,655)**	**(527,986)**
Cash flows from investing activities:			
Acquisitions, net of cash acquired	—	—	(64,437)
Purchase of furniture, equipment and leasehold improvements, net	(33,160)	(11,913)	(10,676)
Net cash used in investing activities	**(33,160)**	**(11,913)**	**(75,113)**
Cash flows from financing activities:			
Proceeds from debt issuance, net of offering costs	—	—	316,449
Proceeds from credit facility	455,000	147,000	185,000
Proceeds from term notes	100,459	26,036	35,250
Repayments of credit facility	(245,000)	(257,000)	(75,000)
Repayments of term notes	—	—	(328,250)
Contributions	4,213	—	—
Proceeds from the issuance of preferred equity, net of issuance costs	—	298,761	—
Distributions	(261,656)	(200,663)	(217,760)
Preferred equity distributions	(21,700)	(12,176)	—
Redemption of redeemable interest and put option liability	—	(40,000)	—
Taxes paid in net settlement of vested common units	(14,308)	—	—
Stock option exercise	1,036	—	—
Tax from share-based payment	81	—	—

Other financing activities	(1,394)	(701)	85
Allocable to non-controlling interest in Consolidated Funds:			
Contributions from non-controlling interests in Consolidated Funds	190,154	132,932	88,567
Distributions to non-controlling interests in Consolidated Funds	(61,866)	(118,471)	(85,746)
Borrowings under loan obligations by Consolidated Funds	2,949,949	1,621,514	763,811
Repayments under loan obligations by Consolidated Funds	(1,440,010)	(716,468)	(100,869)
Net cash provided by financing activities	**1,654,958**	**880,764**	**581,537**
Effect of exchange rate changes	17,365	(21,818)	(5,813)
Net change in cash and cash equivalents	(223,932)	221,378	(27,375)
Cash and cash equivalents, beginning of period	342,861	121,483	148,858
Cash and cash equivalents, end of period	**$ 118,929**	**$ 342,861**	**$ 121,483**
Supplemental information:			
Ares Management, L.P. and consolidated subsidiaries:			
Cash paid during the period for interest	$ 17,222	$ 15,390	$ 15,792
Cash paid during the period for income taxes	$ 18,034	$ 26,402	$ 13,587
Consolidated Funds:			
Cash paid during the period for interest	$ 76,889	$ 53,704	$ 43,894
Cash paid during the period for income taxes	$ 145	$ 378	$ 1,057
Non-cash increase in assets and liabilities:			
Issuance of AOG Units to non-controlling interest holders in connection with acquisitions	$ —	$ —	$ 25,468

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND BASIS OF PRESENTATION

Ares Management, L.P. ("the Company"), a Delaware limited partnership, is a leading global alternative asset management firm that operates three distinct but complementary investment groups: the Credit Group, the Private Equity Group and the Real Estate Group. Information about segments should be read together with Note 18, "Segment Reporting." Subsidiaries of the Company serve as the general partners and/or investment managers to various investment funds and managed accounts within each investment group (the "Ares Funds"), which are generally organized as pass-through entities for income tax purposes. Such subsidiaries provide investment advisory services to the Ares Funds in exchange for management fees. Ares is managed and operated by its general partner, Ares Management GP LLC. Unless the context requires otherwise, references to "Ares" or the "Company" refer to Ares Management, L.P. together with its subsidiaries.

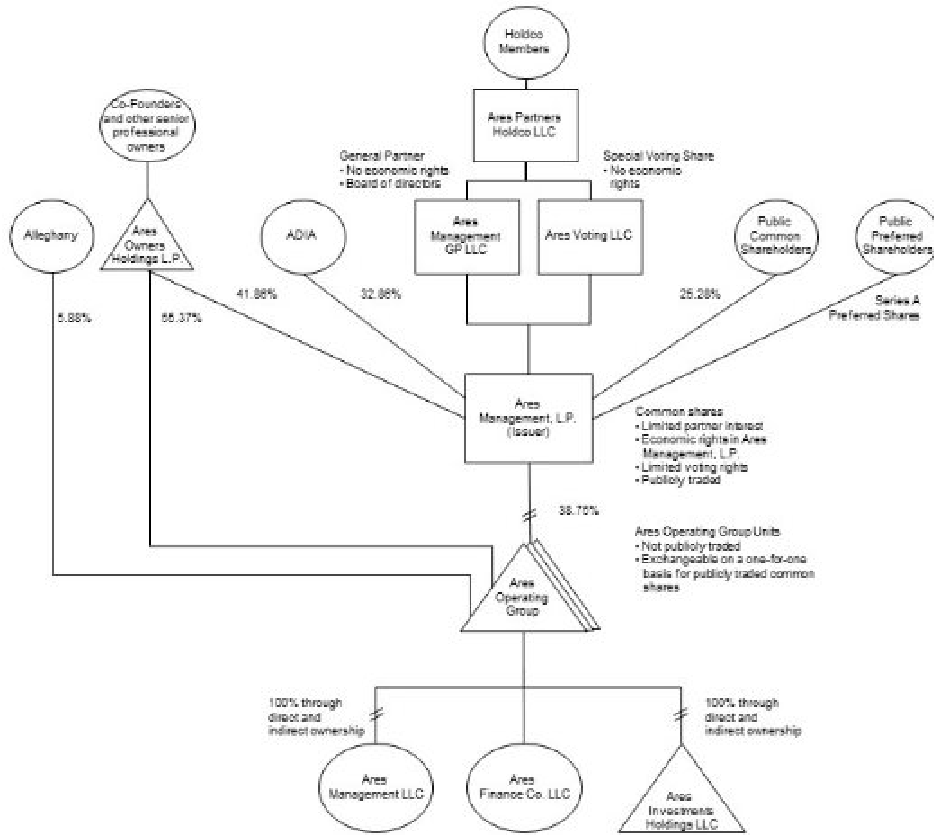
The accompanying financial statements include the consolidated results of the Company and its subsidiaries. The Company is a holding company, and the Company's sole assets are equity interests in Ares Holdings Inc. ("AHI"), Ares Offshore Holdings, Ltd., and Ares AI Holdings L.P. In this annual report, the following of the Company's subsidiaries are collectively referred to as the "Ares Operating Group": Ares Offshore Holdings L.P. ("Ares Offshore"), Ares Holdings L.P. ("Ares Holdings"), and Ares Investments L.P. ("Ares Investments"). The Company, indirectly through its wholly owned subsidiaries, is the general partner of each of the Ares Operating Group entities. The Company operates and controls all of the businesses and affairs of and conducts all of its material business activities through the Ares Operating Group.

In addition, certain Ares-affiliated funds, related co-investment entities and collateralized loan obligations ("CLOs") (collectively, the "Consolidated Funds") managed by Ares Management LLC ("AM LLC") and its wholly owned subsidiaries have been consolidated in the accompanying financial statements for the periods presented as described in Note 2, "Summary of Significant Accounting Policies." Including the results of the Consolidated Funds significantly increases the reported amounts of the assets, liabilities, revenues, expenses and cash flows in the accompanying consolidated financial statements; however, the Consolidated Funds results included herein have no direct effect on the net income attributable to controlling interests or on total controlling equity. Instead, economic ownership interests of the investors in the Consolidated Funds are reflected as non-controlling interests in Consolidated Funds and as equity appropriated for Consolidated Funds in the accompanying consolidated financial statements. Further, cash flows allocable to non-controlling interest in Consolidated Funds are specifically identifiable in the Consolidated Statements of Cash Flows.

Change in Company Structure

In July 2016, the Company simplified its existing structure and Domestic Holdings was merged with and into AHI, Ares Domestic was merged with and into Ares Holdings, and Ares Real Estate was merged with and into Ares Investments. Ares Holdings, Ares Offshore, and Ares Investments are the surviving entities and are collectively referred to as the "Ares Operating Group."

As of December 31, 2017 , the structure and ownership interests of the Company are reflected below:



Non-Controlling Interests in Ares Operating Group Entities

The non-controlling interests in the Ares Operating Group ("AOG") entities represent a component of equity and net income attributable to the owners of the AOG Units that are not held directly or indirectly by the Company. These interests are adjusted for contributions to and distributions from AOG during the reporting period and are allocated income from the AOG entities based on their historical ownership percentage for the proportional number of days in the reporting period.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Unit Data and As Otherwise Noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements are prepared in accordance with the generally accepted accounting principles in the United States ("GAAP"). The Company's Consolidated Funds are investment companies under GAAP based on the following characteristics: the Consolidated Funds obtain funds from one or more investors and provide investment management services and the Consolidated Funds' business purpose and substantive activities are investing funds for returns from capital appreciation and/or investment income. Therefore, investments of Consolidated Funds are recorded at fair value and the unrealized appreciation (depreciation) in an investment's fair value is recognized on a current basis in the Consolidated Statements of Operations. Additionally, the Consolidated Funds do not consolidate their majority-owned and controlled investments in portfolio companies. In the preparation of these consolidated financial statements, the Company has retained the investment company accounting for the Consolidated Funds under GAAP.

All of the investments held and CLO loan obligations issued by the Consolidated Funds are presented at their estimated fair values in the Company's Consolidated Statements of Financial Condition. Net income attributable to the investors in the CLOs is included in net income (loss) attributable to non-controlling interests in Consolidated Funds in the Consolidated Statements of Operations.

The Company has reclassified certain prior period amounts to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and investment income (loss) during the reporting periods. Assumptions and estimates regarding the valuation of investments involve a high degree of judgment and complexity and may have a significant impact on performance fees. Actual results could differ from these estimates and such differences could be material to the consolidated financial statements.

Principles of Consolidation

As of January 1, 2015, the Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update No. ("ASU") 2015-02, *Amendments to the Consolidation Analysis* " (see Note 19 for information regarding the impact of the adoption). Accordingly, the Company consolidates those entities in which it has a direct or indirect controlling financial interest based on either a variable interest model or voting interest model. As such, the Company consolidates (a) entities in which it holds a majority voting interest or has majority ownership and control over the operational, financial and investing decisions of that entity, including Ares affiliates and affiliated funds and co-investment entities and (b) entities that the Company concludes are variable interest entities ("VIEs"), including limited partnerships and CLOs, in which the Company has more than insignificant economic interest and power to direct the activities that most significantly impact the entities, and for which the Company is deemed to be the primary beneficiary.

The Company determines whether an entity should be consolidated by first evaluating whether it holds a variable interest in the entity. Fees that are customary and commensurate with the level of services provided by the Company, and where the Company does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered a variable interest. The Company factors in all economic interests, including proportionate interests through related parties, to determine if fees are considered a variable interest. As the Company's interests in funds are primarily management fees, performance fees, and/or insignificant direct or indirect equity interests through related parties, the Company is not considered to have a variable interest in many of these entities. Entities that are not VIEs are further evaluated for consolidation under the voting interest model ("VOE").

Variable Interest Model

An entity is considered to be a variable interest entity ("VIE") if any of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) the holders of equity investment at risk, as a group, lack either the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some equity investors are disproportionate to their obligation to absorb losses of the entity, their rights to receive returns from an entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights.

The Company consolidates all VIEs for which it is the primary beneficiary. An entity is determined to be the primary beneficiary if it holds a controlling financial interest, which is defined as having (a) the power to direct the activities of the VIE that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Company determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and continuously reconsiders the conclusion. In evaluating whether the Company is the primary beneficiary, the Company evaluates its direct and indirect economic interests in the entity. The consolidation analysis is generally performed qualitatively, however, if the primary beneficiary is not readily determinable, a quantitative analysis may also be performed. This analysis requires judgment. These judgments include: (1) determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, (2) evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity, (3) determining whether two or more parties' equity interests should be aggregated, (4) determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity and (5) evaluating the nature of relationships and activities of the parties involved in determining which party within a related-party group is most closely associated with a VIE and hence would be deemed the primary beneficiary.

Voting Interest Model

The Company consolidated entities, including limited partnerships and similar entities, in which it held a majority voting interest and those entities in which it had majority ownership and control over the operational, financial and investing decisions, including Ares affiliates and affiliated funds and co-investment entities.

The Company's total exposure to consolidated VOEs represents the value of its economic ownership interest in these entities. Valuation changes associated with investments held at fair value by these consolidated VOEs are reflected in non-operating income (expense) and partially offset in net income (loss) attributable to non-controlling interests for the portion not attributable to the Company.

Equity Appropriated for Consolidated Funds

As of December 31, 2017 and 2016 , the Company consolidated ten and seven CLOs, respectively. Effective January 1, 2016, the Company adopted ASU 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity* . The Company applied the guidance using a modified retrospective approach by recording a cumulative-effect adjustment of $3.4 million to equity appropriated for Consolidated Funds as of January 1, 2016.

Prior to the adoption of ASU 2014-13, the Company elected the fair value option for eligible liabilities to mitigate the accounting mismatch between the carrying value of the assets and liabilities of its consolidated CLOs. As a result, the Company accounted for the excess of fair value of assets over liabilities as an increase in equity appropriated for Consolidated Funds.

Pursuant to the adoption of ASU 2014-13, the Company is required to determine whether the fair values of the financial assets or financial liabilities are more observable. Beginning January 1, 2016, the Company has determined that the fair value of the financial assets of the consolidated CLOs, which are mostly Level II assets within the GAAP fair value hierarchy, are more observable than the fair value of the financial liabilities of its consolidated CLOs, which are mostly Level III liabilities within the GAAP fair value hierarchy. As a result, the financial assets of consolidated CLOs are measured at fair value and the financial liabilities of the consolidated CLOs are measured in consolidation as: (1) the sum of the fair value of the financial assets, and the carrying value of any nonfinancial assets held temporarily, less (2) the sum of the fair value of any beneficial interests retained by

the Company (other than those that represent compensation for services), and the Company's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by the Company).

The loan obligations issued by the CLOs are backed by diversified collateral asset portfolios and by structured debt or equity. In exchange for managing the collateral for the CLOs, the Company typically earns a variety of management fees, including senior and subordinated management fees, and in some cases, contingent performance fees. In cases where the Company earns fees from a fund that it consolidates with the CLOs, those fees have been eliminated as intercompany transactions. The Company's holdings in these CLOs are generally subordinated to other interests in the entities and entitle the Company to receive a pro rata portion of the residual cash flows, if any, from the entities. Additionally, the Company may invest in other senior secured notes, which are repaid based on available cash flows subject to priority of payments under each consolidated CLO's governing documents. Investors in the CLOs generally have no recourse against the Company for any losses sustained in the capital structure of each CLO.

Business Combinations

In accounting for business acquisitions, the Company separates recognition of goodwill from the assets acquired and the liabilities assumed, at the acquisition date fair values. The Company accounts for business combinations using the acquisition method of accounting by allocating the purchase price of the acquisition to the fair value of each asset acquired and liability assumed as of the acquisition date. Contingent consideration obligations are recognized as of the acquisition date at fair value based on the probability that contingency will be realized. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Acquisition-related costs in connection with a business combination are expensed as incurred.

Management's determination of fair value of assets acquired and liabilities assumed at the acquisition date as well as contingent consideration are based on the best information available in the circumstances, and may incorporate management's own assumptions and involve a significant degree of judgment and estimates that are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

For a given acquisition, management may identify certain pre-acquisition contingencies as of the acquisition date and may extend the review and evaluation of these pre-acquisition contingencies throughout the measurement period to obtain sufficient information to assess whether management includes these contingencies as a part of the fair value estimates of assets acquired and liabilities assumed and, if so, to determine their estimated amounts. If management cannot reasonably determine the fair value of a pre-acquisition contingency by the end of the measurement period, which is generally the case given the nature of such matters, the Company will recognize an asset or a liability for such pre-acquisition contingency if: (i) it is probable that an asset existed or a liability had been incurred at the acquisition date and (ii) the amount of the asset or liability can be reasonably estimated. Subsequent to the measurement period, changes in the estimates of such contingencies would affect earnings and could have a material effect on the consolidated statements of operations and financial condition.

Fair Value Measurements

GAAP establishes a hierarchal disclosure framework that prioritizes the inputs used in measuring financial instruments at fair value into three levels based on their market observability. Market price observability is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Financial instruments with readily available quoted prices from an active market or for which fair value can be measured based on actively quoted prices generally have a higher degree of market price observability and a lesser degree of judgment inherent in measuring fair value.

Financial assets and liabilities measured and reported at fair value are classified as follows:

- *Level I* —Quoted prices in active markets for identical instruments.

- *Level II* —Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; and model-derived valuations with directly or indirectly observable significant inputs. Level II inputs include prices in markets with few transactions, non-current prices, prices for which little public information exists or prices that vary substantially over time or among brokered market makers. Other inputs include interest rates, yield curves, volatilities, prepayment risks, loss severities, credit risks and default rates.

- *Level III* —Valuations that rely on one or more significant unobservable inputs. These inputs reflect the Company's assessment of the assumptions that market participants would use to value the instrument based on the best information available.

In some instances, an instrument may fall into more than one level of the fair value hierarchy. In such instances, the instrument's level within the fair value hierarchy is based on the lowest of the three levels (with Level III being the lowest) that is significant to the fair value measurement. The Company's assessment of the significance of an input requires judgment and considers factors specific to the instrument. The Company accounts for the transfer of assets into or out of each fair value hierarchy level as of the beginning of the reporting period. (See Note 6 for further detail).

Cash and Cash Equivalents

Cash and cash equivalents for the Company includes investments with maturities at purchase of less than three months, money market funds and demand deposits. Cash and cash equivalents held at Consolidated Funds represents cash that, although not legally restricted, is not available to support the general liquidity needs of the Company, as the use of such amounts is generally limited to the investment activities of the Consolidated Funds.

As the servicer to certain real estate investments, certain subsidiaries of the Company collect escrow deposits from borrowers to ensure the borrowers' obligations are met. These escrow deposits are represented as cash and cash equivalents for the Company and are offset by escrow cash liability within accounts payable and accrued expenses in the Consolidated Statements of Financial Condition.

At December 31, 2017 and 2016 , the Company had cash balances with financial institutions in excess of Federal Deposit Insurance Corporation insured limits. The Company monitors the credit standing of these financial institutions.

Investments

The Company has retained the specialized investment company accounting guidance under GAAP with respect to its Consolidated Funds, which hold substantially all of its investments. Thus, the consolidated investments are reflected in the Consolidated Statements of Financial Condition at fair value, with unrealized appreciation (depreciation) resulting from changes in fair value reflected as a component of net change in unrealized appreciation (depreciation) on investments in the Consolidated Statements of Operations. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price).

Equity Method Investments

The Company accounts for its investments in which it has or is otherwise presumed to have significant influence, including investments in unconsolidated funds and strategic investments, using the equity method of accounting. T he carrying amounts of equity method investments are reflected in investments in the Consolidated Statements of Financial Condition. As the underlying investments of the Company's equity method investments are reported at fair value, the carrying value of the equity method investments approximates fair value. The carrying value of investments accounted for using equity method accounting is determined based on amounts invested by the Company, adjusted for the equity in earnings or losses of the investee allocated based on the respective partnership agreements, less distributions received. The Company evaluates the equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The Company's share of the investee's income and expenses for the Company's equity method investments is included within net realized and unrealized gain (loss) on investments within the Consolidated Statements of Operations.

Held-to-Maturity Investments

The Company classifies its securities investments as held-to-maturity investments when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are reported as investments and are recorded at amortized cost. On a periodic basis, the Company reviews its held-to-maturity investment portfolio for impairment. If a decline in fair value is deemed to be other-than-temporary, the held-to-maturity investment is written down by the impairment amount through earnings.

Derivative Instruments

The Company recognizes all derivatives as either assets or liabilities in the Consolidated Statements of Financial Condition within other assets or accounts payable, accrued expenses and other liabilities, respectively, and reports them at fair value.

Goodwill and Intangible Assets

The Company's finite-lived intangible assets consist of contractual rights to earn future management fees and performance fees from the acquired management contracts. Finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from approximately 3.5 to 13.5 years. The purchase price of the acquired management contract is treated as an intangible asset and is amortized over the life of the contract. Amortization is included as part of general, administrative and other expenses in the Consolidated Statements of Operations.

The Company tests finite-lived intangible assets for impairment if certain events occur or circumstances change indicating that the carrying amount of the intangible asset may not be recoverable. The Company uses a two-step process to evaluate impairment. The first step compares the estimated undiscounted future cash flow attributable to the intangible asset being evaluated with its carrying amount. The second step, used to measure the amount of potential impairment, compares the fair value of the intangible asset with its carrying amount. If an impairment is determined to exist by management, the Company accelerates amortization expense so that the carrying value represents fair value.

Goodwill represents the excess cost over identifiable net assets of an acquired business. The Company tests goodwill annually for impairment. If, after assessing qualitative factors, the Company believes that it is more likely than not that the fair value of the reporting unit is less than its carrying value, the Company will use a two-step process to evaluate impairment. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. The second step, used to measure the amount of any potential impairment, compares the implied fair value of the reporting unit with the carrying amount of goodwill.

The Company also tests goodwill for impairment in other periods if an event occurs or circumstances change such that is more likely than not to reduce the fair value of the reporting unit below its carrying amounts. Inherent in such fair value determinations are certain judgments and estimates relating to future cash flows, including the Company’s interpretation of current economic indicators and market valuations, and assumptions about the Company’s strategic plans with regard to its operations. Due to the uncertainties associated with such estimates, actual results could differ from such estimates .

Fixed Assets

Fixed assets, consisting of furniture, fixtures and equipment, leasehold improvements, and computer hardware and internal use software, are recorded at cost, less accumulated depreciation and amortization. Fixed assets are included within other assets on the Company’s Consolidated Statements of Financial Condition.

Direct costs associated with developing, purchasing or otherwise acquiring software for internal use (“Internal Use Software”) are capitalized and amortized on a straight-line basis over the expected useful life of the software, beginning when the software is ready for its intended purpose. Costs incurred for upgrades and enhancements that will not result in additional functionality are expensed as incurred.

Fixed assets are depreciated or amortized on a straight-line method over an asset's estimated useful life, with the corresponding depreciation and amortization expense included within general, administrative and other expenses on the Company’s Consolidated Statements of Operations. The estimated useful life for leasehold improvements is the lesser of the lease terms and

the life of the asset, and for other fixed assets and Internal Use Software is generally between three and seven years. Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Revenue Recognition

Revenues primarily consist of management fees, performance fees and administrative, transaction and other fees.

Management Fees

Management fees are generally based on a defined percentage of fair value of assets, total commitments, invested capital, net asset value ("NAV"), net investment income, total assets or par value of the investment portfolios managed by the Company. Principally all management fees are earned from affiliated funds of the Company. The contractual terms of management fees vary by fund structure and investment strategy. Management fees are recognized as revenue in the period advisory services are rendered, subject to the Company's assessment of collectability.

Management fees also include a quarterly performance fee on the investment income ("ARCC Part I Fees") from Ares Capital Corporation (NASDAQ: ARCC) ("ARCC"), a publicly traded business development company registered under the Investment Company Act and managed by a subsidiary of the Company.

ARCC Part I Fees are equal to 20.0% of its net investment income (before ARCC Part I Fees and incentive fees payable based on capital gains), subject to a fixed "hurdle rate" of 1.75% per quarter, or 7.0% per annum. No fee is recognized until ARCC's net investment income exceeds a 1.75% hurdle rate, with a "catch-up" provision such that the Company receives 20% of ARCC's net investment income from the first dollar earned. Such fees from ARCC are classified as management fees as they are paid quarterly, predictable and recurring in nature, not subject to contingent repayment and are typically cash settled each quarter.

Performance Fees

Performance fee revenues consist of incentive fees and carried interest. Performance fees are based on certain specific hurdle rates as defined in the applicable investment management agreements or governing documents. Substantially all performance fees are earned from affiliated funds of the Company. Performance fees receivable is presented separately in the Consolidated Statements of Financial Condition and represents performance fees recognized but not yet collected. The timing of the payment of performance fees due to the general partner or investment manager varies depending on the terms of each applicable agreement.

Incentive Fees

Incentive fees earned on the performance of certain fund structures, typically in credit funds, are recognized based on the fund's performance during the period, subject to the achievement of minimum return levels, or high water marks, in accordance with the respective terms set out in each fund's investment management agreement. Incentive fees are recorded on an accrual basis to the extent such amounts are contractually due. Accrued but unpaid incentive fees as of the reporting date are recorded in performance fees receivable in the Consolidated Statements of Financial Condition. Incentive fees are realized at the end of a measurement period, typically annually. Once realized, such fees are not subject to reversal.

Carried Interest

In certain fund structures, typically in private equity and real estate equity funds, carried interest is allocated to the Company based on cumulative fund performance to date, subject to the achievement of minimum return levels in accordance with the respective terms set out in each fund's investment management agreement. At the end of each reporting period, a fund will allocate carried interest applicable to the Company based upon an assumed liquidation of that fund's net assets on the reporting date, irrespective of whether such amounts have been realized. Carried interest is recorded to the extent such amounts have been allocated, and may be subject to reversal to the extent that the amount allocated exceeds the amount due to the general partner or investment manager based on a fund's cumulative investment returns.

As the fair value of underlying assets varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (i) positive performance resulting in an increase in the carried interest allocated to the Company or (ii) negative performance that would cause the amount due to the Company to be less than the amount previously

recognized as revenue, resulting in a negative adjustment to carried interest allocated to the Company. Accrued but unpaid carried interest as of the reporting date is recorded in performance fees receivable in the Consolidated Statements of Financial Condition.

Carried Interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the specific hurdle rates as defined in the applicable investment management agreements or governing documents. Since carried interest is subject to reversal, the Company may need to accrue for potential repayment of previously received carried interest. This accrual represents all amounts previously distributed to the Company that would need to be repaid to the funds if the funds were to be liquidated based on the current fair value of the underlying funds' investments as of the reporting date. The actual repayment obligations, however, generally does not become realized until the end of a fund's life. As of December 31, 2017 and 2016 , the Company had no accrued contingent repayment obligations that would need to be paid if the funds were liquidated at fair value at the reporting dates.

Administrative, Transaction and Other Fees

The Company provides administrative services to certain of its affiliated funds that are reported within administrative and other fees. The administrative fees generally represent expense reimbursements for a portion of overhead and other expenses incurred by certain Operations Management Group professionals directly attributable to performing services for a fund but may also be based on a fund's NAV for certain funds domiciled outside the U.S. The Company also receives transaction fees from certain affiliated funds for activities related to fund transactions, such as loan originations. These fees are recognized as other revenue in the period in which the administrative services and the transaction related services are rendered.

Equity-Based Compensation

The Company recognizes expense related to equity-based compensation in which it receives employee services in exchange for (a) equity instruments of the Company, (b) derivatives based on the Company's common units or (c) liabilities that are based on the fair value of the Company's equity instruments. Equity-based compensation expense represents expenses associated with restricted units, options and phantom units granted under the Ares Management, L.P. 2014 Equity Incentive Plan ("Equity Incentive Plan").

Equity-based compensation expense for restricted units and options is determined based on the fair value of the respective equity award on the grant date and is recognized on a straight-line basis over the requisite service period, with a corresponding increase in partners' capital. Grant date fair value of the restricted units was determined to be the most recent closing price of common units. Certain restricted units are subject to a lock-up provision that expires on the fifth anniversary of the IPO. The Company used Finnerty's average strike-price put option model to estimate the discount associated with this lack of marketability. The Company estimated the grant date fair value of the options as of the grant date using Black-Scholes option pricing model. The phantom units will be settled in cash and therefore represent a liability that is required to be remeasured at each reporting period. Fair value of phantom units was determined to be the most recent closing price each reporting period.

In 2016, the Company adopted ASU 2016-09, *Compensation - Stock Compensation (Topic 718)* . In accordance with ASU 2016-09, the Company elected to recognize share-based award forfeitures in the period they occur as a reversal of previously recognized compensation expense. The reduction in compensation expense is determined based on the specific awards forfeited during that period.

The Company records deferred tax assets or liabilities for equity compensation plan awards based on deductions for income tax purposes of equity-based compensation recognized at the statutory tax rate in the jurisdiction in which the Company is expected to receive a tax deduction. In addition, differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the Company's income tax returns are recorded as adjustments to partners' capital. If the tax deduction is less than the deferred tax asset, the calculated shortfall reduces the pool of excess tax benefits. If the pool of excess tax benefits is reduced to zero, then subsequent shortfalls would increase the income tax expense.

Equity-based compensation expense is presented within compensation and benefits in the Consolidated Statements of Operations.

Performance Fee Compensation

The Company has agreed to pay a portion of the performance fees earned from certain funds, including income from

Consolidated Funds that is eliminated in consolidation, to investment and non-investment professionals. Depending on the nature of each fund, the performance fee allocation may be structured as a fixed percentage subject to vesting based on continued employment or service (generally over a period of five years) or as an annual award that is fully vested for the particular year. Other limitations may apply to performance fee allocation as set forth in the applicable governing documents of the fund or award documentation. Performance fee compensation is recognized in the same period that the related performance fee is recognized. Performance fee compensation can be reversed during periods when there is a decline in performance fees that were previously recognized.

Performance fee compensation payable represents the amounts payable to professionals who are entitled to a proportionate share of performance fees in one or more funds. The liability is calculated based upon the changes to realized and unrealized performance fees but not payable until the performance fee itself is realized.

Interest and Dividend Income

Interest, dividends and other investment income are included in interest and dividend income. Interest income is recognized on an accrual basis to the extent that such amounts are expected to be collected using the effective interest method. Dividends and other investment income are recorded when the right to receive payment is established .

Net Realized and Unrealized Gain (Loss) on Investments

Realized gain (loss) occurs when the Company redeems all or a portion of its investment or when the Company receives cash income, such as dividends or distributions. Unrealized appreciation (depreciation) results from changes in the fair value of the underlying investment as well as the reversal of previously recognized unrealized appreciation (depreciation) at the time an investment is realized. Realized and unrealized gains (losses) are presented together as net realized and unrealized gain (loss) on investments in the Consolidated Statements of Operations. Also, the Company’s share of the investee’s income and expenses for the Company’s equity method investments is included within net realized and unrealized gain (loss) on investments.

Foreign Currency

The U.S. dollar is the Company's functional currency; however, certain transactions of the Company may not be denominated in U.S. dollars. Foreign exchange revaluation arising from these transactions is recognized within other income (expense) in the Consolidated Statements of Operations. For the years ended December 31, 2017 and 2015 , the Company recognized $1.7 million and $0.3 million , respectively, in transaction losses related to foreign currencies revaluation. For the year ended December 31, 2016 , the Company recognized $16.2 million in transaction gain related to foreign currencies revaluation.

In addition, the combined and consolidated results include certain foreign subsidiaries and Consolidated Funds that use functional currencies other than the U.S. dollar. Assets and liabilities of these foreign subsidiaries are translated to U.S. dollars at the prevailing exchange rates as of the reporting date. Income and expense and gain and loss transactions denominated in foreign currencies are generally translated into U.S. dollars monthly using the average exchange rates during the respective transaction period. Translation adjustments resulting from this process are recorded to currency translation adjustment in accumulated other comprehensive income.

Income Taxes

Prior to the Effective Date (defined below), a substantial portion of the Company’s earnings flow through to owners of the Company without being subject to entity level income taxes. Consequently, a significant portion of the Company’s earnings reflects no provision for income taxes except those for foreign, state, city and local income taxes incurred at the entity level. A portion of the Company’s operations is held through AHI, as well as corporate subsidiaries of Ares Investments, which are U.S. corporations for tax purposes. AHI is subject to U.S. corporate tax on earnings that flow through from Ares Holdings with respect to both AOG Units and preferred units at the Ares Operating Group level. Their income is subject to U.S. federal, state and local income taxes and certain of their foreign subsidiaries are subject to foreign income taxes (for which a foreign tax credit can generally offset U.S. corporate taxes imposed on the same income). A provision for corporate level income taxes imposed on AHI’s earnings is included in the Company’s tax provision. The Company’s tax provision also includes entity level income taxes incurred by certain affiliated funds and co-investment entities that are consolidated in these financial statements.

Income taxes are accounted for using the liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized as income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current and deferred tax liabilities are reported on a net basis in the Consolidated Statements of Financial Condition.

The Company analyzes its tax filing positions in all U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns for all open tax years in these jurisdictions. The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. The amount of unrecognized tax benefits ("UTBs") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. The Company recognizes both accrued interest and penalties, where appropriate, related to UTBs in general, administrative and other expenses in the Consolidated Statements of Operations.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties under GAAP. The Company reviews its tax positions quarterly and adjusts its tax balances as new information becomes available .

Income Allocation

Income (loss) before taxes is allocated based on each partner's average daily ownership of the Ares Operating Group entities for each year presented.

Earnings Per Common Unit

Basic earnings per common unit are computed by dividing income available to common unitholders by the weighted-average number of common units outstanding during the period. Income available to common unitholders represents net income attributable to Ares Management, L.P. after given effect to preferred distributions paid.

Diluted earnings per unit is computed by dividing income available to common unitholders by the weighted-average number of common units outstanding during the period, increased to include the number of additional common units that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding options to acquire units, unvested restricted units and AOG Units exchangeable for common units. The effect of potentially dilutive securities is reflected in diluted earnings per unit using the more dilutive result of the treasury stock method or the two-class method.

Unvested share-based payment awards that contain non-forfeitable rights to distribution or distribution equivalents (whether paid or unpaid) are participating securities and are considered in the computation of earnings per unit pursuant to the two-class method. Unvested restricted units that pay distribution equivalents are deemed participating securities and are included in basic and diluted earnings per unit calculation under the two-class method.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other appreciation (depreciation) affecting partners' capital that, under GAAP, are excluded from net income (loss). The Company's other comprehensive income (loss) includes foreign currency translation adjustments.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all ASUs issued. ASUs not listed below were assessed and either

determined to be not applicable or expected to have minimal impact on its consolidated financial statements.

Revenue Recognition:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The guidance includes a five-step framework that requires an entity to: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when the entity satisfies a performance obligation. This ASU provides alternative methods of adoption. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers, Deferral of the Effective Date.* ASU 2015-14 defers the effective date of ASU 2014-09 by one year to December 15, 2017 for fiscal years, and interim periods within those years, beginning after that date and permits early adoption of the standard, but not before the original effective date for fiscal years beginning after December 15, 2016. In March, April and May 2016, the FASB issued additional ASUs clarifying certain aspects of ASU 2014-09. The core principle of ASU 2014-09 was not changed by the additional guidance.

During 2016, four ASUs: ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations;* ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing;* ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients;* and ASU 2016-20 *, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* , were issued to provide clarification to previously issued revenue recognition guidance (ASU 2014-09) that has not yet been implemented. These updates are required to be adopted with ASU 2014-09, but are not expected to change its application by the Company.

The Company has substantially completed its assessment of the impact of the revenue recognition guidance. The assessment includes a detailed review of investment management agreements, establishing which agreements are expected to be in place, and understanding when revenue would be recognized under those agreements.

Accordingly, the Company has concluded that carried interests, which are a performance-based capital allocation to the Company based on cumulative fund performance to-date, represent equity method investments that are not in the scope of the amended revenue recognition guidance. Effective January 1, 2018, the Company will change its policy for recognition and measurement of carried interest. This accounting policy change will not change the timing or amount of revenue recognized related to carried interest. These amounts are currently recognized within performance fees in the Consolidated Statements of Operations. Under the equity method of accounting, the Company will recognize its allocations of carried interest or incentive fees along with the allocations proportionate to the Company's ownership in each fund. The Company will apply a full retrospective application and prior periods presented will be recast. The impact of adoption will be a reclassification of carried interest to equity income and will have no impact on net income (loss) attributable to Ares Management, L.P.

The Company has concluded that the majority of its performance-based incentive fees are within the scope of the amended revenue recognition guidance. This accounting change will delay recognition of unrealized incentive fees compared to our current accounting treatment, and it is not expected to have a material impact on the Company's consolidated financial statements.

The Company has evaluated the impact of the amended revenue recognition guidance on other revenue streams including management fees, and it is not expected to have a material impact on its consolidated financial statements. The Company has also concluded that considerations for reporting certain revenues gross versus net are not expected to have a material impact on its consolidated financial statements.

Other Guidance:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The objective of the guidance in ASU 2016-02 is to increase transparency and comparability among organizations by recognizing lease assets and liabilities in the balance sheet and disclosing key information. ASU 2016-02 amends previous lease guidance, which required a lessee to categorize and account for leases as either operating leases or capital leases, and instead requires a lessee to recognize a lease liability and a right-of-use asset on the entity's balance sheet for all leases with terms that exceed one year. The lease liability and right-of-use asset are to be carried at the present value of remaining expected future lease payments. The guidance should be applied using a modified retrospective approach. ASU 2016-02 is effective for public entities for annual reporting periods beginning after December 15,

2018 and interim periods within those reporting periods, with early adoption permitted. The Company is currently compiling all leases and right–of–use terms to evaluate the impact of this guidance on its consolidated financial statements.

In May 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* . The objective of the guidance in ASU 2016-13 is to allow entities to recognize estimated credit losses in the period that the change in valuation occurs. ASU 2016-13 requires an entity to present financial assets measured on an amortized cost basis on the balance sheet net of an allowance for credit losses. Available for sale and held to maturity debt securities are also required to be held net of an allowance for credit losses. The guidance should be applied using a modified retrospective approach. ASU 2016-13 is effective for public entities for annual reporting periods beginning after December 15, 2019 and interim periods within those reporting periods. Early adoption is permitted for annual and quarterly reporting periods beginning after December 15, 2018. The Company does not believe this guidance will have a material impact on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory.* Current GAAP prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. In addition, interpretations of this guidance have developed in practice for transfers of certain intangible and tangible assets. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes in GAAP. To more faithfully represent the economics of intra-entity asset transfers, the amendments in this ASU require that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in this ASU do not change GAAP for the pre-tax effects of an intra-entity asset transfer under ASC 810, Consolidation, or for an intra-entity transfer of inventory. The guidance should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. ASU 2016-16 is effective for public entities for annual reporting periods beginning after December 15, 2017, i ncluding interim reporting periods within those annual reporting periods with early adoption permitted. The Company does not believe this guidance will have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business.* ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist with evaluating whether a transaction should be accounted for as an acquisition or a disposal of a business. This ASU provides specific evaluation process, and factors that should be used in this determination. The guidance should be applied prospectively. ASU 2017-01 is effective for public entities for annual reporting periods beginning after December 15, 2017 and interim periods within those reporting periods, with early adoption permitted. This guidance will not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* Currently, goodwill impairment requires an entity to perform a two-step test to determine the amount of goodwill impairment. In Step 1, an entity compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the entity performs Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. ASU 2017-04 simplifies the goodwill impairment test by removing Step 2 of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The guidance should be applied prospectively. ASU 2017-04 is effective for public entities for annual reporting periods beginning after December 15, 2019 and interim periods within those reporting periods, with early adoption permitted. This guidance will not have a material impact on the Company's consolidated financial statements.

In February 2017, the FASB issued ASU 2017-05, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets.* ASU 2017-05 clarifies the application of current accounting guidance to the derecognition of nonfinancial assets, including partial sales of nonfinancial assets. This ASU specifies that an entity should allocate the consideration to each distinct asset using the guidance established in ASC 606 on allocating the transaction price to performance obligations. For partial sales of nonfinancial assets, ASU 2017-05 also requires an entity to derecognize a portion of the nonfinancial asset when the entity no longer has a controlling financial interest in the legal entity holding the asset and the entity has transferred control of the asset in accordance with ASC 606. Any noncontrolling or retained interest should be measured at fair value. The guidance should be adopted using

either a full or modified retrospective approach. ASU 2017-05 is effective for public entities for annual reporting periods beginning after December 15, 2017 and interim periods within those reporting periods, with early adoption permitted. This guidance will not have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting.* ASU 2017-09 clarifies the application of current accounting guidance to the modification of share-based compensation awards. This ASU specifies that an entity should account for the impact of an award modification in accordance with ASC Topic 718 unless all of the following conditions are met: (i) the fair value of the modified award is the same as the fair value of the original award prior to the modification; (ii) the vesting conditions of the modified award are the same as the original award prior to the modification; and (iii) the classification of the modified award as an equity instrument or liability instrument is the same as the original award. The guidance should be applied prospectively to awards modified on or after the adoption date. ASU 2017-09 is effective for public entities for annual reporting periods beginning after December 15, 2017 and interim periods within those reporting periods, with early adoption permitted. This guidance will not have a material impact on the Company's consolidated financial statements.

3. BUSINESS COMBINATIONS

Acquisition of EIF Management, LLC

In January 2015, the Company acquired of all of the outstanding membership interests of EIF Management, LLC ("EIF"), an asset manager in the U.S. power and energy assets industry. As a result of the acquisition, the Company expanded into an energy infrastructure equity strategy focused on generating long-term, cash-flowing investments in the power generation, transmission and midstream energy sector.

The acquisition date fair value of the consideration transferred totaled $149.2 million , which consisted of the following:

Cash	$	64,532
Equity (1,578,947 Ares Operating Group units)		25,468
Contingent consideration		59,171
Total	$	149,171

The Company allocated $90.6 million of the purchase price to the fair value of the acquired net assets. The remaining $58.6 million of the purchase price was recorded as goodwill. The financial results of EIF are included within the consolidated financial statements presented herein. EIF is presented within the Company's Private Equity Group segment.

The transaction included contingent consideration that is payable to EIF's former membership interest holders if Ares successfully launches a new fund ("Fund V") that meets certain revenue and fee paying commitment targets during Fund V's commitment period. The fair value of the liability for contingent consideration as of the acquisition date was approximately $59.2 million , which includes cash and equity consideration that are not subject to vesting or are fully vested, and is included in the purchase price consideration described above (see Note 11 for subsequent valuation adjustments). Additionally, in accordance with the membership interest purchase agreement, as part of the contingent consideration, the Company also agreed to grant certain equity consideration that would generally vest ratably over a period of two to five years after Fund V's final closing.

Supplemental information on an unaudited pro forma basis, as if the EIF acquisition had been consummated as of January 1, 2015 is as follows:

		Year Ended December 31, 2015
Total revenues	$	56,659
Net income attributable to Ares Management, L.P.	$	2,267
Earnings per common unit, basic and diluted	$	0.03

The unaudited pro forma supplemental information is based on estimates and assumptions, which the Company believes are reasonable. These results are not necessarily indicative of the Company's consolidated financial condition or statements of operations in future periods or the results that actually would have been realized had the Company and EIF been a combined entity during the period presented. These amounts have been calculated after applying the Company's accounting policies and adjusting the results of EIF to reflect the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had been applied on January 1, 2014, together with the consequential tax effects.

Transaction Support Expense

On January 3, 2017, ARCC and American Capital, Ltd. ("ACAS") consummated a merger transaction valued at approximately $4.2 billion (the "ARCC-ACAS Transaction"). To support the ARCC-ACAS Transaction, the Company, through its subsidiary Ares Capital Management LLC, which serves as the investment adviser to ARCC, paid $275.2 million to ACAS shareholders in accordance with the terms and conditions set forth in the merger agreement.

4. GOODWILL AND INTANGIBLE ASSETS

The following table summarizes the carrying value for the Company's intangible assets:

	Weighted Average Amortization Period as of December 31, 2017	As of December 31, 2017	As of December 31, 2016
Management contracts	2.0 years	$ 67,306	$ 111,939
Client relationships	10.5 years	38,600	38,600
Trade name	4.5 years	3,200	3,200
Intangible assets, gross		109,106	153,739
Foreign currency translation		—	(3,205)
Total intangible assets acquired		**109,106**	**150,534**
Less: accumulated amortization		(68,641)	(92,219)
Intangible assets, net		**$ 40,465**	**$ 58,315**

Amortization expense associated with intangible assets was $17.9 million , $26.6 million and $46.2 million for the years ended December 31, 2017 , 2016 and 2015 , respectively, and is presented within general, administrative and other expenses within the Consolidated Statements of Operations. During 2017, the Company removed $41.4 million of intangible assets that were fully amortized.

At December 31, 2017 , future annual amortization of finite-lived intangible assets for the years 2018 through 2022 and thereafter is estimated to be:

Year	Amortization
2018	$ 9,031
2019	4,458
2020	4,071
2021	3,987
2022	3,192
Thereafter	15,726
Total	**$ 40,465**

Goodwill

The following table summarizes the carrying value of the Company's goodwill assets:

	Credit	Private Equity	Real Estate	Total
Balance as of December 31, 2015	**$ 32,196**	**$ 58,600**	**$ 53,271**	**$ 144,067**
Foreign currency translation	—	—	(343)	(343)
Balance as of December 31, 2016	**32,196**	**58,600**	**52,928**	**143,724**
Foreign currency translation	—	—	171	171
Balance as of December 31, 2017	**$ 32,196**	**$ 58,600**	**$ 53,099**	**$ 143,895**

There was no impairment of goodwill recorded during the years ended December 31, 2017 , 2016 and 2015 . The impact of foreign currency translation is reflected within other comprehensive income.

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5. INVESTMENTS

The Company’s investments are comprised of: (i) equity method investments, (ii) other investments and (iii) held-to-maturity investments.

Investments, excluding held-to-maturity investments

	December 31,		Percentage of total investments December 31,	
	2017	2016	2017	2016
Private Investment Partnership Interests:				
Equity method private investment partnership interests(1)	$ 369,774	$ 309,512	57.1%	68.5%
Other private investment partnership interests, at fair value	80,767	53,229	12.5%	11.8%
Total private investment partnership interests	**450,541**	**362,741**	**69.6%**	**80.3%**
Collateralized Loan Obligations:				
Collateralized loan obligations, at fair value	**195,158**	**89,111**	**30.1%**	**19.7%**
Common Stock:				
Common stock, at fair value	**1,636**	**100**	**0.3%**	**0.0%**
Total investments	**$ 647,335**	**$ 451,952**		

(1) Investment or portion of the investment is denominated in foreign currency and is translated into U.S. dollars at each reporting date.

Equity Method Investments

The Company’s equity method investments include investments that are not consolidated but over which the Company exerts significant influence. The Company evaluates each of its equity method investments to determine if any were significant as defined by guidance from the United States Securities and Exchange Commission. As of and for the years ended December 31, 2017 , 2016 and 2015 , no individual equity method investment held by the Company met the significance criteria. As such, the Company is not required to present separate financial statements for any of its equity method investments.

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The following tables present summarized financial information for the Company's equity method investments for the years ended December 31, 2017 , 2016 and 2015 .

	As of December 31, 2017 and the Year then Ended			
	Credit	Private Equity	Real Estate	Total
Statement of Financial Condition(1)				
Investments	$ 5,903,009	$ 9,849,829	$ 2,997,789	$ 18,750,627
Total assets	6,435,364	10,033,790	3,174,149	19,643,303
Total liabilities	665,680	519,349	202,174	1,387,203
Total equity	5,769,684	9,514,441	2,971,975	18,256,100
Statement of Operations(1)				
Revenues	$ 603,682	$ 144,829	$ 154,967	$ 903,478
Expenses	(169,086)	(91,803)	(67,396)	(328,285)
Net realized and unrealized gain from investments	41,185	2,335,027	365,091	2,741,303
Income tax expense	(2,700)	(31,359)	(13,092)	(47,151)
Net income	**$ 473,081**	**$ 2,356,694**	**$ 439,570**	**$ 3,269,345**

	As of December 31, 2016 and the Year then Ended			
	Credit	Private Equity	Real Estate	Total
Statement of Financial Condition(1)				
Investments	$ 4,365,460	$ 8,857,500	$ 2,477,523	$ 15,700,483
Total assets	4,884,680	9,143,070	2,625,264	16,653,014
Total liabilities	522,443	197,380	510,252	1,230,075
Total equity	4,362,237	8,945,690	2,115,012	15,422,939
Statement of Operations(1)				
Revenues	$ 416,228	$ 839,723	$ 114,937	$ 1,370,888
Expenses	(107,465)	(134,573)	(77,021)	(319,059)
Net realized and unrealized gain from investments	36,316	1,489,624	171,467	1,697,407
Income tax expense	(345)	(27,587)	(5,380)	(33,312)
Net income	**$ 344,734**	**$ 2,167,187**	**$ 204,003**	**$ 2,715,924**

(1) In prior year presentation, certain funds that are equity method investments were not included in the table above. Current year presentation has been recast to show this immaterial prior period disclosure.

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	For the Year Ended December 31, 2015			
	Credit	Private Equity	Real Estate	Total
Statement of Operations(1)				
Revenues	$ 313,833	$ 350,444	$ 95,340	$ 759,617
Expenses	(60,389)	(124,216)	(65,340)	(249,945)
Net realized and unrealized gain from investments	(118,035)	243,470	86,074	211,509
Income tax expense	(3,293)	(22,004)	(13,104)	(38,401)
Net income	**$ 132,116**	**$ 447,694**	**$ 102,970**	**$ 682,780**

(1) In prior year presentation, certain funds that are equity method investments were not included in the table above. Current year presentation has been recast to show this immaterial prior period disclosure.

The Company recognized net gains related to its equity method investments of $66.8 million , $57.1 million and $23.8 million for the years ended December 31, 2017 , 2016 and 2015 , respectively, included within net realized and unrealized gain on investments, and within interest and dividend income within the Consolidated Statements of Operations.
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The material assets of the Company's equity method investments are expected to generate either long-term capital appreciation and or interest income, the material liabilities are debt instruments collateralized by, or related to, the financing of the assets and net income is materially comprised of the changes in fair value of these net assets.

Held-to-Maturity Investments

The Company classifies certain investments as held-to-maturity investments when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are reported as investments and are recorded at amortized cost. A summary of the cost and fair value of CLO notes classified as held-to maturity investments is as follows:

	As of December 31,	
	2017	2016
Amortized cost	$ —	$ 16,519
Unrealized loss, net	—	(116)
Fair value	**$ —**	**$ 16,403**

Based on the Company's ability and intent to hold the investments until maturity and the underlying credit performance of such investments, the Company has determined that the net unrealized losses are temporary impairments as of December 31, 2016 .

During the year ended December 31, 2017 , the Company redeemed its remaining held-to-maturity investments balance of $18.5 million at par, which approximated the amortized cost, with no gain or loss recognized. Redemption occurred in connection with the restructuring and refinancing of the underlying collateral facility during the year ended December 31, 2017 .

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Investments of the Consolidated Funds

Investments held in the Consolidated Funds are summarized below:

	Fair value at		Fair value as a percentage of total investments at	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
United States:				
Fixed income securities:				
Consumer discretionary	$ 1,295,732	$ 665,773	23.2%	20.0%
Consumer staples	55,073	64,840	1.0%	1.9%
Energy	176,836	45,409	3.2%	1.4%
Financials	270,520	139,285	4.8%	4.2%
Healthcare, education and childcare	449,888	246,403	8.1%	7.4%
Industrials	370,926	149,632	6.6%	4.5%
Information technology	167,089	194,394	3.0%	5.8%
Materials	185,170	139,994	3.3%	4.2%
Telecommunication services	399,617	261,771	7.2%	7.9%
Utilities	77,102	47,800	1.4%	1.4%
Total fixed income securities (cost: $3,459,318 and $1,945,977 at December 31, 2017 and 2016, respectively)	**3,447,953**	**1,955,301**	**61.8%**	**58.7%**
Equity securities:				
Energy	126	421	0.0%	0.0%
Total equity securities (cost: $2,265 and $2,872 at December 31, 2017 and 2016, respectively)	**126**	**421**	**0.0%**	**0.0%**
Partnership interests:				
Partnership interests	232,332	171,696	4.2%	5.2%
Total partnership interests (cost: $190,000 and $147,000 at December 31, 2017 and 2016, respectively)	**232,332**	**171,696**	**4.2%**	**5.2%**

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	Fair value at		Fair value as a percentage of total investments at	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Europe:				
Fixed income securities:				
Consumer discretionary	$ 604,608	$ 274,678	10.8%	8.2%
Energy	2,413	—	0.0%	—%
Consumer staples	76,361	39,197	1.4%	1.2%
Financials	81,987	28,769	1.5%	0.9%
Healthcare, education and childcare	209,569	111,589	3.8%	3.4%
Industrials	145,706	118,466	2.6%	3.6%
Information technology	21,307	49,507	0.4%	1.5%
Materials	213,395	124,629	3.8%	3.7%
Telecommunication services	182,543	118,632	3.3%	3.6%
Utilities	—	4,007	—%	0.1%
Total fixed income securities (cost: $1,545,297 and $892,108 at December 31, 2017 and 2016, respectively)	**1,537,889**	**869,474**	**27.6%**	**26.2%**
Equity securities:				
Consumer staples	—	1,517	—%	0.0%
Healthcare, education and childcare	63,155	41,329	1.1%	1.2%
Telecommunication services	—	24	—%	0.0%
Total equity securities (cost: $67,198 and $67,290 at December 31, 2017 and 2016, respectively)	**63,155**	**42,870**	**1.1%**	**1.2%**
Asia and other:				
Fixed income securities:				
Consumer discretionary	2,008	24,244	0.0%	0.7%
Financials	12,453	1,238	0.2%	0.0%
Healthcare, education and childcare	—	10,010	—%	0.3%
Telecommunication services	21,848	8,696	0.4%	0.3%
Total fixed income securities (cost: $36,180 and $46,545 at December 31, 2017 and 2016, respectively)	**36,309**	**44,188**	**0.6%**	**1.3%**
Equity securities:				
Consumer discretionary	59,630	44,642	1.1%	1.3%
Consumer staples	45,098	50,101	0.8%	1.5%
Healthcare, education and childcare	44,637	32,598	0.8%	1.0%
Industrials	16,578	16,578	0.3%	0.5%
Total equity securities (cost: $122,418 and $122,418 at December 31, 2017 and 2016, respectively)	**165,943**	**143,919**	**3.0%**	**4.3%**

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	Fair value at		Fair value as a percentage of total investments at	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Canada:				
Fixed income securities:				
Consumer discretionary	$ 6,757	$ —	0.1%	$ —
Consumer staples	15,351	5,256	0.3%	0.2%
Energy	33,715	12,830	0.6%	0.4%
Healthcare, education and childcare	—	15,509	—%	0.5%
Industrials	18,785	1,401	0.3%	0.0%
Telecommunication services	6,189	13,852	0.1%	0.4%
Total fixed income securities (cost: $80,201 and $48,274 at December 31, 2017 and 2016, respectively)	**80,797**	**48,848**	**1.4%**	**1.5%**
Equity securities:				
Consumer discretionary	5,912	164	0.1%	0.0%
Total equity securities (cost: $17,202 and $408 at December 31, 2017 and 2016, respectively)	**5,912**	**164**	**0.1%**	**0.0%**
Australia:				
Fixed income securities:				
Consumer discretionary	10,863	5,627	0.2%	0.2%
Energy	1,563	6,046	0.0%	0.2%
Industrials	—	2,926	—%	0.1%
Utilities	—	21,154	—%	0.6%
Total fixed income securities (cost: $12,714 and $37,975 at December 31, 2017 and 2016, respectively)	**12,426**	**35,753**	**0.2%**	**1.1%**
Equity Securities:				
Utilities	—	17,569	—%	0.5%
Total equity securities (cost: $0 and $18,442 at December 31, 2017 and 2016, respectively)	**—**	**17,569**	**—%**	**0.5%**
Total fixed income securities	**5,115,374**	**2,953,564**	**91.6%**	**88.8%**
Total equity securities	**235,136**	**204,943**	**4.2%**	**6.0%**
Total partnership interests	**232,332**	**171,696**	**4.2%**	**5.2%**
Total investments, at fair value	**$ 5,582,842**	**$ 3,330,203**		

At December 31, 2017 and 2016 , no single issuer or investments, including derivative instruments and underlying portfolio investments of the Consolidated Funds, had a fair value that exceeded 5.0% of the Company’s total assets.

6. FAIR VALUE

Financial Instrument Valuations

The valuation techniques used by the Company to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques applied to investments held by the Company and by the Consolidated Funds vary depending on the nature of the investment.

CLO loan obligations: The fair value of fixed income CLOs held by the Company are estimated based on various third-party pricing services or broker quotes and are classified as Level III. The Company adopted ASU 2014-13 as of January 1, 2016, under which the Company first determines whether the fair values of the financial assets or financial liabilities of its consolidated CLOs are more observable. The Company determined that the fair value of the financial assets of the consolidated CLOs, which are mostly Level II assets, are more observable than the fair value of the financial liabilities of its consolidated CLOs, which are mostly Level III liabilities. As a result, the financial assets of consolidated CLOs are measured at fair value and the financial liabilities of the consolidated CLOs are measured in consolidation as: (1) the sum of the fair value of the financial assets, and the carrying value of any nonfinancial assets held temporarily, less (2) the sum of the fair value of any beneficial interests retained by the Company (other than those that represent compensation for services), and the Company's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by the Company).

Prior to 2016, the Company had elected the fair value option to measure its CLO loan obligations as the Company had determined that the fair value of these obligations better correlated with the value of the assets held by the CLOs, which are held to provide the cash flows for the note obligations. The fair value of CLO liabilities was estimated based on various third-party pricing service and internal valuation models. The valuation models utilized discounted cash flows and took into consideration prepayment and loss assumptions, based on historical experience and projected performance, economic factors, the characteristics and condition of the underlying collateral, comparable yields for similar securities and recent trading activity. These securities were classified as Level III.

Corporate debt, bonds, bank loans and derivative instruments: The fair value of corporate debt, bonds, bank loans and derivative instruments is estimated based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs. These investments are generally classified within Level II. The Company obtains prices from independent pricing services that generally utilize broker quotes and may use various other pricing techniques, which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data. If management is only able to obtain a single broker quote, or utilize a pricing model, such securities will be classified as Level III.

Equity and equity-related securities: Securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified as Level I. Securities that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs obtained by the Company from independent pricing services are classified as Level II.

Partnership interests: The Company generally values its investments using the NAV per share equivalent calculated by the investment manager as a practical expedient to determining an independent fair value or estimates based on various valuation models of third-party pricing services, as well as internal models. The Company does not categorize within the fair value hierarchy investments where fair value is measured using the net asset value per share practical expedient.

Certain investments of the Company are valued at NAV per share of the fund. In limited circumstances, the Company may determine, based on its own due diligence and investment procedures, that NAV per share does not represent fair value. In such circumstances, the Company will estimate the fair value in good faith and in a manner that it reasonably chooses, in accordance with the requirements of GAAP. As of December 31, 2017 and 2016 , NAV per share represents the fair value of the investments for the Company and discounted cash flow analysis is used to determine the fair value for an investment held by the Consolidated Funds.

The substantial majority of the Company's private commingled funds are closed-ended, and accordingly, do not permit investors to redeem their interests other than in limited circumstances that are beyond the control of the Company, such as instances

in which retaining the interest could cause the investor to violate a law, regulation or rule. Investors in open-ended and evergreen funds have the right to withdraw their capital, subject to the terms of the respective constituent documents, over periods ranging from one month to three years. In addition, separately managed investment vehicles for a single fund investor may allow such investors to terminate the fund at the discretion of the investor pursuant to the terms of the applicable constituent documents of such vehicle.

Contingent consideration: The Company generally determines the fair value of its contingent consideration liabilities by using a discounted cash flow approach based on the most likely outcome. The most likely outcome is determined using the best information available, which may be based on one or more of the following factors: historical experience, prior period performance, current progress towards targets, probability-weighted scenarios, and management's own assumptions. The discount rate used is determined based on the weighted average cost of capital for the Company. The fair value of the Company's contingent consideration liabilities are classified as Level III. Contingent consideration liabilities are included within accounts payable, accrued expenses and other liabilities in the Consolidated Statements of Financial Condition.

Level III Valuations

In the absence of observable market prices, the Company values Level III investments using consistent valuation methodologies, typically market- or income-based approaches. The main inputs into the Company’s valuation model for Level III securities include earnings multiples (based on the historical earnings of the issuer) and discounted cash flows. The Company may also consider original transaction price, recent transactions in the same or similar instruments, completed third-party transactions in comparable instruments and other liquidity, credit and market risk factors. The quarterly valuation process for Level III investments begins with each investment or loan being valued by the investment or valuation teams. The valuations are then reviewed and approved by the valuation committee, which consists of senior members of the investment team and other senior managers. All Level III investment values are ultimately approved by the valuation committees and designated investment professionals. For certain investments, the valuation process also includes a review by independent valuation parties, at least annually, to determine whether the fair values determined by management are reasonable. Results of the valuation process are evaluated each quarter, including an assessment of whether the underlying calculations should be adjusted. In connection with this process, the Company evaluates changes in fair value measurements from period to period for reasonableness, considering items such as industry trends, general economic and market conditions and factors specific to the investment.

Certain Level III assets are valued using prices obtained from brokers or pricing vendors. The Company typically obtains one to two non-binding broker quotes. The Company seeks to obtain at least one quote directly from a broker making a market for the asset and one price from a pricing vendor for each security or similar securities. For investments where more than one quote is received, the investments are classified as Level II. For investments where only one quote is received, the investments are classified as Level III as the quoted prices may be indicative of securities that are in an inactive market, or may require adjustment for investment-specific factors or restrictions. Generally, the Company does not adjust any of the prices received from these sources but material prices are reviewed against the Company’s valuation models with a limited exception for securities that are deemed to have no value. The Company evaluates the prices obtained from brokers and pricing vendors based on available market information, including trading activity of the subject or similar securities or by performing a comparable security analysis to ensure that fair values are reasonably estimated. The Company may also perform back-testing of valuation information obtained from brokers and pricing vendors against actual prices received in transactions to validate pricing discrepancies. In addition to on-going monitoring and back-testing, the Company performs due diligence procedures over pricing vendors to understand their methodology and controls to support their use in the valuation process and to ensure compliance with required accounting disclosures.

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Fair Value of Financial Instruments Held by the Company and Consolidated Funds

The tables below summarize the financial assets and financial liabilities measured at fair value for the Company and Consolidated Funds as of December 31, 2017 :

Financial Instruments of the Company	Level I	Level II	Level III	Investments Measured at NAV	Total
Assets, at fair value					
Investments:					
Fixed income - collateralized loan obligations	$ —	$ —	$ 195,158	$ —	$ 195,158
Equity securities	520	1,116	—	—	1,636
Partnership interests	—	—	44,769	35,998	80,767
Total investments, at fair value	520	1,116	239,927	35,998	277,561
Derivatives-foreign exchange contracts	—	498	—	—	498
Total assets, at fair value	**$ 520**	**$ 1,614**	**$ 239,927**	**$ 35,998**	**$ 278,059**
Liabilities, at fair value					
Derivatives-foreign exchange contracts	$ —	$ (2,639)	$ —	$ —	$ (2,639)
Total liabilities, at fair value	**$ —**	**$ (2,639)**	**$ —**	**$ —**	**$ (2,639)**

Financial Instruments of Consolidated Funds	Level I	Level II	Level III	Total
Assets, at fair value				
Investments:				
Fixed income investments:				
Bonds	$ —	$ 82,151	$ 7,041	$ 89,192
Loans	—	4,755,335	260,848	5,016,183
Collateralized loan obligations	—	10,000	—	10,000
Total fixed income investments	—	4,847,486	267,889	5,115,375
Equity securities	72,558	—	162,577	235,135
Partnership interests	—	—	232,332	232,332
Other	—	—	—	—
Total investments, at fair value	72,558	4,847,486	662,798	5,582,842
Derivatives:				
Foreign exchange contracts	—	—	—	—
Asset swaps - other	—	—	1,366	1,366
Total derivative assets, at fair value	—	—	1,366	1,366
Total assets, at fair value	**$ 72,558**	**$ 4,847,486**	**$ 664,164**	**$ 5,584,208**
Liabilities, at fair value				
Asset swaps - other	$ —	$ —	$ (462)	$ (462)
Loan obligations of CLOs	—	(4,963,194)	—	(4,963,194)
Total liabilities, at fair value	**$ —**	**$ (4,963,194)**	**$ (462)**	**$ (4,963,656)**

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The tables below summarize the financial assets and financial liabilities measured at fair value for the Company and Consolidated Funds as of December 31, 2016 :

Financial Instruments of the Company	Level I	Level II	Level III	Investments Measured at NAV(1)	Total
Assets, at fair value					
Investments:					
Fixed income - collateralized loan obligations	$ —	$ —	$ 89,111	$ —	$ 89,111
Equity securities	100	—	—	—	100
Partnership interests	—	—	33,410	19,819	53,229
Total investments, at fair value	100	—	122,521	19,819	142,440
Derivatives-foreign exchange contracts	—	3,171	—	—	3,171
Total assets, at fair value	**$ 100**	**$ 3,171**	**$ 122,521**	**$ 19,819**	**$ 145,611**
Liabilities, at fair value					
Contingent considerations	$ —	$ —	$ (22,156)	$ —	$ (22,156)
Total liabilities, at fair value	**$ —**	**$ —**	**$ (22,156)**	**$ —**	**$ (22,156)**

(1) In prior year presentation, certain funds that are equity method investments were included in the column as the carrying value approximates NAV. Current year presentation has been modified to remove those amounts.

Financial Instruments of Consolidated Funds	Level I	Level II	Level III	Total
Assets, at fair value				
Investments:				
Fixed income investments:				
Bonds	$ —	$ 104,886	$ 37,063	$ 141,949
Loans	—	2,606,423	199,217	2,805,640
Collateralized loan obligations	—	—	5,973	5,973
Total fixed income investments	—	2,711,309	242,253	2,953,562
Equity securities	56,662	17,569	130,690	204,921
Partnership interests	—	—	171,696	171,696
Asset swaps - other	—	24	—	24
Total investments, at fair value	56,662	2,728,902	544,639	3,330,203
Derivatives:				
Foreign exchange contracts	—	529	—	529
Asset swaps - other	—	—	291	291
Total derivative assets, at fair value	—	529	291	820
Total assets, at fair value	**$ 56,662**	**$ 2,729,431**	**$ 544,930**	**$ 3,331,023**
Liabilities, at fair value				
Asset swaps - other	$ —	$ —	$ (2,999)	$ (2,999)
Loan obligations of CLOs	—	(3,031,112)	—	(3,031,112)
Total liabilities, at fair value	**$ —**	**$ (3,031,112)**	**$ (2,999)**	**$ (3,034,111)**

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The following tables set forth a summary of changes in the fair value of the Level III measurements for the year ended December 31, 2017 :

Level III Assets and Liabilities of the Company	Level III Assets			Level III Liabilities
	Fixed Income	Partnership Interests	Total	Contingent Considerations
Balance, beginning of period	$ 89,111	$ 33,410	$ 122,521	$ 22,156
Purchases(1)	143,579	169	143,748	—
Sales/settlements(2)	(39,047)	—	(39,047)	(1,000)
Expired contingent considerations	—	—	—	(1,000)
Realized and unrealized appreciation (depreciation), net	1,515	11,190	12,705	(20,156)
Balance, end of period	**$ 195,158**	**$ 44,769**	**$ 239,927**	**$ —**
Increase in unrealized appreciation/depreciation included in earnings related to financial assets and liabilities still held at the reporting date	**$ 2,752**	**$ 11,359**	**$ 14,111**	**$ —**

Level III Assets of Consolidated Funds	Equity Securities	Fixed Income	Partnership Interests	Derivatives, Net	Total
Balance, beginning of period	$ 130,690	$ 242,253	$ 171,696	$ (2,708)	$ 541,931
Additions(3)	—	14,479	—	1,393	15,872
Transfer in	—	45,526	—	—	45,526
Transfer out	(6,581)	(100,643)	—	—	(107,224)
Purchases(1)	6,691	240,723	88,000	—	335,414
Sales(2)	(3,701)	(180,248)	(45,000)	—	(228,949)
Settlement, net	—	—	—	(2,192)	(2,192)
Amortized discounts/premiums	—	247	—	244	491
Realized and unrealized appreciation (depreciation), net	35,478	5,552	17,636	4,167	62,833
Balance, end of period	**$ 162,577**	**$ 267,889**	**$ 232,332**	**$ 904**	**$ 663,702**
Increase (decrease) in unrealized appreciation/depreciation included in earnings related to financial assets still held at the reporting date	**$ 33,990**	**$ 31**	**$ 17,636**	**$ (705)**	**$ 50,952**

(1) Purchases include paid-in-kind interest and securities received in connection with restructurings.
(2) Sales/settlements include distributions, principal redemptions and securities disposed of in connection with restructurings.
(3) Additions relates to a CLO that was refinanced and restructured that is now consolidated.

The following tables set forth a summary of changes in the fair value of the Level III measurements for the year ended December 31, 2016 :

Level III Assets and Liabilities of the Company	Level III Assets			Level III Liabilities
	Fixed Income	Partnership Interests	Total	Contingent Considerations
Balance, beginning of period	$ 55,752	$ 51,703	$ 107,455	$ 40,831
Purchases(1)	33,053	9,000	42,053	—
Sales/settlements(2)	(3,698)	—	(3,698)	(1,000)
Realized and unrealized appreciation (depreciation), net	4,004	(27,293)	(23,289)	(17,675)
Balance, end of period	**$ 89,111**	**$ 33,410**	**$ 122,521**	**$ 22,156**
Increase (decrease) in unrealized appreciation/depreciation included in earnings related to financial assets and liabilities still held at the reporting date	**$ 3,437**	**$ (7,293)**	**$ (3,856)**	**$ (17,675)**

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Level III Assets of Consolidated Funds	Equity Securities	Fixed Income	Partnership Interests	Derivatives, Net	Total
Balance, beginning of period	$ 129,809	$ 249,490	$ 86,902	$ (10,307)	$ 455,894
Transfer in	—	59,790	—	—	59,790
Transfer out	(344)	(90,952)	—	—	(91,296)
Purchases(1)	15,849	167,338	65,906	—	249,093
Sales(2)	(18,029)	(125,642)	(3,606)	(81)	(147,358)
Amortized discounts/premiums	—	2,660	—	57	2,717
Realized and unrealized appreciation (depreciation), net	3,405	(20,431)	22,494	7,623	13,091
Balance, end of period	**$ 130,690**	**$ 242,253**	**$ 171,696**	**$ (2,708)**	**$ 541,931**
Increase (decrease) in unrealized appreciation/depreciation included in earnings related to financial assets still held at the reporting date	**$ 8,333**	**$ (9,391)**	**$ 22,494**	**$ 5,660**	**$ 27,096**

(1) Purchases include paid-in-kind interest and securities received in connection with restructurings.
(2) Sales/settlements include distributions, principal redemptions and securities disposed of in connection with restructurings.

The Company recognizes transfers between the levels as of the beginning of the period. Transfers out of Level III were generally attributable to certain investments that experienced a more significant level of market activity during the period and thus were valued using observable inputs either from independent pricing services or multiple brokers. Transfers into Level III were generally attributable to certain investments that experienced a less significant level of market activity during the period and thus were only able to obtain one or fewer quotes from a broker or independent pricing service. During the year ended December 31, 2017 , two of the Company's investments were transferred from a Level II to a Level I fair value measurement at their fair values totaling $7.5 million as of the transfer date. The investments transferred represent equity securities that were previously less actively traded that began to have significant levels of market activity to support quoted market prices during the second quarter of 2017. For the year ended December 31, 2016 , there were no transfers between Level I and Level II.

The following table sets forth a summary of changes in the fair value of the Level III liabilities for the CLO loan obligations for the years ended December 31, 2017 and 2016 :

	For the Year Ended December 31,	
	2017	2016
Balance, beginning of period	$ —	$ 2,174,352
Accounting change due to the adoption of ASU 2014-13(1)	—	(2,174,352)
Balance, end of period	**$ —**	**$ —**

(1) Upon adoption of ASU 2014-13, the debt obligations of consolidated CLOs are no longer considered Level III financial liabilities under the GAAP fair value hierarchy. As of January 1, 2016, the debt obligations of consolidated CLOs are measured on the basis of the fair value of the financial assets of the CLO and are classified as Level II financial liabilities.

The following table summarizes the quantitative inputs and assumptions used for the Company’s Level III measurements as of December 31, 2017 :

	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Range
Assets				
Partnership interests	$ 44,769	Other	N/A	N/A
Fixed income - collateralized loan obligations	195,158	Broker quotes and/or 3rd party pricing services	N/A	N/A
Total	**$ 239,927**			

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The following table summarizes the quantitative inputs and assumptions used for the Company's Level III measurements as of December 31, 2016 :

	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Range
Assets				
Partnership interests	$ 33,410	Other	N/A	N/A
Fixed income - collateralized loan obligations	89,111	Broker quotes and/or 3rd party pricing services	N/A	N/A
Total	**$ 122,521**			
Liabilities				
Contingent consideration liabilities				
	$ 20,278	Other	N/A	N/A
	1,878	Discounted cash flow	Discount rate	6.5%
Total	**$ 22,156**			

The following table summarizes the quantitative inputs and assumptions used for the Consolidated Funds' Level III measurements as of December 31, 2017 :

	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Range	Weighted Average
Assets					
Equity securities					
	$ 63,155	Enterprise value market multiple analysis	EBITDA multiple(2)	2.7x	2.7x
	61,215	Market approach (comparable companies)	Net income multiple Illiquidity discount	27.0x - 36.2x 25.0%	33.7x 25.0%
	126	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
	38,081	Transaction price(1)	N/A	N/A	N/A
Partnership interests	232,332	Discounted cash flow	Discount rate	19.0%	19.0%
Fixed income securities					
	222,413	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
	45,243	Income approach	Yield	10.8% - 22.5%	12.1%
	233	Market approach (comparable companies)	EBITDA multiple(2)	6.5x	6.5x
Derivative instruments	1,366	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
Total assets	**$ 664,164**				
Liabilities					
Derivatives instruments	$ (462)	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
Total liabilities	**$ (462)**				

(1) Transaction price consists of securities recently purchased or restructured. The Company determined that there was no change to the valuation based on the underlying assumptions used at the closing of such transactions.
(2) "EBITDA" in the table above is a Non-GAAP financial measure and refers to earnings before interest, tax, depreciation and amortization.

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The following table summarizes the quantitative inputs and assumptions used for the Consolidated Funds' Level III measurements as of December 31, 2016 :

	Fair Value	Valuation Technique(s)	Significant Unobservable Input(s)	Range	Weighted Average
Assets					
Equity securities					
	$ 43,011	EV market multiple analysis	EBITDA multiple(2)	2.0x - 11.2x	2.3x
	32,598	Market approach (comparable companies)	Net income multiple Illiquidity discount	30.0x - 40.0x 25.0%	35.0x 25.0%
	421	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
	54,660	Transaction price(1)	N/A	N/A	N/A
Partnership interests	171,696	Discounted cash flow	Discount rate	20.0%	20.0%
Fixed income securities					
	170,231	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
	6,693	EV market multiple analysis	EBITDA multiple(2)	7.1x	7.1x
	5,473	Income approach	Collection rates	1.2x	1.2x
	28,595	Income approach	Yield	6.0% - 13.6%	10.9%
	24,052	Discounted cash flow	Discount rate	7.8% - 15.3%	11.1%
	1,776	Market approach (comparable companies)	EBITDA multiple(2)	6.5x	6.5x
	4,887	Transaction price(1)	N/A	N/A	N/A
	546	Market approach	EBITDA Multiple(2)	6.1x	6.1x
Derivative instruments	291	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
Total assets	**$ 544,930**				
Liabilities					
Derivatives instruments	$ 2,999	Broker quotes and/or 3rd party pricing services	N/A	N/A	N/A
Total liabilities	**$ 2,999**				

(1) Transaction price consists of securities recently purchased or restructured. The Company determined that there has been no change to the valuation based on the underlying assumptions used at the closing of such transactions.
(2) "EBITDA" in the table above is a Non-GAAP financial measure and refers to earnings before interest, tax, depreciation and amortization.

The Company's investments valued using net asset value ("NAV") have terms and conditions that do not allow for redemption without certain events or approvals that are outside the Company's control. A summary of fair value by segment and the remaining unfunded commitments are presented below:

	As of December 31, 2017		As of December 31, 2016	
Segment	**Fair Value**	**Unfunded Commitments**	**Fair Value**	**Unfunded Commitments**
Non-core investments(1)	$ 35,998	$ 16,492	$ 19,819	$ 34,500
Totals	**$ 35,998**	**$ 16,492**	**$ 19,819**	**$ 34,500**

(1) Non-core investments are reported within the Company's Operations Management Group ("OMG").

7. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company and the Consolidated Funds are exposed to certain risks relating to their ongoing operations and use various types of derivative instruments primarily to mitigate against credit and foreign exchange risk. The derivative instruments used by the Company and Consolidated Funds include warrants, currency options, interest rate swaps, credit default swaps and forward contracts. The derivative instruments are not designated as hedging instruments under the accounting standards for derivatives and hedging. The Company recognizes all of its derivative instruments at fair value as either assets or liabilities in the Consolidated Statements of Financial Condition within other assets or accounts payable, accrued expenses and other liabilities, respectively.

By using derivatives, the Company and the Consolidated Funds are exposed to counterparty credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, the Company's counterparty credit risk is equal to the amount reported as a derivative asset in the Consolidated Statements of Financial Condition. The Company minimizes counterparty credit risk through credit approvals, limits, monitoring procedures, executing master netting arrangements and obtaining collateral, where appropriate.

To the extent the master netting arrangements and other criteria meet the applicable requirements, which includes determining the legal enforceability of the arrangements, the Company may choose to offset the derivative assets and liabilities in the same currency by specific derivative type, or in the event of default by the counterparty, offset derivative assets and liabilities with the same counterparty. The Company generally presents derivative and other financial instruments on a gross basis within the Consolidated Statements of Financial Condition, with certain instruments subject to enforceable master netting arrangements that could allow for the derivative and other financial instruments to be offset. The Consolidated Funds present derivative and other financial instruments on a net basis. This election is determined at management's discretion on a fund by fund basis. The Company has retained each Consolidated Fund's presentation upon consolidation.

Qualitative Disclosures of Derivative Financial Instruments

Derivative instruments are marked-to-market daily based upon quotations from pricing services or by the Company and the change in value, if any, is recorded as an unrealized gain (loss) within net realized and unrealized gain (loss) on investments in the Consolidated Statements of Operations. Upon settlement of the instrument, the Company records the realized gain (loss) within net realized and unrealized gain (loss) on investments in the Consolidated Statements of Operations.

Significant derivative instruments utilized by the Company and the Consolidated Funds during the reporting periods presented include the following:

Forward Foreign Currency Contracts: The Company and the Consolidated Funds enter into foreign currency forward exchange contracts to hedge against foreign currency exchange rate risk on certain non-U.S. dollar denominated cash flows. When entering into a forward currency contract, the Company and the Consolidated Funds agree to receive and/or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed-upon future date. Forward foreign currency contracts involve elements of market risk in excess of the amounts reflected in the Consolidated Statements of Financial Condition. The Company and the Consolidated Funds bear the risk of an unfavorable change in the foreign exchange rate underlying the forward foreign currency contract. In addition, the potential inability of the counterparties to meet the terms of their contracts poses a risk to the Company and the Consolidated Funds.

Interest Rate Swaps: The Company and the Consolidated Funds enter into interest rate swap contracts to mitigate their interest rate risk exposure to higher floating interest rates. Interest rate swaps represent an agreement between two counterparties to exchange cash flows based on the difference in two interest rates, applied to the notional principal amount for a specified period. The payment flows are generally netted, with the difference being paid by one party to the other. The interest rate swap contracts effectively mitigate the Company and the Consolidated Funds' exposure to interest rate risk by converting a portion of the Company and the Consolidated Funds' floating rate debt to a fixed rate basis.

Asset Swap: The Consolidated Funds enter into asset swap contracts to hedge against foreign currency exchange rate risk on certain non-Euro denominated loans. Assets swap contracts provide the Consolidated Funds with the opportunity to purchase or sell an underlying asset that are not denominated in Euros and a pre agreed exchange rate and receive Euro interest payments from the swap counter party in exchange for non-Euro interest payments which are pegged to the currency of the underlying loan

and applicable interest rates. The swap contracts can be optionally cancelled at any time, normally due the disposal or redemption of the underlying asset, however in the absence of sale or redemption the swap contracts maturity matches that of the underlying asset. By entering into asset swap contracts to exchange interest payments and principal on equally valued loans denominated in a different currency than that of the underlying assets the Consolidated Funds can mitigate the risk of exposure to foreign currency fluctuations. Generally, the fair value of asset swap contracts are calculated using a model which utilizes the spread between the fair value of the underlying asset and the exercise value of the contract, as well as any other relevant inputs. Broker quotes may also be used to calculate the fair value of asset swaps, if available.

Quantitative Disclosures of Derivative Financial Instruments

The following tables identify the fair value and notional amounts of derivative contracts by major product type on a gross basis for the Company and the Consolidated Funds as of December 31, 2017 and 2016 . These amounts may be offset (to the extent that there is a legal right to offset) and presented on a net basis within other assets or accounts payable, accrued expenses and other liabilities in the Consolidated Statements of Financial Condition:

	As of December 31, 2017				As of December 31, 2016			
	Assets		Liabilities		Assets		Liabilities	
The Company	Notional(1)	Fair Value	Notional(1)	Fair Value	Notional(1)	Fair Value	Notional(1)	Fair Value
Foreign exchange contracts	$ 13,724	$ 498	$ 51,026	$ 2,639	$ 62,830	$ 3,171	$ —	$ —
Total derivatives, at fair value	**$ 13,724**	**$ 498**	**$ 51,026**	**$ 2,639**	**$ 62,830**	**$ 3,171**	**$ —**	**$ —**

	As of December 31, 2017				As of December 31, 2016			
	Assets		Liabilities		Assets		Liabilities	
Consolidated Funds	Notional(1)	Fair Value	Notional(1)	Fair Value	Notional(1)	Fair Value	Notional(1)	Fair Value
Foreign exchange contracts	$ —	$ —	$ —	$ —	$ 25,304	$ 529	$ —	$ —
Asset swap - other	5,363	1,366	1,840	462	3,575	291	204	2,999
Total derivatives, at fair value	**5,363**	**1,366**	**1,840**	**462**	**28,879**	**820**	**204**	**2,999**
Other—equity(2)	—	—	—	—	253	24	—	—
Total	**$ 5,363**	**$ 1,366**	**$ 1,840**	**$ 462**	**$ 29,132**	**$ 844**	**$ 204**	**$ 2,999**

(1) Represents the total contractual amount of derivative assets and liabilities outstanding.
(2) Includes the fair value of warrants which are presented as equity securities within investments of the Consolidated Funds in the Consolidated Statements of Financial Condition.

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The following tables present a summary of net realized gains (losses) and unrealized appreciation (depreciation) on the Company's derivative instruments, which are included within net realized and unrealized gain (loss) on investments in the Consolidated Statements of Operations, for the years ended December 31, 2017 , 2016 and 2015 :

The Company	For the Year Ended December 31, 2017	2016	2015
Net realized gain (loss) on derivatives			
Interest rate contracts—Swaps	$ —	$ (337)	$ (1,318)
Foreign exchange contracts:			
Purchased options	—	—	2,022
Foreign currency forward contracts	(1,830)	1,783	8,379
Net realized gain (loss) on derivatives	**$ (1,830)**	**$ 1,446**	**$ 9,083**
Net change in unrealized appreciation (depreciation) on derivatives			
Interest rate contracts—Swaps	$ —	$ 214	$ 633
Foreign exchange contracts:			
Purchased options	—	—	(1,057)
Foreign currency forward contracts	(5,299)	2,008	(2,556)
Net change in unrealized appreciation (depreciation) on derivatives	**$ (5,299)**	**$ 2,222**	**$ (2,980)**

Consolidated Funds	For the Year Ended December 31, 2017	2016	2015
Net realized gain (loss) on derivatives of Consolidated Funds			
Foreign currency forward contracts	$ (181)	$ (1,008)	$ 3,752
Asset swap - other	903	(1,322)	(4,332)
Net realized gain (loss) on derivatives of Consolidated Funds	**$ 722**	**$ (2,330)**	**$ (580)**
Net change in unrealized appreciation (depreciation) on derivatives of Consolidated Funds			
Equity contracts:			
Warrants(1)	$ —	$ 26	$ (71)
Foreign exchange contracts:			
Foreign currency forward contracts	(529)	900	(1,867)
Asset swap - other	2,338	7,685	(2,934)
Net change in unrealized appreciation (depreciation) on derivatives of Consolidated Funds	**$ 1,809**	**$ 8,611**	**$ (4,872)**

(1) Realized and unrealized gains (losses) on warrants are also reflected within investments of Consolidated Funds.

The table below sets forth the rights of offset and related arrangements associated with the Company's derivative and other financial instruments as of December 31, 2017 and 2016 . The column titled "Gross Amounts Not Offset in the Statement of Financial Position" in the table below relates to derivative instruments that are eligible to be offset in accordance with applicable accounting guidance but for which management has elected not to offset in the Consolidated Statements of Financial Condition.

The Company as of December 31, 2017	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Assets (Liabilities)	Net Amounts of Assets (Liabilities) Presented	Gross Amount Not Offset in the Statement of Financial Position: Financial Instruments	Net Amount
Assets:					
Derivatives	$ 498	$ —	$ 498	$ (498)	$ —
Liabilities:					
Derivatives	(2,639)	—	(2,639)	498	(2,141)
Net derivative liabilities	**$ (2,141)**	**$ —**	**$ (2,141)**	**$ —**	**$ (2,141)**

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The Company as of December 31, 2016	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Assets (Liabilities)	Net Amounts of Assets (Liabilities) Presented	Gross Amount Not Offset in the Statement of Financial Position	
				Financial Instruments	Net Amount
Assets:					
Derivatives	$ 3,171	$ —	$ 3,171	$ —	$ 3,171
Liabilities:					
Derivatives	—	—	—	—	—
Net derivative assets	**$ 3,171**	**$ —**	**$ 3,171**	**$ —**	**$ 3,171**

The table below sets forth the rights of offset and related arrangements associated with the Consolidated Funds' derivative and other financial instruments as of December 31, 2017 and 2016 . The column titled "Gross Amounts Not Offset in the Statement of Financial Position" in the table below relates to derivative instruments that are eligible to be offset in accordance with applicable accounting guidance but for which management has elected not to offset in the Consolidated Statements of Financial Condition.

Consolidated Funds as of December 31, 2017	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Assets (Liabilities)	Net Amounts of Assets (Liabilities) Presented	Gross Amounts Not Offset in the Statement of Financial Position	
				Financial Instruments	Net Amount
Assets:					
Derivatives	$ 1,750	$ (384)	$ 1,366	$ —	$ 1,366
Liabilities:					
Derivatives	(846)	384	(462)	—	(462)
Net derivatives assets	**$ 904**	**$ —**	**$ 904**	**$ —**	**$ 904**

Consolidated Funds as of December 31, 2016	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Assets (Liabilities)	Net Amounts of Assets (Liabilities) Presented	Gross Amounts Not Offset in the Statement of Financial Position	
				Financial Instruments	Net Amount
Assets:					
Derivatives	$ 2,243	$ (1,423)	$ 820	$ —	$ 820
Liabilities:					
Derivatives	(4,422)	1,423	(2,999)	—	(2,999)
Net derivatives liabilities	**$ (2,179)**	**$ —**	**$ (2,179)**	**$ —**	**$ (2,179)**

8. DEBT

The following table summarizes the Company's and its subsidiaries' debt obligations:

				As of December 31, 2017		As of December 31, 2016	
	Debt Origination Date	Maturity	Original Borrowing Amount	Carrying Value	Interest Rate	Carrying Value	Interest Rate
Credit Facility(1)	Revolver	2/24/2022	N/A	$ 210,000	3.09%	$ —	—%
Senior Notes(2)	10/8/2014	10/8/2024	$ 250,000	245,308	4.21%	244,684	4.21%
2015 Term Loan(3)	9/2/2015	7/29/2026	$ 35,205	35,037	2.86%	35,063	2.74%
2016 Term Loan(4)	12/21/2016	1/15/2029	$ 26,376	25,948	3.08%	26,037	2.66%
2017 Term Loan A(4)	3/22/2017	1/22/2028	$ 17,600	17,407	2.90%	N/A	N/A
2017 Term Loan B(4)	5/10/2017	10/15/2029	$ 35,198	35,062	2.90%	N/A	N/A
2017 Term Loan C(4)	6/22/2017	7/30/2029	$ 17,211	17,078	2.88%	N/A	N/A
2017 Term Loan D(4)	11/16/2017	10/15/2030	$ 30,450	30,336	2.77%	N/A	N/A
Total debt obligations				**$ 616,176**		**$ 305,784**	

(1) The AOG entities are borrowers under the Credit Facility, which, as amended in February 2017 and increased in September 2017, provides a $1.065 billion revolving line of credit. It has a variable interest rate based on LIBOR or a base rate plus an applicable margin with an unused commitment fee paid quarterly, which is subject to change with the Company's underlying credit agency rating. As of December 31, 2017, base rate loans bear interest calculated based on the base rate plus 0.50% and the LIBOR rate loans bear interest calculated based on LIBOR plus 1.50%. The unused commitment fee is 0.20% per annum. There is a base rate and LIBOR floor of zero .

(2) The Senior Notes were issued in October 2014 by Ares Finance Co. LLC ("AFC"), a subsidiary of the Company, at 98.268% of the face amount with interest paid semi-annually. The Company may redeem the Senior Notes prior to maturity, subject to the terms of the indenture .

(3) The 2015 Term Loan was entered into in August 2015 by a subsidiary of the Company that acts as a manager to a CLO. The 2015 Term Loan is secured by collateral in the form of CLO senior tranches owned by the Company. To the extent the assets are not sufficient to cover the Term Loan, there is no further recourse to the Company to fund or repay the remaining balance. Interest is paid quarterly, and the Company also pays a fee of 0.025% of a maximum investment amount .

(4) The 2016 and 2017 Term Loans ("Term Loans") were entered into by a subsidiary of the Company that acts as a manager to a CLO. The Term Loans are secured by collateral in the form of CLO senior tranches and subordinated notes owned by the Company. Collateral associated with one of the Term Loans may be used to satisfy outstanding liabilities of another term loan should the collateral fall short. To the extent the assets associated with these Term Loans are not sufficient, there is no further recourse to the Company to fund or repay the remaining balance. Interest is paid quarterly, and the Company also pays a fee of 0.03% of a maximum investment amount.

As of December 31, 2017 , the Company and its subsidiaries were in compliance with all covenants under the Credit Facility, Senior Notes and Term Loan obligations.

Debt obligations of the Company and its subsidiaries are reflected at cost. The Company typically incurs and pays debt issuance costs when entering into a new debt obligation or when amending an existing debt agreement. Debt issuance costs related to the Company's Senior Notes and Term Loans are recorded as a reduction of the corresponding debt obligation, and debt issuance costs related to the Credit Facility are included in other assets in the Consolidated Statements of Financial Condition. All debt issuance costs are amortized over the term of the related obligation. The following table shows the activity of the Company's debt issuance costs:

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	Credit Facility	Senior Notes	Term Loans
Unamortized debt issuance costs as of December 31, 2015	$ 6,241	$ 2,035	$ 207
Debt issuance costs incurred	548	—	340
Amortization of debt issuance costs	(1,989)	(232)	(21)
Unamortized debt issuance costs as of December 31, 2016	4,800	1,803	526
Debt issuance costs incurred	3,394	—	733
Amortization of debt issuance costs	(1,651)	(232)	(88)
Unamortized debt issuance costs as of December 31, 2017	**$ 6,543**	**$ 1,571**	**$ 1,171**

Loan Obligations of the Consolidated CLOs

Loan obligations of the Consolidated Funds that are CLOs ("Consolidated CLOs") represent amounts due to holders of debt securities issued by the Consolidated CLOs. The Company measures the loan obligations of the Consolidated CLOs using the fair value of the financial assets of its Consolidated CLOs.

As of December 31, 2017 and 2016 , the following loan obligations were outstanding and classified as liabilities of the Company’s Consolidated CLOs:

	As of December 31, 2017			As of December 31, 2016		
	Loan Obligations	Fair Value of Loan Obligations	Weighted Average Remaining Maturity In Years	Loan Obligations	Fair Value of Loan Obligations	Weighted Average Remaining Maturity In Years
Senior secured notes(1)	$ 4,801,582	$ 4,776,883	10.57	$ 2,839,779	$ 2,841,440	9.68
Subordinated notes(2)	276,169	186,311	11.25	284,046	189,672	9.97
Total loan obligations of Consolidated CLOs	**$ 5,077,751**	**$ 4,963,194**		**$ 3,123,825**	**$ 3,031,112**	

(1) Original borrowings under the senior secured notes totaled $4.8 billion , with various maturity dates ranging from October 2024 to October 2030. The weighted average interest rate as of December 31, 2017 was 4.48% .

(2) Original borrowings under the subordinated notes totaled $276.2 million , with various maturity dates ranging from October 2024 to October 2030. They do not have contractual interest rates, but instead receive distributions from the excess cash flows generated by each Consolidated CLO.

Loan obligations of the Consolidated CLOs are collateralized by the assets held by the Consolidated CLOs, consisting of cash and cash equivalents, corporate loans, corporate bonds and other securities. The assets of one Consolidated CLO may not be used to satisfy the liabilities of another Consolidated CLO. Loan obligations of the Consolidated CLOs include floating rate notes, deferrable floating rate notes, revolving lines of credit and subordinated notes. Amounts borrowed under the notes are repaid based on available cash flows subject to priority of payments under each Consolidated CLO’s governing documents. Based on the terms of these facilities, the creditors of the facilities have no recourse to the Company.

Credit Facilities of the Consolidated Funds

Certain Consolidated Funds maintain credit facilities to fund investments between capital drawdowns. These facilities generally are collateralized by the unfunded capital commitments of the Consolidated Funds’ limited partners, bear an annual commitment fee based on unfunded commitments and contain various affirmative and negative covenants and reporting obligations, including restrictions on additional indebtedness, liens, margin stock, affiliate transactions, dividends and distributions, release of capital commitments and portfolio asset dispositions. The creditors of these facilities have no recourse to the Company. Credit facilities of the Consolidated Funds are reflected at cost in the Consolidated Statements of Financial Condition. As of December 31, 2017 and 2016 , the Consolidated Funds were in compliance with all financial and non-financial covenants under such credit facilities.

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The Consolidated Funds had the following revolving bank credit facilities and term loans outstanding as of December 31, 2017 and 2016 :

			As of December 31, 2017			As of December 31, 2016		
Type of Facility	Maturity Date	Total Capacity	Outstanding Loan(1)	Effective Rate		Outstanding Loan(1)	Effective Rate	
Credit Facilities:								
	1/1/2023	$ 18,000	$ 12,942	2.88%		$ 12,942	2.38%	
	6/30/2018	$ 48,042	48,042	1.55%	(2)	42,128	1.55%	(2)
	3/7/2018	$ 71,500	71,500	2.89%		N/A	N/A	
Revolving Term Loan	8/19/2019	$ 11,429	5,714	5.86%		N/A	N/A	
Total borrowings of Consolidated Funds			**$ 138,198**			**$ 55,070**		

(1) The fair values of the borrowings approximate the carrying value, as the interest rate on the borrowings is a floating rate.
(2) The effective rate is based on the three month EURIBOR or zero , whichever is higher, plus an applicable margin.

9. REDEEMABLE INTERESTS AND EQUITY COMPENSATION PUT OPTION LIABILITY

The following table sets forth a summary of changes in the redeemable interests and equity compensation put option liability in Consolidated Funds as of December 31, 2016 and 2015 :

	As of December 31,	
	2016	2015
Redeemable interests in Ares Operating Group Entities		
Beginning balance	$ 23,505	$ 23,988
Net income	—	—
Distributions	—	—
Currency translation adjustment	—	—
Equity compensation	—	—
Tandem award compensation adjustment	—	—
Equity Balance Post-Reorganization	**23,505**	**23,988**
Issuance cost	—	—
Allocation of contributions in excess of the carrying value of the net assets (dilution)	—	—
Reallocation of Partners' capital for change in ownership interest	—	82
Deferred tax liabilities arising from allocation of contribution and Partners' capital	—	(1)
Redemption of redeemable interest in consolidated subsidiary	(20,000)	—
Forfeiture of equity in connection with redemption of ownership interest	(3,337)	—
Distributions	(661)	(998)
Net income	456	338
Currency translation adjustment	(47)	(36)
Equity compensation	84	132
Ending Balance	**$ —**	**$ 23,505**

Upon acquisition of Indicus Advisors, LLP (“Indicus”) in November 2011, certain former owners of Indicus, who became employees of the Company (“Indicus Owners”), exchanged their respective equity interests in Indicus for a 1% ownership interest (the “Equity Interest”) in the Predecessor entities of the Company. One-half of the Equity Interest was fully vested, was determined to be consideration exchanged pursuant to the acquisition (the “Purchase Consideration”) and was classified as redeemable interest. The remaining one-half of the Equity Interest was classified as a tandem award. The tandem award was comprised of a service

condition that vested on the earlier of the fifth anniversary of the award date or a qualifying liquidity event (the "Service Award"), and a put option on their Equity Interest was a strike price of $40 million exercisable at a future date (the "Fixed Price Put Option"). The Fixed Price Put Option was not detachable from the Equity Interest. The Company determined that the Fixed Price Put Option did not require bifurcation from the host contract and that the Equity Interest is not mandatorily redeemable. The two parts of the Equity Interest, the Purchase Consideration and the Service Award, were accounted for separately.

The Purchase Consideration was classified in the redeemable interest in Ares Operating Group to be paid in cash in an amount equal to $20 million , with the residual value reclassified to permanent equity. The put option liability portion of the Service Award of $20 million was classified as a liability to be paid in cash in an amount equal to $20.0 million .

In July 2016, the Indicus Owners exercised their Fixed Price Put Option. The Company paid the Indicus Owners $40 million with $20 million recorded as a reduction to the put option liability, and $20 million recorded as a reduction to the redeemable interest in AOG entities. The residual value of the redeemable interest in the AOG entities of $3.3 million was reclassified to permanent equity. The payment to settle the put option resulted in an increase in tax basis. In connection with this payment, a liability was recorded for the Company's obligations under the tax receivable agreement ("TRA") with respect to the tax savings that resulted from the amortization of the increased basis.

10. OTHER ASSETS

The components of other assets as of December 31, 2017 and 2016 were as follows:

	As of December 31,	
	2017	2016
Other assets of the Company:		
Accounts and interest receivable	$ 3,025	$ 1,071
Fixed assets, net	61,151	40,759
Other assets	43,554	23,735
Total other assets of the Company	**$ 107,730**	**$ 65,565**
Other assets of Consolidated Funds:		
Income tax and other receivables	1,989	2,501
Total other assets of Consolidated Funds	**$ 1,989**	**$ 2,501**

Fixed Assets, Net

Fixed assets included the following as of December 31, 2017 and 2016 :

	Year Ended December 31,	
	2017	2016
Furniture	$ 9,303	$ 8,498
Office and computer equipment	19,164	16,712
Internal-use software	19,055	10,974
Leasehold improvements	52,021	40,994
Fixed assets, at cost	99,543	77,178
Less: accumulated depreciation	(38,392)	(36,419)
Fixed assets, net	**$ 61,151**	**$ 40,759**

For the years ended December 31, 2017 , 2016 and 2015 , depreciation expense was $12.6 million , $8.2 million and $6.9 million , respectively, which is included in general, administrative and other expense in the Consolidated Statements of Operations. During 2017, the Company removed approximately $11.2 million of fixed assets that were fully depreciated.

11. COMMITMENTS AND CONTINGENCIES

Indemnification Arrangements

Consistent with standard business practices in the normal course of business, the Company enters into contracts that contain indemnities for affiliates of the Company, persons acting on behalf of the Company or such affiliates and third parties. The terms of the indemnities vary from contract to contract and the Company's maximum exposure under these arrangements cannot be determined and has not been recorded in the Consolidated Statements of Financial Condition. As of December 31, 2017 , the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Commitments

As of December 31, 2017 and 2016 , the Company had aggregate unfunded commitments of $285.7 million and $535.3 million , respectively, including commitments to both non-consolidated funds and Consolidated Funds. Total unfunded commitments included $16.5 million and $89.2 million in commitments to funds not managed by the Company as of December 31, 2017 and 2016 , respectively.

In connection with the acquisition of EIF, contingent consideration was payable to EIF's former membership interest holders if certain funds and co-investment vehicles met certain revenue and fee paying commitment targets during their commitment period. Since the revenue and fee paying targets were not met, the liability associated with the EIF contingent consideration, which was $20.3 million as of December 31, 2016 , was reversed in the first quarter of 2017, resulting in a $20.3 million gain recorded within other income on the Company's Consolidated Statements of Operations.

ARCC Fee Waiver

In conjunction with the ARCC-ACAS Transaction, the Company agreed to waive up to $10 million per quarter of ARCC's Part I Fees for ten calendar quarters, which began in the second quarter of 2017. ARCC Part I Fees will only be waived to the extent they are paid. If Part I Fees are less than $10 million in any single quarter, the shortfall will not carryover to the subsequent quarters. As of December 31, 2017 , there are seven remaining quarters as part of the fee waiver agreement, with a maximum of $70 million in potential waivers. ARCC Part I Fees are reported net of the fee waiver.

Operating Leases

The Company's operating lease agreements are generally subject to escalation provisions on base rental payments, as well as certain costs incurred by the property owner and are recognized on a straight-line basis over the term of the lease agreement. Rent expense includes base contractual rent. Rent expense for the years ended December 31, 2017 , 2016 and 2015 was $26.1 million , $26.4 million and $18.5 million , respectively, and is recorded within general, administrative and other expenses in the Consolidated Statements of Operations. The leases expire in various years ranging from 2018 to 2027.

The future minimum commitments for the Company's operating leases are as follows:

2018	$	26,849
2019		26,251
2020		22,032
2021		17,726
2022		19,451
Thereafter		51,969
Total	**$**	**164,278**

Guarantees

The Company guaranteed loans provided to certain professionals to support the professionals investments in affiliated co-investment entities, permitting these professionals to invest alongside the Company and its investors in the funds managed by the Company. The total committed and outstanding loan balances were not material as of December 31, 2017 and 2016 .

Performance Fees

Generally, if at the termination of a fund (and increasingly at interim points in the life of a fund), the fund has not achieved investment returns that (in most cases) exceed the preferred return threshold or (in all cases) the general partner receives net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, the Company will be obligated to repay carried interest that was received by the Company in excess of the amounts to which the Company is entitled. This contingent obligation is normally reduced by income taxes paid by the Company related to its carried interest.

At December 31, 2017 and 2016 , if the Company assumed all existing investments were worthless, the amount of performance fees subject to potential repayment, net of tax, which may differ from the recognition of revenue, would have been approximately $476.1 million and $418.3 million , respectively, of which approximately $370.0 million and $323.9 million , respectively, is reimbursable to the Company by certain professionals. Management believes the possibility of all of the investments becoming worthless is remote. As of December 31, 2017 and 2016 , if the funds were liquidated at their fair values, there would be no repayment obligation, and accordingly, the Company did not record a contingent repayment liability as of either date.

Litigation

From time to time, the Company is named as a defendant in legal actions relating to transactions conducted in the ordinary course of business. Although there can be no assurance of the outcome of such legal actions, in the opinion of management, the Company does not have a potential liability related to any current legal proceeding or claim that would individually or in the aggregate materially affect its results of operations, financial condition or cash flows.

12. RELATED PARTY TRANSACTIONS

Substantially all of the Company’s revenue is earned from its affiliates, including management fees, performance fees, and administrative expense reimbursements. The related accounts receivable are included within due from affiliates within the Consolidated Statements of Financial Condition, except that performance fees receivable, which are entirely due from affiliated funds, are presented separately within the Consolidated Statements of Financial Condition.

The Company has investment management agreements with various funds and accounts that it manages. In accordance with these agreements, the Consolidated Funds bear certain operating costs and expenses which are initially paid by the Company and subsequently reimbursed by the Consolidated Funds. In addition, the Company has agreements to provide administrative services to various entities.

The Company also has entered into agreements with related parties to be reimbursed for its expenses incurred for providing administrative services to such related parties, including ARCC, ACRE, ARDC, Ivy Hill Asset Management, L.P., ACF FinCo I L.P and CION Ares Diversified Credit Fund.

Employees and other related parties may be permitted to participate in co-investment vehicles that generally invest in Ares funds alongside fund investors. Participation is limited by law to individuals who qualify under applicable securities laws. These co-investment vehicles generally do not require these individuals to pay management or performance fees.

Performance fees from the funds can be distributed to professionals on a current basis, subject to repayment by the subsidiary of the Company that acts as general partner of the relevant fund in the event that certain specified return thresholds are not ultimately achieved. The professionals have personally guaranteed, subject to certain limitations, the obligations of these subsidiaries in respect of this general partner obligation. Such guarantees are several, and not joint and are limited to distributions received by the relevant recipient.

The Company considers its professionals and non-consolidated funds to be affiliates. Amounts due from and to affiliates were comprised of the following:

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	As of December 31,	
	2017	2016
Due from affiliates:		
Management fees receivable from non-consolidated funds	$ 126,506	$ 123,781
Payments made on behalf of and amounts due from non-consolidated funds and employees	39,244	39,155
Due from affiliates—Company	**$ 165,750**	**$ 162,936**
Amounts due from portfolio companies and non-consolidated funds	$ 15,884	$ 3,592
Due from affiliates—Consolidated Funds	**$ 15,884**	**$ 3,592**
Due to affiliates:		
Management fee rebate payable to non-consolidated funds	$ 5,213	$ 7,914
Management fees received in advance	1,729	1,788
Tax receivable agreement liability	3,503	4,748
Payments made by non-consolidated funds on behalf of and amounts due from the Company	4,197	3,114
Due to affiliates—Company	**$ 14,642**	**$ 17,564**

Due from Ares Funds and Portfolio Companies

In the normal course of business, the Company pays certain expenses on behalf of Consolidated Funds and non-consolidated funds for which it is reimbursed. Amounts advanced on behalf of Consolidated Funds are eliminated in consolidation. Certain expenses initially paid by the Company, primarily professional services, travel and other costs associated with particular portfolio company holdings are subject to reimbursement by the portfolio companies.

13. INCOME TAXES

The Company's effective income tax rate is dependent on many factors, including the estimated nature of many amounts and the mix of revenues and expenses between U.S. corporate subsidiaries that are subject to income taxes and those subsidiaries that are not. Additionally, the Company's effective tax rate is influenced by the amount of income tax provision recorded for any affiliated funds and co-investment entities that are consolidated in these financial statements. Consequently, the effective income tax rate is subject to significant variation from period to period.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by U.S. federal, state, local and foreign tax regulators. With limited exceptions, the Company is no longer subject to income tax audits by taxing authorities for any years before 2013. Although the outcome of tax audits is always uncertain, the Company does not believe the outcome of any future audit will have a material adverse effect on the Company's consolidated financial statements.

On December 22, 2017, the Tax Cuts and Jobs Act was enacted into law creating significant and material updates to the Internal Revenue Code. The most significant change is a decrease of the corporate tax rate from 35% to 21%. The reduction in the corporate tax rate is effective for tax years beginning on or after January 1, 2018. The Company estimated the tax effects of the Tax Cuts and Jobs Act in its fourth quarter tax provision in accordance with its understanding of the changes and guidance available as of the date of this filing. The result was a $0.7 million income tax benefit in the fourth quarter of 2017, the period of enactment of the new tax law. The provisional amount relates to the remeasurement of certain deferred tax assets and liabilities based on the new rates at which they are expected to be reversed. Other significant changes are also included in the Tax Cuts and Jobs Act and will continue to be analyzed.

On December 22, 2017, the SEC issued Staff Accounting Bulletin ("SAB") 118 to address the application of U.S. GAAP in regards to the change in tax law for registrants that do not have all of the necessary information available to analyze and calculate the accounting impact for the tax effects of the Tax Cuts and Jobs Act. Under SAB 118, the Company determined that approximately $0.7 million of deferred tax benefit should be recorded as a result of the remeasurement of certain deferred tax assets and liabilities that are impacted by the reduction in the U.S. corporate federal income tax rate at December 31, 2017. Additional work is necessary for a more detailed analysis on the tax effects of all aspects of the Tax Cuts and Jobs Act. Any subsequent adjustments to these amounts will be recorded to tax expense in the quarter that the required analysis is completed.

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The provision for income taxes attributable to the Company and the Consolidated Funds, consisted of the following for the years ended December 31, 2017 , 2016 and 2015 :

	Year Ended December 31,		
Provision for Income Taxes - The Company	**2017**	**2016**	**2015**
Current:			
U.S. federal income tax (benefit)	$ (21,559)	$ 19,419	$ 12,064
State and local income tax	454	3,706	4,839
Foreign income tax	3,741	8,458	1,509
	(17,364)	**31,583**	**18,412**
Deferred:			
U.S. federal income tax (benefit)	(3,466)	(14,247)	356
State and local income tax (benefit)	(2,414)	(1,400)	306
Foreign income tax (benefit)	(1,695)	(4,180)	(14)
	(7,575)	**(19,827)**	**648**
Total:			
U.S. federal income tax (benefit)	(25,025)	5,172	12,420
State and local income tax (benefit)	(1,960)	2,306	5,145
Foreign income tax	2,046	4,278	1,495
Income tax expense (benefit)	**(24,939)**	**11,756**	**19,060**
Provision for Income Taxes - Consolidated Funds			
Current:			
U.S. federal income tax	—	—	—
State and local income tax	—	—	—
Foreign income tax (benefit)	1,887	(737)	4
	1,887	**(737)**	**4**
Deferred:			
U.S. federal income benefit	—	—	—
State and local income benefit	—	—	—
Foreign income benefit	—	—	—
	—	—	—
Total:			
U.S. federal income benefit	—	—	—
State and local income benefit	—	—	—
Foreign income tax (benefit)	1,887	(737)	4
Income tax expense (benefit)	**1,887**	**(737)**	**4**
Total Provision for Income Taxes			
Total current income tax expense (benefit)	(15,477)	30,846	18,416
Total deferred income tax expense (benefit)	(7,575)	(19,827)	648
Total income tax expense (benefit)	**$ (23,052)**	**$ 11,019**	**$ 19,064**

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The effective income tax rate differed from the federal statutory rate for the following reasons for the years ended December 31, 2017 , 2016 and 2015 :

	Year Ended December 31,		
	2017	**2016**	**2015**
Income tax expense at federal statutory rate	35.0 %	35.0%	35.0%
Income passed through to non-controlling interests	(51.1)	(27.6)	(24.2)
State and local taxes, net of federal benefit	(1.4)	0.9	5.6
Foreign taxes	0.3	(0.9)	1.4
Permanent items	0.3	(2.2)	6.0
Tax Cuts and Jobs Act	(0.4)	—	—
Other, net	0.4	(1.7)	0.9
Valuation allowance	1.3	0.2	(1.3)
Total effective rate	**(15.6)%**	**3.7%**	**23.4%**

Deferred Taxes

The income tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities were as follows as of December 31, 2017 and 2016 :

	As of December 31,	
Deferred Tax Assets and Liabilities of the Company	**2017**	**2016**
Deferred tax assets		
Net operating losses	$ 2,827	$ 99
Investment in partnerships	—	3,774
Other, net	6,542	2,897
Total gross deferred tax assets	**9,369**	**6,770**
Valuation allowance	(15)	(39)
Total deferred tax assets, net	**9,354**	**6,731**
Deferred tax liabilities		
Investment in partnerships	(1,028)	—
Other, net	—	—
Total deferred tax liabilities	**(1,028)**	**—**
Net deferred tax assets	**$ 8,326**	**$ 6,731**

	As of December 31,	
Deferred Tax Assets and Liabilities of the Consolidated Funds	**2017**	**2016**
Deferred tax assets		
Net operating loss	$ 4,703	$ 4,951
Other, net	2,173	53
Total gross deferred tax assets	**6,876**	**5,004**
Valuation allowance	(6,876)	(5,004)
Total deferred tax assets, net	**$ —**	**$ —**

In assessing the realizability of deferred tax assets, the Company considers whether it is probable that some or all of the deferred tax assets will not be realized. In determining whether the deferred taxes are realizable, the Company considers the period of expiration of the tax asset, historical and projected taxable income, and tax liabilities for the tax jurisdiction in which the tax asset is located. Valuation allowances are provided to reduce the amounts of deferred tax assets to an amount that is more likely

than not to be realized based on an assessment of positive and negative evidence, including estimates of future taxable income necessary to realize future deductible amounts.

The valuation allowance for deferred tax assets increased by $1.9 million in 2017 due to additional net valuation allowances recorded related to operating losses generated deductible temporary differences in various jurisdictions in which the Company operates, offset by the reduction of valuation allowances recorded in prior years for which the Company is able to conclude that the realization of the related deferred tax asset is more likely than not as of December 31, 2017 . The valuation allowance for deferred tax assets increased by $0.5 million in 2016 due to additional net valuation allowances recorded related to operating losses incurred in various jurisdictions in which the Company operates, offset by the reduction of valuation allowances recorded in prior years for which the Company is able to conclude that the realization of the related deferred tax asset is more likely than not as of December 31, 2016.

At December 31, 2017 , the Company had $24.8 million of net operating loss ("NOL") carryforwards attributable to its consolidated funds available to reduce future foreign income taxes for which a full valuation allowance has been provided. The majority of the foreign NOLs have no expiry. The Company generated a NOL for U.S. federal income tax purposes of approximately $71.2 million in 2017, primarily driven by the deduction of the ACAS transaction support payment made in the first quarter of 2017. The Company anticipates to carryback the NOL to the 2015 and 2016 tax years for U.S. federal income tax purposes resulting in a tax receivable of approximately $21.8 million . The deduction also generated state NOLs which will be carried forward and available to reduce state income taxes.

As of, and for the three years ended December 31, 2017 , 2016 and 2015 , the Company had no significant uncertain tax positions.

14. EARNINGS PER COMMON UNIT

Basic earnings per common unit is computed by dividing income available to common unitholders by the weighted-average number of common units outstanding during the period. Diluted earnings per common unit is computed using the more dilutive method of either the two-class method or the treasury stock method.

The treasury stock method is used to determine potentially dilutive securities resulting from options and unvested restricted units granted under the 2014 Equity Incentive Plan. The two-class method is an earnings allocation method under which earnings per unit is calculated for common units and participating securities considering both dividends declared (or accumulated) and participation rights in undistributed earnings as if all such earnings had been distributed during the period. Because the holders of unvested restricted units have the right to participate in distributions when declared, the unvested restricted units are considered participating securities to the extent they are expected to vest.

For the years ended December 31, 2017 and 2015 , the two-class method was the more dilutive method for the unvested restricted units. For the year ended December 31, 2016 the treasury stock method was the more dilutive method for the unvested restricted units. No participating securities had rights to undistributed earnings during any period presented.

The computation of diluted earnings per common unit for the years ended December 31, 2017, 2016 and 2015 excludes the following options, restricted units and AOG Units, as their effect would have been anti-dilutive:

	For the Year Ended December 31,		
	2017	2016	2015
Options	21,001,916	22,781,597	24,082,415
Restricted units	14,105,481	47,182	4,657,761
AOG Units	130,244,013	131,499,652	132,427,608

The following table presents the computation of basic and diluted earnings per common unit:

	For the Year Ended December 31,		
	2017	2016	2015
Net income attributable to Ares Management, L.P. common unitholders	$ 54,478	$ 99,632	$ 19,378
Earnings distributed to participating securities (restricted units)	(3,588)	(1,257)	(646)
Preferred stock dividends(1)	—	(8)	(15)
Net income available to common unitholders	**$ 50,890**	**$ 98,367**	**$ 18,717**
Basic weighted-average common units	**81,838,007**	**80,749,671**	**80,673,360**
Basic earnings per common unit	**$ 0.62**	**$ 1.22**	**$ 0.23**
Net income (loss) attributable to Ares Management, L.P. common unitholders	$ 54,478	$ 99,632	$ 19,378
Earnings distributed to participating securities (restricted units)	(3,588)	—	(646)
Preferred stock dividends(1)	—	(8)	(15)
Net income available to common unitholders	**$ 50,890**	**$ 99,624**	**$ 18,717**
Effect of dilutive units:			
Restricted units	—	2,187,359	—
Diluted weighted-average common units	**81,838,007**	**82,937,030**	**80,673,360**
Diluted earnings per common unit	**$ 0.62**	**$ 1.20**	**$ 0.23**

(1) Dividends relate to the preferred shares that were issued by Ares Real Estate Holdings LLC and were redeemed on July 1, 2016.

15. EQUITY COMPENSATION

Equity Incentive Plan

In 2014, the Company adopted the 2014 Equity Incentive Plan. Under the 2014 Equity Incentive Plan, the Company granted options to acquire 24,835,227 common units, 4,936,051 restricted units to be settled in common units and 686,395 phantom common units to be settled in cash. Based on a formula as defined in the 2014 Equity Incentive Plan, the total number of units available to be issued under the 2014 Equity Incentive Plan resets and may increase on January 1 each year. Accordingly, on January 1, 2017 , the total number of units available for issuance under the 2014 Equity Incentive Plan reset to 31,686,457 units, and as of December 31, 2017 , 26,284,165 units remain available for issuance.

Generally, unvested phantom units, restricted units and options are forfeited upon termination of employment in accordance with the 2014 Equity Incentive Plan. The Company recognizes forfeitures as a reversal of previously recognized compensation expense in the period they occur.

Equity-based compensation expense, net of forfeitures is included in the following table:

	For the Year Ended December 31,		
	2017	2016	2015
Restricted units	$ 54,339	$ 21,894	$ 14,035
Options	13,848	15,450	16,575
Phantom units	1,524	1,721	1,634
Equity-based compensation expense	**$ 69,711**	**$ 39,065**	**$ 32,244**

Restricted Units

Each restricted unit represents an unfunded, unsecured right of the holder to receive a common unit on a specific date. The restricted units generally vest and are settled in common units either (i) at a rate of one-third per year, beginning on the third anniversary of the grant date, (ii) in their entirety on the fifth anniversary of the grant date, or (iii) at a rate of one quarter per year,

beginning on the first anniversary of the grant date. Compensation expense associated with restricted units is recognized on a straight-line basis over the requisite service period of the award.

The holders of restricted units generally have the right to receive as current compensation an amount in cash equal to (i) the amount of any distribution paid with respect to a common unit multiplied by (ii) the number of restricted units held at the time such distributions are declared ("Distribution Equivalent"). During the year ended December 31, 2017 , the Company declared four quarterly distributions of $0.28 , $0.13 , $0.31 and $0.41 per common unit to common unitholders of record at the close of business on March 10, May 30, August 18, and November 17, respectively. For the year ended December 31, 2017 , Distribution Equivalents were made to the holders of restricted units in the aggregate amount of $16.0 million , which are presented as distributions within the Consolidated Statement of Changes in Equity. When units are forfeited, the cumulative amount of distribution equivalents previously paid is reclassified to compensation and benefits expense in the Consolidated Statements of Operations.

The following table presents unvested restricted units' activity during the year ended December 31, 2017 :

	Restricted Units		Weighted Average Grant Date Fair Value Per Unit
Balance - January 1, 2017	8,058,372	$	16.38
Granted	7,999,669		18.60
Vested	(1,843,730)		16.57
Forfeited	(462,423)		18.19
Balance - December 31, 2017	**13,751,888**	**$**	**17.58**

The total compensation expense expected to be recognized in all future periods associated with the restricted units is approximately $169.5 million as of December 31, 2017 and is expected to be recognized over the remaining weighted average period of 3.49 years.

Options

Each option entitles the holders to purchase from the Company, upon exercise thereof, one common unit at the stated exercise price. The term of the options is generally ten years , beginning on the grant date. The options generally vest at a rate of one-third per year, beginning on the third anniversary of the grant date. Compensation expense associated with these options is being recognized on a straight-line basis over the requisite service period of the respective award. As of December 31, 2017 , there was $21.0 million of total unrecognized compensation expense that is expected to be recognized over the remaining weighted average period of 1.35 years. Net cash proceeds from the exercises of stock options was $1.1 million for the year end December 31, 2017. The Company realized tax benefits of approximately $0.1 million from those exercises.

A summary of unvested options activity during the year ended December 31, 2017 is presented below:

	Options		Weighted Average Exercise Price	Weighted Average Remaining Life (in years)		Aggregate Intrinsic Value
Balance - January 1, 2017	22,232,134	$	18.99	7.35	$	4,586
Granted	—		—	—		—
Exercised	(54,500)		19.00	—		205
Expired	(523,440)		19.00	—		—
Forfeited	(1,159,169)		19.00	—		—
December 31, 2017	**20,495,025**	**$**	**18.99**	**6.09**	$	20,611
Exercisable at December 31, 2017	7,369,430	$	19.00	5.62	$	7,369

Aggregate intrinsic value represents the value of the Company's closing unit price on the last trading day of the period in excess of the weighted-average exercise price multiplied by the number of options exercisable or expected to vest.

The fair value of an award is affected by the Company's unit price on the date of grant as well as other assumptions including the estimated volatility of the Company's unit price over the term of the awards and the estimated period of time that

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management expects employees to hold their unit options. The estimated period of time that management expects employees to hold their options was estimated as the midpoint between the vesting date and maturity date.

The fair value of each option granted during each year is measured on the date of the grant using the Black-Scholes option pricing model and the following weighted average assumptions:

	For the Year Ended December 31,		
	2017(2)	2016(2)	2015
Risk-free interest rate	N/A	N/A	1.71% to 1.80%
Weighted average expected dividend yield	N/A	N/A	5.00%
Expected volatility factor(1)	N/A	N/A	35.00% to 36.00%
Expected life in years	N/A	N/A	6.66 to 7.49

(1) Expected volatility is based on comparable companies using daily stock prices.
(2) There were no new options granted during the years ended December 31, 2017 and 2016.

Phantom Units

Each phantom unit represents an unfunded, unsecured right of the holder to receive an amount in cash per phantom unit equal to the average closing price of a common unit for the 15 trading days immediately prior to, and the 15 trading days immediately following, the vesting date. The phantom units will vest in equal installments over five years at the anniversaries of the IPO date. The phantom units are accounted for as liability awards with compensation expense being recognized on a straight-line basis based on the number of unvested units. Forfeitures will reduce the expenses in the period in which the forfeiture occurs.

A summary of unvested phantom units' activity during the year ended December 31, 2017 is presented below:

	Phantom Units	Weighted Average Grant Date Fair Value Per Unit
Balance - January 1, 2017	266,138	$ 19.00
Vested	(87,222)	19.00
Forfeited	(22,763)	19.00
December 31, 2017	**156,153**	**$ 19.00**

The fair value of the awards is remeasured at each reporting period and was $ 20.00 per unit as of December 31, 2017 . Based on the fair value of the awards at December 31, 2017 , $2.1 million of unrecognized compensation expense in connection with phantom units outstanding is expected to be recognized over a weighted average period of 1.33 years. For the year ended December 31, 2017 , the Company paid $1.7 million to settle vested phantom units.

Adoption of ASU 2016-09

The Company adopted ASU 2016-09 effective January 1, 2016 using a modified retrospective approach and recorded a cumulative-effect adjustment with the following impact to beginning equity:

	Partners' Capital	Non-Controlling Interest in AOG Entities	Redeemable Interest in AOG Entities
Balance at December 31, 2015	$ 251,537	$ 397,883	$ 23,505
Retained earnings	(3,357)	(5,470)	(38)
Paid-in-capital - equity compensation	3,767	6,138	43
Distributions - dividend equivalent	(410)	(668)	(5)
Balance at December 31, 2015 (as adjusted)	**$ 251,537**	**$ 397,883**	**$ 23,505**

16. EQUITY

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Common Units:

Common units represent limited partnership interests in the Company. The holders of common units are entitled to participate pro rata in distributions from the Company and to exercise the rights or privileges that are available to common unitholders under the Company's partnership agreement. The common unitholders have limited voting rights and have no right to remove the Company's general partner, Ares Management GP LLC, or, except in limited circumstances, to elect the directors of the general partner.

The following table presents each partner's AOG Units and corresponding ownership interest in each of the Ares Operating Group entities as of December 31, 2017 and 2016 , as well as its daily average ownership of AOG Units in each of the Ares Operating Group entities for the years ended December 31, 2017 , 2016 and 2015 .

	As of December 31,				Daily Average Ownership		
	2017		2016		For the Year Ended December 31,		
	AOG Units	Direct Ownership Interest	AOG Units	Direct Ownership Interest	2017	2016	2015
Ares Management, L.P.	82,280,033	38.75%	80,814,732	38.26%	38.59%	38.04%	37.86%
Ares Owners Holding L.P.	117,576,663	55.36%	117,928,313	55.82%	55.52%	56.07%	56.27%
Affiliate of Alleghany Corporation	12,500,000	5.89%	12,500,000	5.92%	5.89%	5.89%	5.87%
Total	212,356,696	100.00%	211,243,045	100.00%			

The Company's ownership percentage of the AOG Units will continue to change upon: (i) the vesting of restricted units and exercise of options that were granted under the Equity Incentive Plan; (ii) the exchange of AOG Units for common units; (iii) the cancellation of AOG Units in connection with certain individuals' forfeiture of AOG Units upon termination of employment and (iv) the issuance of new AOG Units, including in connection with acquisitions. Holders of the AOG Units, subject to any applicable transfer restrictions, may up to four times each year (subject to the terms of the exchange agreement) exchange their AOG Units for common units on a one-for-one basis. Equity is reallocated among partners upon a change in ownership to ensure each partners' capital account properly reflects their respective claim on the residual value of the Company. This change is reflected as either a reallocation of interest or as dilution in the Consolidated Statements of Changes in Equity.

Preferred Equity

As of December 31, 2017 and 2016 , the Company had 12,400,000 units of Series A Preferred Equity (the "Preferred Equity") outstanding. When, as and if declared by the Company's board of directors, distributions on the Preferred Equity are payable quarterly at a rate per annum equal to 7.00% . The Preferred Equity may be redeemed at the Company's option, in whole or in part, at any time on or after June 30, 2021, at a price of $25.00 per unit.

Secondary Offering

On March 2, 2017, AREC Holdings Ltd., a wholly owned subsidiary of Abu Dhabi Investment Authority ("ADIA" or "the selling unitholder") sold 7,500,000 units of the Company's common units through a public secondary offering. The Company did not receive any of the proceeds from the offering. The Company incurred approximately $0.7 million of expenses related to the secondary offering transaction. The fees related to the secondary offering were non-operating expenses and are included in other income, net in the Consolidated Statements of Operations. The selling unitholder paid the underwriting discounts and commissions and/or similar charges incurred for the sale of the common units.

17. MARKET AND OTHER RISK FACTORS

Due to the nature of the Company's investment strategy, the Company's portfolio of investments has significant market and credit risk. As a result, the Company is subject to market, credit and other risk factors, including, but not limited to the following:

Market Risk

The market price of investments may significantly fluctuate during the period of investment. Investments may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of an investment may decline due to general market conditions which are not specifically related to such investment, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

Limited Liquidity of Investments

The Company invests in securities that may not be readily marketable. Illiquid investments may trade at a discount from comparable, more liquid investments, and at times there may be no market at all for such investments. Subordinate investments may be less marketable, or in some instances illiquid, because of the absence of registration under federal securities laws, contractual restrictions on transfer, the small size of the market and the small size of the issue (relative to issues of comparable interests). As a result, the Company may encounter difficulty in selling its investments or may, if required to liquidate investments to satisfy redemption requests of its investors or debt service obligations, be compelled to sell such investments at less than fair value.

Counterparty Risk

Some of the markets in which the Company invests are over-the-counter or interdealer markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight unlike members of exchange-based markets. The lack of oversight exposes the Company to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the applicable contract (whether or not such dispute is bona fide) or because of a credit or liquidity problem, causing the Company to suffer losses. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Company has concentrated its transactions with a single or small group of counterparties.

Credit Risk

There are no restrictions on the credit quality of the investments the Company makes. Investments may be deemed by nationally recognized rating agencies to have substantial vulnerability to default in payment of interest and/or principal. Some investments may have low-quality ratings or be unrated. Lower rated and unrated investments have major risk exposure to adverse conditions and are considered to be predominantly speculative. Generally, such investments offer a higher return potential than higher rated investments, but involve greater volatility of price and greater risk of loss of income and principal.

In general, the ratings of nationally recognized rating organizations represent the opinions of agencies as to the quality of the securities they rate. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the relevant securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events. The Company may use these ratings as initial criteria for the selection of portfolio assets for the Company but is not required to utilize them.

Currency Risk

The Company may invest in financial instruments and enter into transactions denominated in currencies other than US dollars its functional currency. Although the Company may seek to hedge currency exposure through financial instruments, the Company may still be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than the functional currency.

18. SEGMENT REPORTING

The Company operates through its three distinct operating segments. In 2017, the Company reclassified certain expenses from OMG to its operating segments. The Company has modified historical results to conform with its current presentation.

The Company's three operating segments are:

Credit Group: The Company's Credit Group is a leading manager of credit strategies across the non-investment grade credit universe in the U.S. and Europe, with approximately $71.7 billion of assets under management and 139 funds as of December 31, 2017 . The Credit Group offers a range of credit strategies across the liquid and illiquid spectrum, including syndicated loans, high yield bonds, credit opportunities, structured credit investments and U.S. and European direct lending. The Credit Group provides solutions for traditional fixed income investors seeking to access the syndicated loans and high yield bond markets and capitalizes on opportunities across traded corporate credit. It additionally provides investors access to directly originated fixed and floating rate credit assets and the ability to capitalize on illiquidity premiums across the credit spectrum. The Credit Group's syndicated loans strategy focuses on liquid, traded non-investment grade secured loans to corporate issuers. The high yield bond strategy seeks to deliver a diversified portfolio of liquid, traded non-investment grade corporate bonds, including secured, unsecured and subordinated debt instruments. Credit opportunities is a "go anywhere" strategy seeking to capitalize on market inefficiencies and relative value opportunities across the capital structure. The structured credit strategy invests across the capital structures of syndicated collateralized loan obligation vehicles (CLOs) and in directly-originated asset-backed instruments comprised of diversified portfolios of consumer and commercial assets. The Company is one of the largest self-originating direct lenders to the U.S. and European middle markets, providing one-stop financing solutions for small-to-medium sized companies, which the Company believes are increasingly underserved by traditional lenders. The Company provides investors access to these capabilities through several vehicles, including commingled funds, separately managed accounts and a publicly traded vehicle. The Credit Group conducts its U.S. corporate lending activities primarily through ARCC, the largest business development company as of December 31, 2017 , by both market capitalization and total assets. In addition, the Credit Group manages a commercial finance business that provides asset-based and cash flow loans to small and middle-market companies, as well as asset-based facilities to specialty finance companies. The Credit Group's European direct lending platform is one of the most significant participants in the European middle-market, focusing on self-originated investments in illiquid middle-market credits.

Private Equity Group: The Company's Private Equity Group has approximately $24.5 billion of assets under management as of December 31, 2017 , broadly categorizing its investment strategies as corporate private equity, U.S. power and energy infrastructure and special situations. As of December 31, 2017 , the group managed five corporate private equity commingled funds focused on North America and Europe and two focused on greater China, five commingled funds and six related co-investment vehicles focused on U.S. power and energy infrastructure and three special situations funds. In its North American and European flexible capital strategy, the Company targets opportunistic majority or shared-control investments in businesses with strong franchises and attractive growth opportunities in North America and Europe. The U.S. power and energy infrastructure strategy targets U.S. energy infrastructure-related assets across the power generation, transmission and midstream sectors, seeking attractive risk-adjusted equity returns with current cash flow and capital appreciation. The special situations strategy seeks to invest opportunistically across a broad spectrum of distressed or mispriced investments, including corporate debt, rescue capital, private asset-backed investments, post-reorganization securities and non-performing portfolios.

Real Estate Group: The Company's Real Estate Group manages comprehensive public and private equity and debt strategies, with approximately $10.2 billion of assets under management across 42 funds as of December 31, 2017 . Real Estate equity strategies focus on applying hands-on value creation initiatives to mismanaged and capital-starved assets, as well as new development, ultimately selling stabilized assets back into the market. The Real Estate Group manages both a value-add strategy and an opportunistic strategy. The value-add strategy seeks to create value by buying assets at attractive valuations and through active asset management of income-producing properties across the U.S. and Western Europe. The opportunistic strategy focuses on manufacturing core assets through development, redevelopment and fixing distressed capital structures across major properties in the U.S. and Europe. The Company's debt strategies leverage the Real Estate Group's diverse sources of capital to directly originate and manage commercial mortgage investments on properties that range from stabilized to requiring hands-on value creation. In addition to managing private debt funds, the Real Estate Group makes debt investments through a publicly traded commercial mortgage REIT, ACRE.

The Company has an Operations Management Group (the "OMG") that consists of five shared resource groups to support the Company's operating segments by providing infrastructure and administrative support in the areas of accounting/finance,

operations/information technology, business development/corporate strategy, legal/compliance and human resources. Additionally, the OMG provides services to certain of the Company's investment companies and partnerships, which reimburse the OMG for expenses equal to the cost of services provided. The OMG's expenses are not allocated to the Company's three reportable segments but the Company does consider the cost structure of the OMG when evaluating its financial performance.

Non-GAAP Measures: These measures supplement and should be considered in addition to, and not in lieu of, the Consolidated Statements of Operations prepared in accordance with GAAP.

Economic net income ("ENI"), a non-GAAP measure, is an operating metric used by management to evaluate total operating performance, a decision tool for deployment of resources, and an assessment of the performance of the Company's business segments. ENI differs from net income by excluding (a) income tax expense, (b) operating results of the Consolidated Funds, (c) depreciation and amortization expense, (d) placement fees and underwriting costs (e) the effects of changes arising from corporate actions, and (f) certain other items that the Company believes are not indicative of its total operating performance. Changes arising from corporate actions include equity-based compensation expenses, the amortization of intangible assets, transaction costs associated with mergers and acquisitions and capital transactions, and expenses incurred in connection with corporate reorganization.

Fee related earnings ("FRE"), a non-GAAP measure, refers to a component of ENI that is used to assess core operating performance by determining whether recurring revenue, primarily consisting of management fees, is sufficient to cover operating expenses and to generate profits. FRE differs from income before taxes computed in accordance with GAAP as it adjusts for the items included in the calculation of ENI and excludes performance fees, performance fee compensation, investment income from the Consolidated Funds and non-consolidated funds and certain other items that the Company believes are not indicative of its core operating performance.

Performance related earnings ("PRE"), a non-GAAP measure, is used to assess the Company's investment performance net of performance fee compensation. PRE differs from income (loss) before taxes computed in accordance with GAAP as it only includes performance fees, performance fee compensation and total investment and other income earned from the Consolidated Funds and non-consolidated funds.

Realized income ("RI"), a non-GAAP measure, is an operating metric used by management to evaluate performance of the business based on tangible operating performance and the contribution of each of the business segments to that performance, while removing the fluctuations of unrealized income and expenses, which may or may not be eventually realized at the levels presented and whose realizations depend more on future outcomes than current business operations. RI differs from net income by excluding (a) income tax expense, (b) operating results of our Consolidated Funds, (c) depreciation and amortization expense, (d) the effects of changes arising from corporate actions, (e) unrealized gains and losses related to performance fees and investment performance and (e) certain other items that we believe are not indicative of our tangible operating performance. Changes arising from corporate actions include equity-based compensation expenses, the amortization of intangible assets, transaction costs associated with mergers, acquisitions and capital transactions, placement fees and underwriting costs and expenses incurred in connection with corporate reorganization.

Distributable earnings ("DE"), a non-GAAP measure, is an operating metric that assesses the Company's performance without the effects of the Consolidated Funds and the impact of unrealized income and expenses, which generally fluctuate with fair value changes. Among other things, this metric also is used to assist in determining amounts potentially available for distribution. However, the declaration, payment, and determination of the amount of distributions to unitholders, if any, is at the sole discretion of the Company's Board of Directors, which may change the distribution policy at any time. Distributable earnings is calculated as the sum of fee related earnings, realized performance fees, realized performance fee compensation, realized net investment and other income, and is reduced by expenses arising from transaction costs associated with acquisitions, placement fees and underwriting costs, expenses incurred in connection with corporate reorganization and depreciation. Distributable earnings differs from income before taxes computed in accordance with GAAP as it is typically presented before giving effect to unrealized performance fees, unrealized performance fee compensation, unrealized net investment income, amortization of intangibles and equity compensation expense. DE is presented prior to the effect of income taxes and to distributions made to the Company's preferred unitholders, unless otherwise noted.

Management makes operating decisions and assesses the performance of each of the Company's business segments based on financial and operating metrics and other data that is presented before giving effect to the consolidation of any of the Consolidated

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Funds. Consequently, all segment data excludes the assets, liabilities and operating results related to the Consolidated Funds and non-consolidated funds.

The following table presents the financial results for the Company's operating segments, as well as the OMG, for the year ended December 31, 2017 :

	Credit Group	Private Equity Group	Real Estate Group	Total Segments	OMG	Total
Management fees (Credit Group includes ARCC Part I Fees of $105,467)	$ 481,466	$ 198,498	$ 64,861	$ 744,825	$ —	$ 744,825
Other fees	20,830	1,495	106	22,431	—	22,431
Compensation and benefits	(192,022)	(68,569)	(39,586)	(300,177)	(113,558)	(413,735)
General, administrative and other expenses	(33,308)	(17,561)	(10,519)	(61,388)	(75,143)	(136,531)
Fee related earnings	**276,966**	**113,863**	**14,862**	**405,691**	**(188,701)**	**216,990**
Performance fees—realized	21,087	287,092	9,608	317,787	—	317,787
Performance fees—unrealized	54,196	191,559	80,160	325,915	—	325,915
Performance fee compensation—realized	(9,218)	(228,774)	(4,338)	(242,330)	—	(242,330)
Performance fee compensation—unrealized	(35,284)	(153,148)	(48,960)	(237,392)	—	(237,392)
Net performance fees	30,781	96,729	36,470	163,980	—	163,980
Investment income—realized	7,102	22,625	5,534	35,261	3,880	39,141
Investment income—unrealized	5,480	38,754	2,626	46,860	8,627	55,487
Interest and other investment income	5,660	3,906	2,495	12,061	1,267	13,328
Interest expense	(12,405)	(5,218)	(1,650)	(19,273)	(1,946)	(21,219)
Net investment income	5,837	60,067	9,005	74,909	11,828	86,737
Performance related earnings	**36,618**	**156,796**	**45,475**	**238,889**	**11,828**	**250,717**
Economic net income	**$ 313,584**	**$ 270,659**	**$ 60,337**	**$ 644,580**	**$ (176,873)**	**$ 467,707**
Realized income	**$ 293,724**	**$ 192,814**	**$ 24,527**	**$ 511,065**	**$ (185,625)**	**$ 325,440**
Distributable earnings	**$ 268,737**	**$ 187,733**	**$ 19,189**	**$ 475,659**	**$ (204,024)**	**$ 271,635**
Total assets	**$ 837,562**	**$ 1,255,454**	**$ 306,463**	**$ 2,399,479**	**$ 119,702**	**$ 2,519,181**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Unit Data and As Otherwise Noted)

The following table presents the financial results for the Company's operating segments, as well as the OMG, for the year ended December 31, 2016 :

	Credit Group	Private Equity Group	Real Estate Group	Total Segments	OMG	Total
Management fees (Credit Group includes ARCC Part I Fees of $121,181)	$ 444,664	$ 147,790	$ 66,997	$ 659,451	$ —	$ 659,451
Other fees(1)	9,953	1,544	854	12,351	—	12,351
Compensation and benefits	(182,901)	(61,276)	(41,091)	(285,268)	(99,447)	(384,715)
General, administrative and other expenses	(28,539)	(14,679)	(10,603)	(53,821)	(60,916)	(114,737)
Fee related earnings	**243,177**	**73,379**	**16,157**	**332,713**	**(160,363)**	**172,350**
Performance fees—realized	51,435	230,162	11,401	292,998	—	292,998
Performance fees—unrealized	22,851	188,287	17,334	228,472	—	228,472
Performance fee compensation—realized	(11,772)	(184,072)	(2,420)	(198,264)	—	(198,264)
Performance fee compensation—unrealized	(26,109)	(149,956)	(13,517)	(189,582)	—	(189,582)
Net performance fees	36,405	84,421	12,798	133,624	—	133,624
Investment income (loss)—realized	4,928	18,773	931	24,632	(14,606)	10,026
Investment income (loss)—unrealized	11,848	(613)	5,418	16,653	(2,197)	14,456
Interest and other investment income	26,119	16,579	1,661	44,359	149	44,508
Interest expense	(8,609)	(5,589)	(1,056)	(15,254)	(2,727)	(17,981)
Net investment income (loss)	34,286	29,150	6,954	70,390	(19,381)	51,009
Performance related earnings	**70,691**	**113,571**	**19,752**	**204,014**	**(19,381)**	**184,633**
Economic net income	**$ 313,868**	**$ 186,950**	**$ 35,909**	**$ 536,727**	**$ (179,744)**	**$ 356,983**
Realized income	**$ 301,706**	**$ 149,544**	**$ 26,611**	**$ 477,861**	**$ (177,533)**	**$ 300,328**
Distributable earnings	**$ 294,814**	**$ 144,140**	**$ 21,594**	**$ 460,548**	**$ (196,242)**	**$ 264,306**
Total assets	**$ 650,435**	**$ 1,218,412**	**$ 232,862**	**$ 2,101,709**	**$ 74,383**	**$ 2,176,092**

The following table presents the financial results for the Company's operating segments, as well as the OMG, for the year ended December 31, 2015 :

	Credit Group	Private Equity Group	Real Estate Group	Total Segments	OMG	Total
Management fees (Credit Group includes ARCC Part I Fees of $121,491)	$ 432,769	$ 152,104	$ 66,045	$ 650,918	$ —	$ 650,918
Other fees	414	1,406	2,779	4,599	—	4,599
Compensation and benefits	(174,262)	(56,859)	(42,632)	(273,753)	(86,869)	(360,622)
General, administrative and other expenses	(30,322)	(15,647)	(15,766)	(61,735)	(56,168)	(117,903)
Fee related earnings	**228,599**	**81,004**	**10,426**	**320,029**	**(143,037)**	**176,992**
Performance fees—realized	87,583	24,849	9,516	121,948	—	121,948
Performance fees—unrealized	(71,341)	87,809	15,179	31,647	—	31,647
Performance fee compensation—realized	(44,110)	(19,255)	(1,826)	(65,191)	—	(65,191)
Performance fee compensation—unrealized	36,659	(74,598)	(8,553)	(46,492)	—	(46,492)
Net performance fees	8,791	18,805	14,316	41,912	—	41,912
Investment income—realized	13,274	6,840	2,658	22,772	(23)	22,749
Investment income (loss)—unrealized	(15,731)	(13,205)	1,522	(27,414)	52	(27,362)
Interest and other investment income	10,429	6,166	259	16,854	379	17,233
Interest expense	(7,075)	(5,936)	(977)	(13,988)	(1,158)	(15,146)
Net investment income (loss)	897	(6,135)	3,462	(1,776)	(750)	(2,526)
Performance related earnings	**9,688**	**12,670**	**17,778**	**40,136**	**(750)**	**39,386**
Economic net income	**$ 238,287**	**$ 93,674**	**$ 28,204**	**$ 360,165**	**$ (143,787)**	**$ 216,378**
Realized income	**$ 288,700**	**$ 93,668**	**$ 20,056**	**$ 402,424**	**$ (143,839)**	**$ 258,585**
Distributable earnings	**$ 279,630**	**$ 88,767**	**$ 14,831**	**$ 383,228**	**$ (152,639)**	**$ 230,589**
Total assets	**$ 530,758**	**$ 927,758**	**$ 186,058**	**$ 1,644,574**	**$ 96,637**	**$ 1,741,211**

Ares Management, L.P.

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(1) For the year ended December 31, 2015 , the Company presented compensation and benefits expenses and general, administrative and other expenses net of the administrative fees earned from certain funds. As a result, for the year ended December 31, 2015 , $21.6 million and $4.4 million of administrative fees have been reclassified from other fees to compensation and benefits expenses and general, administrative and other expenses, respectively.

The following table presents the components of the Company's operating segments' revenue, expenses and other income (expense):

	For the Year Ended December 31,		
	2017	2016	2015
Segment Revenues			
Management fees (includes ARCC Part I Fees of $105,467, $121,181 and $121,491 for the years ended December 31, 2017, 2016 and 2015, respectively)	$ 744,825	$ 659,451	$ 650,918
Other fees	22,431	12,351	4,599
Performance fees—realized	317,787	292,998	121,948
Performance fees—unrealized	325,915	228,472	31,647
Total segment revenues	**$ 1,410,958**	**$ 1,193,272**	**$ 809,112**
Segment Expenses			
Compensation and benefits	$ 300,177	$ 285,268	$ 273,753
General, administrative and other expenses	61,388	53,821	61,735
Performance fee compensation—realized	242,330	198,264	65,191
Performance fee compensation—unrealized	237,392	189,582	46,492
Total segment expenses	**$ 841,287**	**$ 726,935**	**$ 447,171**
Other Income (Expense)			
Investment income—realized	$ 35,261	$ 24,632	$ 22,772
Investment income (loss)—unrealized	46,860	16,653	(27,414)
Interest and other investment income	12,061	44,359	16,854
Interest expense	(19,273)	(15,254)	(13,988)
Total other income (expense)	**$ 74,909**	**$ 70,390**	**$ (1,776)**

The following table reconciles segment revenue to Ares consolidated revenues:

	For the Year Ended December 31,		
	2017	2016	2015
Total segment revenue	$ 1,410,958	$ 1,193,272	$ 809,112
Revenue of Consolidated Funds eliminated in consolidation	(27,498)	(18,522)	(13,279)
Administrative fees(1)	34,049	26,934	26,007
Performance fees reclass(2)	(1,936)	(2,479)	(7,398)
Revenue of non-controlling interests in consolidated subsidiaries(3)	(74)	—	—
Total consolidated adjustments and reconciling items	4,541	5,933	5,330
Total consolidated revenue	**$ 1,415,499**	**$ 1,199,205**	**$ 814,442**

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(1) Represents administrative fees that are presented in administrative, transaction and other fees in the Company's Consolidated Statements of Operations and are netted against the respective expenses for segment reporting.
(2) Related to performance fees for AREA Sponsor Holdings LLC, an investment pool. Changes in value of this investment are reflected within other income in the Company's Consolidated Statements of Operations.
(3) Adjustments for administrative fees reimbursed attributable to certain of our joint venture partners.

The following table reconciles segment expenses to Ares consolidated expenses:

	For the Year Ended December 31,		
	2017	2016	2015
Total segment expenses	$ 841,287	$ 726,935	$ 447,171
Expenses of Consolidated Funds added in consolidation	65,501	42,520	36,417
Expenses of Consolidated Funds eliminated in consolidation	(26,481)	(21,447)	(18,312)
Administrative fees(1)	34,049	26,934	26,007
OMG expenses	188,701	160,363	143,037
Acquisition and merger-related expenses	280,055	773	40,482
Equity compensation expense	69,711	39,065	32,244
Placement fees and underwriting costs	19,765	6,424	8,825
Amortization of intangibles	17,850	26,638	46,227
Depreciation expense	12,631	8,215	6,942
Expenses of non-controlling interests in consolidated subsidiaries(2)	1,689	—	—
Total consolidation adjustments and reconciling items	663,471	289,485	321,869
Total consolidated expenses	**$ 1,504,758**	**$ 1,016,420**	**$ 769,040**

(1) Represents administrative fees that are presented in administrative, transaction and other fees in the Company's Consolidated Statements of Operations and are netted against the respective expenses for segment reporting.
(2) Costs being borne by certain of our joint venture partners.

The following table reconciles segment other income to Ares consolidated other income:

	For the Year Ended December 31,		
	2017	2016	2015
Net investment income (loss)	$ 74,909	$ 70,390	$ (1,776)
Other income from Consolidated Funds added in consolidation, net	154,869	37,388	13,695
Other income (expense) from Consolidated Funds eliminated in consolidation, net	(25,646)	4,856	12,007
Other income of non-controlling interests in consolidated subsidiaries(2)	24	—	—
OMG other expense	11,828	(19,381)	(750)
Performance fee reclass(1)	1,936	2,479	7,398
Change in value of contingent consideration	20,156	17,675	21,064
Merger related expenses	—	—	(15,446)
Other non-cash expense	1,730	1,728	(110)
Offering costs	(688)	—	—
Total consolidation adjustments and reconciling items	164,209	44,745	37,858
Total consolidated other income	**$ 239,118**	**$ 115,135**	**$ 36,082**

(1) Related to performance fees for AREA Sponsor Holdings LLC. Changes in value of this investment are reflected within other (income) expense in the Company's Consolidated Statements of Operations.
(2) Costs being borne by certain of our joint venture partners.

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The following table presents the reconciliation of income before taxes as reported in the Consolidated Statements of Operations to segment results of ENI, RI, FRE, PRE and DE:

	For the Year Ended December 31,		
	2017	2016	2015
Economic net income			
Income before taxes	$ 149,859	$ 297,920	$ 81,484
Adjustments:			
Amortization of intangibles	17,850	26,638	46,227
Depreciation expense	12,631	8,215	6,942
Equity compensation expenses	69,711	39,065	32,244
Acquisition and merger-related expenses	259,899	(16,902)	34,864
Placement fees and underwriting costs	19,765	6,424	8,825
OMG expenses, net	176,873	179,744	143,787
Offering costs	688	—	—
Other non-cash expense	(1,730)	(1,728)	110
Expense of non-controlling interests in Consolidated subsidiaries(2)	1,739	—	—
(Income) loss before taxes of non-controlling interests in Consolidated Funds, net of eliminations	(62,705)	(2,649)	5,682
Total consolidation adjustments and reconciling items	494,721	238,807	278,681
Economic net income	**644,580**	**536,727**	**360,165**
Total performance fees income - unrealized	(325,915)	(228,472)	(31,647)
Total performance fee compensation - unrealized	237,392	189,582	46,492
Total investment (income) loss - unrealized	(44,992)	(19,976)	27,414
Realized income	**511,065**	**477,861**	**402,424**
Total performance fees income - realized	(317,787)	(292,998)	(121,948)
Total performance fee compensation - realized	242,330	198,264	65,191
Total investment (income) loss - realized	(29,917)	(50,414)	(25,638)
Fee related earnings	**405,691**	**332,713**	**320,029**
Performance fees—realized	317,787	292,998	121,948
Performance fee compensation—realized	(242,330)	(198,264)	(65,191)
Investment and other income realized, net	29,913	50,415	25,638
Additional adjustments:			
Dividend equivalent(1)	(12,427)	(4,181)	(2,688)
One-time acquisition costs(1)	(118)	(457)	(1,553)
Income tax expense(1)	(1,677)	(3,199)	(1,462)
Non-cash items	720	870	(758)
Placement fees and underwriting costs(1)	(16,324)	(6,431)	(8,817)
Depreciation(1)	(5,576)	(3,916)	(3,918)
Distributable earnings	**$ 475,659**	**$ 460,548**	**$ 383,228**
Performance related earnings			
Economic net income	$ 644,580	$ 536,727	$ 360,165
Less: fee related earnings	(405,691)	(332,713)	(320,029)
Performance related earnings	**$ 238,889**	**$ 204,014**	**$ 40,136**

(1) Certain costs are reduced by the amounts attributable to OMG, which is excluded from segment results.
(2) Adjustments for administrative fees reimbursed and other revenue items attributable to certain of our joint venture partners.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Unit Data and As Otherwise Noted)

The reconciliation of total segment assets to total assets reported in the Consolidated Statements of Financial Condition consists of the following:

	For the Year Ended December 31,		
	2017	2016	2015
Total segment assets	$ 2,399,479	$ 2,101,709	$ 1,644,574
Total assets from Consolidated Funds added in Consolidation	6,231,245	3,822,010	2,760,419
Total assets from the Company eliminated in Consolidation	(186,904)	(168,390)	(180,222)
Operating Management Group assets	119,702	74,383	96,637
Total consolidated adjustments and reconciling items	6,164,043	3,728,003	2,676,834
Total consolidated assets	**$ 8,563,522**	**$ 5,829,712**	**$ 4,321,408**

19. CONSOLIDATION

Adoption of ASU 2015-02

The Company adopted ASU 2015-02 under the modified retrospective approach with an effective date of January 1, 2015. As a result of the adoption of ASU 2015-02, the Company deconsolidated certain previously consolidated CLOs and certain previously consolidated non-CLOs effective January 1, 2015 as the Company is no longer deemed to be the primary beneficiary. The deconsolidation of such entities had the following impact on the Consolidated Statement of Financial Condition as of January 1, 2015:

	As of January 1, 2015		
	As originally reported	As adjusted	Effect of deconsolidation
CLOs:			
Number of entities	31	4	(27)
Total assets	$ 12,682,054	$ 2,109,780	$ (10,572,274)
Total liabilities	$ 12,719,980	$ 2,122,355	$ (10,597,625)
Cumulative- effect adjustment to equity appropriated for Consolidated Funds	$ —	$ 25,352	$ 25,352
Non-CLOs:			
Number of entities	35	6	(29)
Total assets	$ 7,271,422	$ 395,730	$ (6,875,692)
Total liabilities	$ 1,242,484	$ 55,430	$ (1,187,054)
Cumulative- effect adjustment to redeemable interests in Consolidated Funds and non-controlling interest in Consolidated Funds	$ —	$ (5,688,639)	$ (5,688,639)
Total impact of deconsolidation of entities:			
Number of entities	66	10	(56)
Total assets	$ 19,953,476	$ 2,505,510	$ (17,447,966)
Total liabilities	$ 13,962,463	$ 2,177,785	$ (11,784,679)
Cumulative- effect adjustment to redeemable interests in Consolidated Funds and non-controlling interest in Consolidated Funds	$ —	$ (5,663,287)	$ (5,663,287)

The impact of the adoption on redeemable interest in Consolidated Funds and non-controlling interest in Consolidated Funds as of January 1, 2015 was a reduction of $1.0 billion and $4.6 billion , respectively. Adoption of the amended guidance had no impact on net income attributable to Ares Management, L.P.

Based on the Company’s assessments, no additional entities have been consolidated in the Company’s financial statements purely as a result of the adoption of ASU 2015-02. Additionally, under the new accounting guidance, certain consolidated entities previously accounted for as voting interest entities (“VOEs”) became VIEs, while certain entities previously accounted for as VIEs became VOEs.

Deconsolidated Funds

Certain funds that have historically been consolidated in the financial statements are no longer consolidated because, as of the reporting period: (a) the Company deconsolidated such funds as a result of a change in accounting principle, including fifty-six entities for the year ended December 31, 2015, (b) such funds were liquidated or dissolved, including two funds for the year ended December 31, 2017, or (c) the Company is no longer deemed to be the primary beneficiary of the VIEs as it has no longer has a significant economic interest in two funds for the year ended December 31, 2015. There were no additional funds deconsolidated for the year ended December 31, 2016. For deconsolidated funds, the Company will continue to serve as the general partner and/or investment manager until such funds are fully liquidated.

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Investments in Consolidated Variable Interest Entities

The Company consolidates entities that the Company has a variable interest in, and as the general partner or investment manager, has both the power to direct the most significant activities and a potentially significant economic interest. Investments in the consolidated VIEs are reported at fair value, and represents the Company's maximum exposure to loss.

Investments in Non-Consolidated Variable Interest Entities

The Company holds interests in certain VIEs that are not consolidated as the Company is not the primary beneficiary. The Company's interest in such entities generally is in the form of direct equity interests, fixed fee arrangements or both. The maximum exposure to loss represents the potential loss of assets by the Company relating to these non-consolidated entities. Investments in the non-consolidated VIEs are held at their carrying value, which approximates fair value.

The Company's interests in consolidated and non-consolidated VIEs, as presented in the Consolidated Statements of Financial Condition, and their respective maximum exposure to loss relating to non-consolidated VIEs are as follows:

	As of December 31,	
	2017	2016
Maximum exposure to loss attributable to the Company's investment in non-consolidated VIEs	$ 413,415	$ 268,950
Maximum exposure to loss attributable to the Company's investment in consolidated VIEs	$ 175,620	$ 153,746
Assets of consolidated VIEs	$ 6,231,245	$ 3,822,010
Liabilities of consolidated VIEs	$ 5,538,054	$ 3,360,329

	For the Years Ended December 31,		
	2017	2016	2015
Net income (loss) attributable to non-controlling interests related to consolidated VIEs	$ 60,818	$ 3,386	$ (5,686)

Ares Management, L.P.

Notes to the Consolidated Financial Statements
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CONSOLIDATING SCHEDULES

The following supplemental financial information illustrates the consolidating effects of the Consolidated Funds on the Company's financial condition as of December 31, 2017 and 2016 and results from operations for the years ended December 31, 2017 , 2016 and 2015 .

	As of December 31, 2017			
	Consolidated Company Entities	Consolidated Funds	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 118,929	$ —	$ —	$ 118,929
Investments	822,955	—	(175,620)	647,335
Performance fees receivable	1,105,180	—	(5,333)	1,099,847
Due from affiliates	171,701	—	(5,951)	165,750
Intangible assets, net	40,465	—	—	40,465
Goodwill	143,895	—	—	143,895
Deferred tax asset, net	8,326	—	—	8,326
Other assets	107,730	—	—	107,730
Assets of Consolidated Funds				
Cash and cash equivalents	—	556,500	—	556,500
Investments, at fair value	—	5,582,842	—	5,582,842
Due from affiliates	—	15,884	—	15,884
Dividends and interest receivable	—	12,568	—	12,568
Receivable for securities sold	—	61,462	—	61,462
Other assets	—	1,989	—	1,989
Total assets	**$ 2,519,181**	**$ 6,231,245**	**$ (186,904)**	**$ 8,563,522**
Liabilities				
Accounts payable, accrued expenses and other liabilities	$ 81,955	$ —	$ —	$ 81,955
Accrued compensation	27,978	—	—	27,978
Due to affiliates	14,642	—	—	14,642
Performance fee compensation payable	846,626	—	—	846,626
Debt obligations	616,176	—	—	616,176
Liabilities of Consolidated Funds				
Accounts payable, accrued expenses and other liabilities	—	64,316	—	64,316
Due to affiliates	—	11,285	(11,285)	—
Payable for securities purchased	—	350,145	—	350,145
CLO loan obligations	—	4,974,110	(10,916)	4,963,194
Fund borrowings	—	138,198	—	138,198
Total liabilities	**1,587,377**	**5,538,054**	**(22,201)**	**7,103,230**
Commitments and contingencies				
Preferred equity (12,400,000 units issued and outstanding)	**298,761**	**—**	**—**	**298,761**
Non-controlling interest in Consolidated Funds	**—**	**693,191**	**(164,703)**	**528,488**
Non-controlling interest in Ares Operating Group entities	**358,186**	**—**	**—**	**358,186**
Controlling interest in Ares Management, L.P.:				
Partners' Capital (82,280,033 units issued and outstanding)	279,065	—	—	279,065
Accumulated other comprehensive loss, net of tax	(4,208)	—	—	(4,208)
Total controlling interest in Ares Management, L.P.	**274,857**	**—**	**—**	**274,857**
Total equity	**931,804**	**693,191**	**(164,703)**	**1,460,292**
Total liabilities, non-controlling interests and equity	**$ 2,519,181**	**$ 6,231,245**	**$ (186,904)**	**$ 8,563,522**

Ares Management, L.P.

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	As of December 31, 2016			
	Consolidated Company Entities	Consolidated Funds	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 342,861	$ —	$ —	$ 342,861
Investments	622,215	—	(153,744)	468,471
Performance fees receivable	767,429	—	(8,330)	759,099
Due from affiliates	169,252	—	(6,316)	162,936
Intangible assets, net	58,315	—	—	58,315
Goodwill	143,724	—	—	143,724
Deferred tax asset, net	6,731	—	—	6,731
Other assets	65,565	—	—	65,565
Assets of Consolidated Funds				
Cash and cash equivalents	—	455,280	—	455,280
Investments, at fair value	—	3,330,203	—	3,330,203
Due from affiliates	—	3,592	—	3,592
Dividends and interest receivable	—	8,479	—	8,479
Receivable for securities sold	—	21,955	—	21,955
Other assets	—	2,501	—	2,501
Total assets	**$ 2,176,092**	**$ 3,822,010**	**$ (168,390)**	**$ 5,829,712**
Liabilities				
Accounts payable and accrued expenses	$ 83,336	$ —	$ —	$ 83,336
Accrued compensation	131,736	—	—	131,736
Due to affiliates	17,959	—	(395)	17,564
Performance fee compensation payable	598,050	—	—	598,050
Debt obligations	305,784	—	—	305,784
Equity compensation put option liability	—	—	—	—
Deferred tax liability, net	—	—	—	—
Liabilities of Consolidated Funds				
Accounts payable, accrued expenses and other liabilities	—	21,056	—	21,056
Due to affiliates	—	10,599	(10,599)	—
Payable for securities purchased	—	208,742	—	208,742
CLO loan obligations	—	3,064,862	(33,750)	3,031,112
Fund borrowings	—	55,070	—	55,070
Total liabilities	**1,136,865**	**3,360,329**	**(44,744)**	**4,452,450**
Commitments and contingencies				
Preferred equity (12,400,000 units issued and outstanding)	**298,761**	**—**	**—**	**298,761**
Non-controlling interest in Consolidated Funds	—	461,681	(123,646)	338,035
Non-controlling interest in Ares Operating Group entities	**447,615**	**—**	**—**	**447,615**
Controlling interest in Ares Management, L.P.:				
Partners' Capital (80,814,732 units issued and outstanding)	301,790	—	—	301,790
Accumulated other comprehensive loss, net of tax benefit	(8,939)	—	—	(8,939)
Total controlling interest in Ares Management, L.P.	**292,851**	**—**	**—**	**292,851**
Total equity	**1,039,227**	**461,681**	**(123,646)**	**1,377,262**
Total liabilities, non-controlling interests and equity	**$ 2,176,092**	**$ 3,822,010**	**$ (168,390)**	**$ 5,829,712**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Unit Data and As Otherwise Noted)

	For the Year Ended December 31, 2017			
	Consolidated Company Entities	Consolidated Funds	Eliminations	Consolidated
Revenues				
Management fees (includes ARCC Part I Fees of $105,467)	$ 744,825	$ —	$ (22,406)	$ 722,419
Performance fees	641,766	—	(5,092)	636,674
Administrative, transaction and other fees	56,406	—	—	56,406
Total revenues	**1,442,997**	**—**	**(27,498)**	**1,415,499**
Expenses				
Compensation and benefits	514,109	—	—	514,109
Performance fee compensation	479,722	—	—	479,722
General, administrative and other expense	196,730	—	—	196,730
Transaction support expense	275,177	—	—	275,177
Expenses of Consolidated Funds	—	65,501	(26,481)	39,020
Total expenses	**1,465,738**	**65,501**	**(26,481)**	**1,504,758**
Other income (expense)				
Net realized and unrealized gain on investments	96,568	—	(29,534)	67,034
Interest and dividend income	15,076	—	(2,361)	12,715
Interest expense	(21,219)	—	—	(21,219)
Other income, net	19,470	—	—	19,470
Net realized and unrealized gain on investments of Consolidated Funds	—	126,836	(26,712)	100,124
Interest and other income of Consolidated Funds	—	187,721	—	187,721
Interest expense of Consolidated Funds	—	(159,688)	32,961	(126,727)
Total other income	**109,895**	**154,869**	**(25,646)**	**239,118**
Income before taxes	87,154	89,368	(26,663)	149,859
Income tax expense (benefit)	(24,939)	1,887	—	(23,052)
Net income	**112,093**	**87,481**	**(26,663)**	**172,911**
Less: Net income attributable to non-controlling interests in Consolidated Funds	**—**	**87,481**	**(26,663)**	**60,818**
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**35,915**	**—**	**—**	**35,915**
Net income attributable to Ares Management, L.P.	**76,178**	**—**	**—**	**76,178**
Less: Preferred equity distributions paid	**21,700**	**—**	**—**	**21,700**
Net income attributable to Ares Management, L.P. common unitholders	**$ 54,478**	**$ —**	**$ —**	**$ 54,478**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Unit Data and As Otherwise Noted)

	For the Year Ended December 31, 2016			
	Consolidated Company Entities	Consolidated Funds	Eliminations	Consolidated
Revenues				
Management fees (includes ARCC Part I Fees of $121,181)	$ 659,451	$ —	$ (17,383)	$ 642,068
Performance fees	518,991	—	(1,139)	517,852
Administrative, transaction and other fees	39,285	—	—	39,285
Total revenues	**1,217,727**	**—**	**(18,522)**	**1,199,205**
Expenses				
Compensation and benefits	447,725	—	—	447,725
Performance fee compensation	387,846	—	—	387,846
General, administrative and other expense	159,776	—	—	159,776
Expenses of Consolidated Funds	—	42,520	(21,447)	21,073
Total expenses	**995,347**	**42,520**	**(21,447)**	**1,016,420**
Other income (expense)				
Net realized and unrealized gain on investments	26,961	—	1,290	28,251
Interest and dividend income	28,261	—	(4,480)	23,781
Interest expense	(17,981)	—	—	(17,981)
Other income, net	35,650	—	—	35,650
Net realized and unrealized loss on investments of Consolidated Funds	—	(2,999)	942	(2,057)
Interest and other income of Consolidated Funds	—	138,943	—	138,943
Interest expense of Consolidated Funds	—	(98,556)	7,104	(91,452)
Total other income	**72,891**	**37,388**	**4,856**	**115,135**
Income (loss) before taxes	295,271	(5,132)	7,781	297,920
Income tax expense (benefit)	11,756	(737)	—	11,019
Net income (loss)	**283,515**	**(4,395)**	**7,781**	**286,901**
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	**—**	**(4,395)**	**7,781**	**3,386**
Less: Net income attributable to redeemable interests in Ares Operating Group entities	**456**	**—**	**—**	**456**
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**171,251**	**—**	**—**	**171,251**
Net income attributable to Ares Management, L.P.	**$ 111,808**	**$ —**	**$ —**	**$ 111,808**
Less: Preferred equity distributions paid	**12,176 —**	**— —**	**—**	**12,176**
Net income attributable to Ares Management, L.P. common unitholders	**$ 99,632**	**$ —**	**$ —**	**$ 99,632**

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Unit Data and As Otherwise Noted)

	For the Year Ended December 31, 2015			
	Consolidated Company Entities	Consolidated Funds	Eliminations	Consolidated
Revenues				
Management fees (includes ARCC Part I Fees of $121,491)	$ 650,918	$ —	$ (16,519)	$ 634,399
Performance fees	146,197	—	4,418	150,615
Administrative, transaction and other fees	30,606	—	(1,178)	29,428
Total revenues	**827,721**	**—**	**(13,279)**	**814,442**
Expenses				
Compensation and benefits	414,454	—	—	414,454
Performance fee compensation	111,683	—	—	111,683
General, administrative and other expense	224,798	—	—	224,798
Expenses of Consolidated Funds	—	36,417	(18,312)	18,105
Total expenses	**750,935**	**36,417**	**(18,312)**	**769,040**
Other income (expense)				
Net realized and unrealized gain on investments	2,784	—	14,225	17,009
Interest and dividend income	17,542	—	(3,497)	14,045
Interest expense	(18,949)	—	—	(18,949)
Debt extinguishment expense	(11,641)	—	—	(11,641)
Other expense, net	20,644	—	1,036	21,680
Net realized and unrealized loss on investments of Consolidated Funds	—	(17,614)	(7,002)	(24,616)
Interest and other income of Consolidated Funds	—	117,373	—	117,373
Interest expense of Consolidated Funds	—	(86,064)	7,245	(78,819)
Total other income	**10,380**	**13,695**	**12,007**	**36,082**
Income (loss) before taxes	87,166	(22,722)	17,040	81,484
Income tax expense	19,060	4	—	19,064
Net income	**68,106**	**(22,726)**	**17,040**	**62,420**
Less: Net income (loss) attributable to non-controlling interests in Consolidated Funds	**—**	**(22,726)**	**17,040**	**(5,686)**
Less: Net income attributable to redeemable interests in Ares Operating Group entities	**338**	**—**	**—**	**338**
Less: Net income attributable to non-controlling interests in Ares Operating Group entities	**48,390**	**—**	**—**	**48,390**
Net income attributable to Ares Management, L.P.	**$ 19,378**	**$ —**	**$ —**	**$ 19,378**

20. SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after December 31, 2017 through the date the consolidated financial statements were issued. During this period the Company had the following material subsequent events that require disclosure:

In February 2018, the board of directors of the Company's general partner declared a distribution of $0.40 per common unit, for the five months ended February 28, 2018 , inclusive of $0.25 per common unit for the fourth quarter of 2017 and $0.15 per common unit for the first two months of the first quarter of 2018, payable on February 28, 2018 to common unitholders of record at the close of business on February 26, 2018 .

In February 2018, the board of directors of the Company's general partner declared a quarterly distribution of $0.4375 per preferred equity unit to preferred equity unitholders of record at the close of business on March 15, 2018, with a payment date of March 31, 2018.

The Company has filed an election with the Internal Revenue Service (“IRS”) to be treated as a U.S. corporation for U.S. federal income tax purposes, with an effective date of March 1, 2018 (the “Effective Date”). Although the Company will be treated as a corporation for U.S. federal income tax purposes, we will remain a limited partnership under state law.

Ares Management, L.P.

Notes to the Consolidated Financial Statements
(Dollars in Thousands, Except Unit Data and As Otherwise Noted)

For March 2018, the first month that the Company is taxed as a corporation, the board of directors of the Company's general partner declared a dividend of $0.0933 per common share to be payable on April 30, 2018 to holders of record on April 16, 2018.

21. QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited quarterly information for each of the three months in the years ended December 31, 2017 and 2016 are presented below.

	For the Three Months Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
Revenues	$ 241,657	$ 533,890	$ 283,671	$ 356,281
Expenses	491,467	448,197	254,127	310,967
Other income	59,222	29,387	58,880	91,629
Income (loss) before provision for income taxes	(190,588)	115,080	88,424	136,943
Net income (loss)	(156,324)	113,827	83,872	131,536
Net income (loss) attributable to Ares Management, L.P.	(41,134)	49,878	27,838	39,596
Preferred equity distributions paid	5,425	5,425	5,425	5,425
Net income (loss) attributable to Ares Management, L.P. common unitholders	(46,559)	44,453	22,413	34,171
Net income (loss) attributable to Ares Management L.P. per common unit:				
Basic	$ (0.58)	$ 0.54	$ 0.26	$ 0.40
Diluted	$ (0.58)	$ 0.53	$ 0.26	$ 0.39
Distributions declared per common unit(1)	$ 0.13	$ 0.31	$ 0.41	$ 0.40

	For the Three Months Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Revenues	$ 136,015	$ 369,535	$ 335,460	$ 358,195
Expenses	129,538	303,935	283,374	299,573
Other income (loss)	(15,451)	17,406	73,339	39,841
Income (loss) before provision for income taxes	(8,974)	83,006	125,425	98,463
Net income (loss)	(13,639)	87,440	117,784	95,316
Net income (loss) attributable to Ares Management, L.P.	(3,090)	37,574	43,305	34,019
Preferred equity distributions paid	—	—	6,751	5,425
Net income (loss) attributable to Ares Management, L.P. common unitholders	(3,090)	37,574	36,554	28,594
Net income (loss) attributable to Ares Management L.P. per common unit:				
Basic	$ (0.04)	$ 0.46	$ 0.45	$ 0.35
Diluted	$ (0.04)	$ 0.46	$ 0.43	$ 0.34
Distributions declared per common unit(1)	$ 0.15	$ 0.28	$ 0.20	$ 0.28

(1) Distributions declared per common unit are reflected to match the period the income is earned.

* * *

Exhibit 3.2

Execution Version

THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
ARES MANAGEMENT, L.P.

Dated as of March 1, 2018

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**THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP
OF
ARES MANAGEMENT, L.P.**

This THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF ARES MANAGEMENT, L.P. (the "Company") dated as of March 1, 2018 is entered into by and among Ares Management GP LLC, a Delaware limited liability company, as the General Partner, together with any other Persons who become Partners in the Partnership or parties hereto as provided herein.

RECITALS

WHEREAS, the Certificate of Limited Partnership of the Company was executed and filed in the office of the Secretary of State of the State of Delaware on November 15, 2013, thereby forming the Company under the Delaware Limited Partnership Act (6 Del. C. § 17-101, et. seq.) (the " *Delaware Limited Partnership Act* ");

WHEREAS, the General Partner entered into a Limited Partnership Agreement of the Company, dated as of November 15, 2013;

WHEREAS, the Amended and Restated Limited Partnership Agreement of the Company was executed as of May 1, 2014;

WHEREAS, the General Partner and certain other parties entered into the Second Amended and Restated Agreement of Limited Partnership of the Company, dated as of June 8, 2016 (the " *Existing LP Agreement* ");

WHEREAS, the Partnership has elected to be classified as an association taxable as a corporation for U.S. federal income tax purposes pursuant to Treasury Regulation Section 301.7701-3(c) (the " *Tax Election* ") with an effective date of March 1, 2018 (the " *Effective Date* ");

WHEREAS, in connection with the Tax Election, the Company desires to amend and restate the Existing LP Agreement; and

WHEREAS, the Board of Directors has approved the Tax Election and pursuant to Section 13.1 of the Existing LP Agreement, the General Partner may effect certain amendments to the Existing LP Agreement in connection therewith.

NOW, THEREFORE, in consideration of the covenants, conditions and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1. *Definitions.* The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement .

"Acquisition" means any transaction in which any Group Member acquires (through an asset acquisition, merger, stock (or other equity) acquisition or other form of investment) control over all or a portion of the assets, properties or business of another Person.

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term " *control* " means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" means this Third Amended and Restated Agreement of Limited Partnership of Ares Management, L.P.

"Ares Holdings" means Ares Holdings L.P., a Delaware limited partnership.

"Ares Investments" means Ares Investments L.P., a Delaware limited partnership.

"Ares Offshore" means Ares Offshore Holdings L.P., a Cayman Islands exempted limited partnership.

"Ares Operating Group" means, collectively, Ares Holdings, Ares Investments and Ares Offshore and any future entity designated by the General Partner in its sole discretion as an Ares Operating Group entity for purposes of this Agreement.

"Ares Operating Group Governing Agreements" means, collectively, the Amended and Restated Agreement of Limited Partnership of Ares Holdings, the Amended and Restated Agreement of Limited Partnership of Ares Investments and the Amended and Restated Agreement of Limited Partnership of Ares Offshore (and the governing agreement then in effect of any future entity designated as an Ares Operating Group entity hereunder).

"Ares Operating Group Limited Partner" means each Person that becomes a limited partner of an Ares Operating Group entity pursuant to the terms of the relevant Ares Operating Group Governing Agreement.

"Ares Operating Group Unit" means, collectively, one partnership interest in each of Ares Holdings, Ares Investments and Ares Offshore (and any future entity designated as an Ares Operating Group entity hereunder) issued under its respective Ares Operating Group Governing Agreement.

"Ares Owners Class PTP Unit" has the meaning given to "Class PTP Unit" in the Ares Owners LP Agreement.

"Ares Owners LP" means Ares Owners Holdings L.P., a Delaware limited partnership.

"Ares Owners LP Agreement" means the Agreement of Limited Partnership of Ares Owners LP, dated May 1, 2014.

"Ares Partners Ownership Condition" has the meaning assigned to such term in Section 7.13(a).

"Ares VoteCo" means Ares Voting LLC, a Delaware limited liability company.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a member, manager, director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"Beneficial Owner" has the meaning assigned to such term in Rules 13d-3 and 13d-5 under the Securities Exchange Act (and " *Beneficially Own"* and " *Beneficial Ownership* " shall have correlative meanings).

"Board of Directors" means the Board of Directors of the General Partner.

"Business Day" means each day that is not a Saturday, Sunday or other day on which banking institutions in New York, New York are authorized or required by law to close.

"Capital Contribution" means any cash or cash equivalents or other property valued at its fair market value that a Partner contributes to the Company pursuant to this Agreement.

"Certificate" means a certificate issued in global form in accordance with the rules and regulations of the Depositary or in such other form as may be adopted by the General Partner, issued by the Company evidencing ownership of one or more Shares or a certificate, in such form as may be adopted by the General Partner, issued by the Company evidencing ownership of one or more other Company Securities.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of the Company filed with the Secretary of State of the State of Delaware as referenced in Section 2.1.

"Citizenship Certification" means a properly completed certificate in such form as may be specified by the General Partner by which a Limited Partner certifies that he or she (and if he or she is a nominee holding for the account of another Person, that to the best of his or her knowledge such other Person) is an Eligible Citizen.

"Closing Price" means, for Limited Partner Interests of any class for any day, the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange, the last

quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the primary reporting system then in use in relation to such Limited Partner Interest of such class, or, if on any such day such Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of such class selected by the General Partner in its sole discretion, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined by the General Partner in its sole discretion.

"Code" means the U.S. Internal Revenue Code of 1986.

"Commission" means the U.S. Securities and Exchange Commission.

"Common Share" means a Limited Partner Interest representing a fractional part of the Limited Partner Interests of all Limited Partners and having the rights and obligations specified with respect to Common Shares in this Agreement.

"Company" has the meaning assigned to such term in the Recitals.

"Company Group" means the Company and its Subsidiaries treated as a single consolidated entity.

"Company Interest" means an interest in the Company, which shall include the General Partner Interests and Limited Partner Interests.

"Company Security" means any equity interest in the Company (but excluding any options, rights, warrants and appreciation rights relating to an equity interest in the Company), including Common Shares, Special Voting Shares, Preferred Shares and General Partner Shares.

"Conflicts Committee" means a committee of the Board of Directors composed entirely of one or more directors or managers, each of whom have been determined by the Board of Directors in its sole discretion to be an "Independent Director" that (a) satisfies the independence and other requirements established by the New York Stock Exchange, and (b) meets the independence requirements of Section 10A of the Securities Exchange Act and Rule 10A-3(b)(1) under the Securities Exchange Act.

"Consenting Parties" has the meaning assigned to such term in Section 17.9.

"Corresponding Rate " means the number of Common Shares that would be forfeited or cancelled upon the forfeiture or cancellation of Ares Owners Class PTP Units pursuant to any agreements governing such Ares Owners Class PTP Units. As of the date hereof, the Corresponding Rate shall be 1 for 1. The Corresponding Rate shall be adjusted accordingly by the General Partner in its sole discretion if there is: (a) any subdivision (by any share split, share distribution, reclassification, reorganization, recapitalization or otherwise) or combination (by reverse share split, reclassification, reorganization, recapitalization or otherwise) of the Common

Shares that is not accompanied by an identical subdivision or combination of the Ares Owners Class PTP Units; or (b) any subdivision (by any unit split, unit distribution, reclassification, reorganization, recapitalization or otherwise) or combination (by reverse unit split, reclassification, reorganization, recapitalization or otherwise) of the Ares Owners Class PTP Units that is not accompanied by an identical subdivision or combination of the Common Shares.

"Current Market Price" means, with respect to any class of Limited Partner Interests, the average of the daily Closing Prices per limited partner interest of such class for the 20 consecutive Trading Days immediately prior to the date of determination.

"Delaware Limited Partnership Act" has the meaning assigned to such term in the Recitals.

"Departing General Partner" means a former General Partner from and after the effective date of any withdrawal of such former General Partner pursuant to Section 11.1.

"Depositary" means, with respect to any Shares issued in global form, The Depository Trust Company.

"Determination" has the meaning assigned to such term in Section 7.9(a).

"Determination Date" has the meaning assigned to such term in Section 7.13(a).

"Directors" means the members of the Board of Directors.

"Dispute" has the meaning assigned to such term in Section 17.9.

"Dissolution Event" means an event giving rise to the dissolution of the Company in accordance with Section 12.1.

"Effective Date" has the meaning assigned to such term in the Recitals.

"Eligible Citizen" means a Person qualified to own interests in real property in jurisdictions in which any Group Member does business or proposes to do business from time to time, and whose status as a Limited Partner the General Partner determines in its sole discretion does not or would not subject such Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

"Event of Withdrawal" has the meaning assigned to such term in Section 11.1(a).

"Exchange Agreement" means one or more exchange agreements providing for the exchange of Ares Operating Group Units or other securities issued by members of the Ares Operating Group for Common Shares, as contemplated by the Registration Statement.

"Existing Limited Partnership Agreement" has the meaning assigned to such term in the Recitals.

"Fiscal Year" has the meaning assigned to such term in Section 8.2.

"Fund" means any fund, investment vehicle or account whose investments are managed or advised by the Company or another Group Member.

"General Partner" means Ares Management GP LLC, a Delaware limited liability company and its successors and permitted assigns that are admitted to the Company as general partner of the Company, each in its capacity as a general partner of the Company (except as the context otherwise requires).

"General Partner Agreement" means the Amended and Restated Limited Liability Company Agreement of the General Partner.

"General Partner Interest" means the management and ownership interest of the General Partner in the Company (in its capacity as a general partner without reference to any Limited Partner Interest held by it), which takes the form of General Partner Shares, and includes any and all benefits to which a General Partner is entitled as provided in this Agreement, together with all obligations of a General Partner to comply with the terms and provisions of this Agreement.

"General Partner Share" means a fractional part of the General Partner Interest having the rights and obligations specified with respect to the General Partner Interest.

"Group" means a Person that with or through any of its Affiliates or Associates has any contract, arrangement, understanding or relationship for the purpose of acquiring, holding, voting, exercising investment power or disposing of any Company Securities with any other Person that Beneficially Owns, or whose Affiliates or Associates Beneficially Own, directly or indirectly, Company Interests.

"Group Member" means a member of the Company Group.

"Holdco Member" means any person who is, was or will be a member of Ares Partners Holdco LLC, a Delaware limited liability company.

"Indemnitee" means (a) the General Partner, (b) any Departing General Partner, (c) any Person who is or was a "tax matters partner" (as defined in the Code prior to amendment by P.L. 114-74) or "partnership representative" (as defined in Section 6223 of the Code after amendment by P.L. 114-74), member, manager, officer or director of the General Partner or any Departing General Partner, (d) any member, manager, officer or director of the General Partner or any Departing General Partner who is or was serving at the request of the General Partner or any Departing General Partner as a director, officer, manager, employee, trustee, fiduciary, partner, tax matters partner, partnership representative, member, representative, agent or advisor of another Person; provided that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis or similar arm's-length compensatory basis, agency, advisory, consulting, trustee, fiduciary or custodial services, (e) any Person who controls a General Partner or Departing General Partner, (f) any Person who is named in the Registration Statement as being

or about to become a director of the General Partner and (g) any Person the General Partner in its sole discretion designates as an "Indemnitee" for purposes of this Agreement.

"Initial Annual Meeting" means the first annual meeting of Limited Partners held following each Determination Date on which the Board of Directors has been classified in accordance with Section 13.4(b)(v).

"Initial Offering" means the initial offering and sale of common units to the public, as described in the Registration Statement.

"Investor Rights Agreement" means the Investor Rights Agreement entered into substantially concurrently with the Initial Offering among the Company, certain Limited Partners and certain holders of interests in the Ares Operating Group, as contemplated by the Registration Statement.

"Limited Partner" means, unless the context otherwise requires, each Person that acquires or holds a Limited Partner Interest and is admitted to the Company as a limited partner of the Company pursuant to the terms of this Agreement and any Departing General Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 11.3, in each case, in such Person's capacity as a limited partner of the Company as long as such Person holds a Limited Partner Interest. For the avoidance of doubt, each holder of a Special Voting Share shall be a Limited Partner. For purposes of the Delaware Limited Partnership Act, the Limited Partners shall constitute a single class or group of limited partners.

"Limited Partner Group" has the meaning assigned to such term in Section 13.4(b)(vii).

"Limited Partner Interest" means the ownership interest of a Limited Partner in the Company, which may be evidenced by Common Shares, Special Voting Shares, Preferred Shares or other Company Securities or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner is entitled as provided in this Agreement, including voting rights, together with all obligations of such Limited Partner to comply with the terms and provisions of this Agreement. Except to the extent otherwise expressly designated herein by the General Partner in its sole discretion, for purposes of this Agreement and the Delaware Limited Partnership Act, the Limited Partner Interests shall constitute a single class or group of limited partner interests.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Company of the type described in clause (a) or (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the holders of Outstanding Shares have the right to elect to continue the business of the Company has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Company, the date on which such event occurs.

"Liquidation Preference" means, in respect of any Preferred Shares, the "Liquidation Preference" per Preferred Share specified for such Preferred Shares.

"Liquidator" means the General Partner or one or more Persons as may be selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Company within the meaning of the Delaware Limited Partnership Act.

"Listing Date" means the first date on which the common units were listed and traded on a National Securities Exchange.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"National Securities Exchange" means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act and any other securities exchange (whether or not registered with the Commission under Section 6(a) of the Securities Exchange Act) that the General Partner in its sole discretion shall designate as a National Securities Exchange for purposes of this Agreement.

"Non-citizen Assignee" means a Person who the General Partner has determined in its sole discretion does not constitute an Eligible Citizen and as to whose Limited Partner Interests the General Partner has become the Limited Partner, pursuant to Section 4.8.

"Non-Voting Shareholder" means any Person who the General Partner may from time to time with such Person's consent designate as a Non-Voting Shareholder.

"Notice of Election to Purchase" has the meaning assigned to such term in Section 15.1(b).

"Opinion of Counsel" means a written opinion of counsel or, in the case of tax matters, a qualified tax advisor (who may be regular counsel or tax adviser, as the case may be, to the Company or the General Partner or any of its Affiliates) acceptable to the General Partner in its discretion.

"Organizational Limited Partner" means Michael D. Weiner.

"Outstanding" means, with respect to Company Securities, all Company Securities that are issued by the Company and reflected as outstanding on the Partnership's books and records as of the date of determination; provided that (a) if at any time any Person or Group (other than the General Partner, Ares Owners LP, a Holdco Member or their respective Affiliates) Beneficially Owns 20% or more of any class of Shares, all such Shares owned by such Person or Group shall not be entitled to be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Agreement or the Delaware Limited Partnership Act, except that such Shares so owned shall be considered to be Outstanding for purposes of Section 11.1(b)(iii) (such Shares shall not, however, be treated as a separate class of Company Securities for purposes of this Agreement or the Delaware Limited Partnership Act); provided further that the foregoing limitation shall not apply (i) to any Person or Group who acquired 20% or more of any Shares of any class then Outstanding directly from the General Partner or its Affiliates, (ii) to any

Person or Group who acquired 20% or more of any Shares of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) provided that the General Partner shall have notified such Person or Group in writing that such limitation shall not apply or (iii) to any Person or Group who acquired 20% or more of any such Shares issued by the Company with the prior approval of the General Partner; and (b) if at any time a Non-Voting Shareholder Beneficially Owns any Shares, no Shares Beneficially Owned by the Non-Voting Shareholder shall be entitled to be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Limited Partners to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Agreement. The determinations of the matters described in clauses (a)(i), (ii) and (iii) of the foregoing sentence shall be conclusively determined by the General Partner in its sole discretion, which determination shall be final and binding on all Partners. For the avoidance of doubt, the provisions of this definition applicable to Shares shall not apply to the Special Voting Shares.

"Partners" means the General Partner and the Limited Partners.

"Percentage Interest" means, as of any date of determination, (i) as to any holder of Common Shares in its capacity as such, the product obtained by multiplying (a) 100% less the percentage applicable to the Shares referred to in clause (v) by (b) the quotient obtained by dividing (x) the number of Common Shares held by such holder by (y) the total number of all Outstanding Common Shares, (ii) as to any holder of General Partner Shares in its capacity as such with respect to such General Partner Shares, 0%, (iii) as to any holder of Special Voting Shares in its capacity as such with respect to such Special Voting Shares, 0%, (iv) as to the Company holding Company Securities in treasury in its capacity as such with respect to such Company Securities held in treasury, 0% and (v) as to any holder of other Shares in its capacity as such with respect to such Shares, the percentage established for such Shares by the General Partner as a part of the issuance of such Shares . The Percentage Interest for any Preferred Shares is as set forth in Article XVI.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association (including any group, organization, co-tenancy, plan, board, council or committee), government (including a country, state, county, or any other governmental or political subdivision, agency or instrumentality thereof) or other entity (or series thereof).

"Preferred Share" means a Share designated as a "Preferred Share," which entitles the holder thereof to a preference with respect to the payment of distributions over Common Shares as set forth in Article XVI.

"Pro Rata" means (a) in respect of Shares or any class or classes thereof, apportioned equally among all designated Shares, and (b) in respect of Partners or Record Holders, apportioned among all Partners or Record Holders, as the case may be, in accordance with their relative Percentage Interests.

"Purchase Date" means the date determined by the General Partner as the date for purchase of all Outstanding Shares of a certain class (other than Shares owned by the General Partner, the Holdco Members and their respective Affiliates) pursuant to Article XV.

"Quarter" means, unless the context requires otherwise, a fiscal quarter of the Company or, with respect to the final fiscal quarter of the Company, the relevant portion of such fiscal quarter.

"Record Date" means the date and time established by the General Partner pursuant to Section 13.6 or, if applicable, the Liquidator pursuant to Section 12.3, in each case, in its sole discretion for determining (a) the identity of the Record Holders entitled to notice of, or to vote at, any meeting of Limited Partners or entitled to vote by ballot or give approval of Company action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Limited Partners or (b) the identity of Record Holders entitled to receive any report or distribution or to participate in any offer or other business of the Company. The Record Date for distributions on any Preferred Shares is as set forth in Article XVI.

"Record Holder" means the Person in whose name a Company Interest is registered on the books of the Company or, if such books are maintained by the Transfer Agent, on the books of the Transfer Agent, in each case, as of the Record Date.

"Redeemable Interests" means any Company Interests for which a redemption notice has been given, and has not been withdrawn, pursuant to Section 4.9.

"Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-194919), filed by the Company with the Commission under the Securities Act to register the offering and sale of the common units in the Initial Offering.

"Securities Act" means the U.S. Securities Act of 1933.

"Securities Exchange Act" means the U.S. Securities Exchange Act of 1934.

"Share" means a Company Interest that is designated as a "Share" and shall include Common Shares, Special Voting Shares, Preferred Shares and General Partner Shares.

"Shareholders" means the holders of Shares.

"Special Approval" means either (a) approval by a majority of the members of the Conflicts Committee or, if there is only one member of the Conflicts Committee, approval by the sole member of the Conflicts Committee, or (b) approval by the vote of the Record Holders representing a majority of the voting power of the Voting Shares (excluding Voting Shares owned by the General Partner, the Holdco Members and their respective Affiliates).

"Special Voting Share" means a Company Interest having the rights and obligations specified with respect to Special Voting Shares in this Agreement. For the avoidance of doubt, holders of Special Voting Shares, in their capacity as such, shall not be entitled to receive

distributions by the Company and shall not be allocated income, gain, loss, deduction or credit of the Company.

"Subsidiary" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person or (d) any other Person the financial information of which is consolidated by such Person for financial reporting purposes under U.S. GAAP. For the avoidance of doubt, each of the Ares Operating Group entities is a Subsidiary of the Company.

"Supplemental Agreement" means, with respect to any Limited Partner, any grant letter, fair competition agreement or other supplemental agreement with such Limited Partner containing terms modifying or otherwise affecting the rights or obligations of such Limited Partner hereunder or with respect to such Limited Partner's Shares.

"Surviving Business Entity" has the meaning assigned to such term in Section 14.2(b).

"Tax Election" has the meaning assigned to such term in the Recitals.

"Tax Receivable Agreement" means the Tax Receivable Agreement entered into substantially concurrently with the Initial Offering among the Company, certain direct subsidiaries of the Company that are taxable as corporations and certain holders of interests in the Ares Operating Group, as contemplated by the Registration Statement.

"Trading Day" means, with respect to Limited Partner Interests of any class, a day on which the principal National Securities Exchange on which Limited Partner Interests of such class are listed or admitted to trading is open for the transaction of business or, if Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

"transfer" has the meaning assigned to such term in Section 4.4(a).

"Transfer Agent" means such bank, trust company or other Person (including the General Partner or one of its Affiliates) as shall be appointed from time to time by the General Partner to act as registrar and transfer agent for the Common Shares and the Preferred Shares; provided that

if no Transfer Agent is specifically designated for any other Company Securities, the General Partner shall act in such capacity.

"U.S. GAAP" means U.S. generally accepted accounting principles consistently applied.

"Voting Share" means a Common Share (other than any Common Share Beneficially Owned by a Non-Voting Shareholder), a Special Voting Share and any other Company Interest that is designated as a "Voting Share" from time to time.

Section 1.2. *Interpretation* .

(a) Unless a clear contrary intention appears: (i) the defined terms herein shall apply equally to both the singular and plural forms of such terms; (ii) reference to any Person includes such Person 's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement , and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (iii) any pronoun shall include the corresponding masculine, feminine and neuter forms; (iv) reference to any agreement , document or instrument means such agreement , document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (v) reference to any law, rule or regulation means such law, rule or regulation as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder , and reference to any section or other provision of any law, rule or regulation means that provision of such law, rule or regulation from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision; (vi) " hereunder ," " hereof ," " hereto ," and words of similar import shall be deemed references to this Agreement as a whole and not to any particular article, section or other provision hereof ; (vii) numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement ; (viii) " including " (and with correlative meaning " include ") means including without limiting the generality of any description preceding such term; (ix) " or " is used in the inclusive sense of "and/ or "; (x) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; and (xi) reference to dollars or $ shall be deemed to refer to U.S. dollars.

(b) All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement .

ARTICLE II
ORGANIZATION

Section 2.1. *Formation* . The Company has been previously formed as a limited partnership pursuant to the filing of the Certificate of Limited Partnership with the Secretary of State of the State of Delaware on November 15, 2013, pursuant to the provisions of the Delaware Limited Partnership Act, and the execution of the Agreement of Limited Partnership of the Company , dated as of November 15, 2013, between the General Partner, as general partner , and the Organizational Limited Partner, as Limited Partner . Except as expressly provided to the

contrary in this Agreement , the rights, duties (including fiduciary duties), liabilities and obligations of the Partners and the administration, dissolution and termination of the Company shall be governed by the Delaware Limited Partnership Act . All Company Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Company property.

Section 2.2. *Name.* The name of the Company shall be " Ares Management, L.P ." The Company 's business may be conducted under any other name or names as determined by the General Partner in its sole discretion , including the name of the General Partner . The words "Limited Partnership," "LP," "L.P.," "Ltd." or similar words or letters shall be included in the Company 's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner may change the name of the Company at any time and from time to time by filing an amendment to the Certificate of Limited Partnership (and upon any such filing this Agreement shall be deemed automatically amended to change the name of the Company) and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners .

Section 2.3. *Registered Office; Registered Agent; Principal Office; Other Offices.* Unless and until changed by the General Partner by filing an amendment to the Certificate of Limited Partnership (and upon any such filing this Agreement shall be deemed automatically amended to change the registered office and the registered agent of the Company) the registered office of the Company in the State of Delaware is c/o The Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808, and the registered agent for service of process on the Company in the State of Delaware is The Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808. The principal office of the Company is located at 2000 Avenue of the Stars, 12 th Floor, Los Angeles, CA 90067 or such other place as the General Partner in its sole discretion may from time to time designate by notice to the Limited Partners . The Company may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner is 2000 Avenue of the Stars, 12 th Floor, Los Angeles, CA 90067 or such other place as the General Partner may from time to time designate by notice to the Limited Partners .

Section 2.4. *Purpose and Business.* The purpose and nature of the business to be conducted by the Company shall be to (a) engage directly in, or enter into or form any corporation, partnership , joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the General Partner in its sole discretion and that lawfully may be conducted by a limited partnership organized pursuant to the Delaware Limited Partnership Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Company pursuant to the agreements relating to such business activity; and (b) do anything necessary or appropriate to the foregoing, including the making of capital contributions or loans to a Group Member . To the fullest extent permitted by law , the General Partner shall have no duty (including any fiduciary duty) or obligation whatsoever to the Company or any other Person bound by this Agreement to propose or approve the conduct by the Company of any business and may, free of any duty (including any fiduciary duty) or obligation

whatsoever to the Company or any other Person bound by this Agreement , decline to propose or approve the conduct by the Company of any business and, in so declining to propose or approve, shall not be deemed to have breached this Agreement , any other agreement contemplated hereby, the Delaware Limited Partnership Act or any other provision of law, rule or regulation or equity.

Section 2.5. *Powers.* The Company shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Company .

Section 2.6. *Power of Attorney* .

(a) Each Limited Partner and Record Holder hereby constitutes and appoints the General Partner and, if a Liquidator (other than the General Partner) shall have been selected pursuant to Section 12.3 , the Liquidator , severally (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized managers and officers and attorneys-in-fact, as the case may be, with full power of substitution, as his or her true and lawful agent and attorney-in-fact, with full power and authority in his or her name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices:

(A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator determines to be necessary or appropriate to form, qualify or continue the existence or qualification of the Company as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Company may conduct business or own property;

(B) all amendments to this Agreement adopted in accordance with the terms hereof and all certificates, documents and other instruments that the General Partner or the Liquidator determines to be necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement ;

(C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator determines to be necessary or appropriate to reflect the dissolution and termination of the Company pursuant to the terms of this Agreement ;

(D) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, this Agreement (including issuance and cancellations of Special Voting Shares pursuant to Section 5.3) ;

(E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Company Securities issued pursuant to Section 5.5 ; and

(F) all certificates, documents and other instruments (including agreements and a certificate of merger or consolidation or similar certificate) relating to a merger, consolidation, combination or conversion of the Company pursuant to Article XIV or otherwise in connection with a change of jurisdiction of the Company ; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments that the General Partner or the Liquidator determines to be necessary or appropriate to (A) make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or (B) to effectuate the terms or intent of this Agreement ; provided that when required by Section 13.3 or any other provision of this Agreement that establishes a certain percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent or approval of such percentage of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law , shall not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Record Holder and the transfer of all or any portion of such Limited Partner 's or Record Holder 's Company Interest and shall extend to such Limited Partner 's or Record Holder 's heirs, successors, assigns and personal representatives. Each such Limited Partner or Record Holder hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Record Holder , to the maximum extent permitted by law , hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner and Record Holder shall execute and deliver to the General Partner or the Liquidator , within 15 days after receipt of the request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator may request to effectuate this Agreement and the purposes of the Company .

Section 2.7. *Term.* The term of the Company commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Limited Partnership Act and shall continue until the dissolution of the Company in accordance with the provisions of Article XII. The existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Limited Partnership Act .

Section 2.8. *Title to Company Assets* . Title to Company assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Company as an entity, and no Partner , individually or collectively, shall have any ownership interest in such Company assets or any portion thereof. Title to any or all of the Company assets may be held in the name of the Company , the General Partner , one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Company assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Company in accordance with the provisions of this Agreement ; provided that (a) the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner in its sole discretion determines that the expense and difficulty of conveyancing makes transfer of record title to the Company impracticable) to be vested in the Company as soon as reasonably practicable; and (b) prior to the withdrawal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Company and, prior to any such transfer, will provide for the use of such assets in a manner satisfactory to the General Partner . All Company assets shall be recorded as the property of the Company in its books and records, irrespective of the name in which record title to such Company assets is held.

Section 2.9. *Certain Undertakings Relating to the Separateness of the Company* .

(a) *Separateness Generally.* The Company shall conduct its business and operations separate and apart from those of any other Person (other than the General Partner) in accordance with this Section 2.9.

(b) *Separate Records.* The Company shall maintain (i) its books and records, (ii) its accounts and (iii) its financial statements separate from those of any other Person except for a Person whose financial results are required to be consolidated with the financial results of the Company .

(c) *No Effect.* Failure by the General Partner or the Company to comply with any of the obligations set forth above shall not affect the status of the Company as a separate legal entity, with its separate assets and separate liabilities.

ARTICLE III
RIGHTS OF LIMITED PARTNERS

Section 3.1. *Limitation of Liability.* The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement or as required by the Delaware Limited Partnership Act .

Section 3.2. *Management of Business* . No Limited Partner , in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Limited Partnership Act) of the Company 's business, transact any business in the Company 's name or have the power to sign documents for or otherwise bind the Company . Any action taken

by any Affiliate of the General Partner or any officer, director, employee, manager, member, general partner , agent or trustee of the General Partner or any of its Affiliates , or any officer, director, employee, manager, member, general partner , agent or trustee of a Group Member , in its capacity as such, shall not be deemed to be participation in the control of the business of the Company by a limited partner of the Company (within the meaning of Section 17-303(a) of the Delaware Limited Partnership Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners under this Agreement or the Delaware Limited Partnership Act .

Section 3.3. *Outside Activities of the Limited Partners* . Any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Company , including business interests and activities in direct competition with the Company Group or an Affiliate of a Group Member , and none of the foregoing shall constitute a breach of this Agreement or any duty (including fiduciary duties) otherwise existing at law, in equity or otherwise to the Company Group or any Group Member ; provided that nothing in this Agreement shall be deemed to supersede any other agreement to which a Limited Partner and a Group Member (or an Affiliate thereof) may be party restricting such Limited Partner 's ability to have certain business interests or engage in certain business activities. Neither the Company nor any of the other Partners shall have any rights by virtue of this Agreement in any such business interests or activities of any Limited Partner .

Section 3.4. *Rights of Limited Partners* .

(a) In addition to other rights provided by this Agreement or by applicable law (other than Section 17-305(a) of the Delaware Limited Partnership Act , the provisions of which are to the fullest extent permitted by law expressly replaced in their entirety by the provisions below), and except as limited by Sections 3.4(b) and 3.4(c), each Limited Partner shall have the right, for a purpose that is reasonably related to such Limited Partner 's interest as a Limited Partner in the Company , upon reasonable written demand stating the purpose of such demand and at such Limited Partner 's own expense, to obtain:

(i) a current list of the name and last known business, residence or mailing address of each Record Holder ; and

(ii) a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement , the Certificate of Limited Partnership and all amendments thereto have been executed.

(b) The General Partner may keep confidential from the Limited Partners , for such period of time as the General Partner determines in its sole discretion , (i) any information that the General Partner believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner believes (A) is not in the best interests of the Company Group , (B) could damage the Company Group or its business or (C) that any Group Member is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Company the primary purpose of which is to circumvent the obligations set forth in this Section 3.4) .

(c) Notwithstanding any other provision of this Agreement or Section 17-305 of the Delaware Limited Partnership Act , each of the Partners and each other Person who acquires an interest in a Company Security hereby agrees to the fullest extent permitted by law that it does not have rights to receive information from the Company or any Indemnitee for the purpose of determining whether to pursue litigation or assist in pending litigation against the Company or any Indemnitee relating to the affairs of the Company except pursuant to the applicable rules of discovery relating to litigation commenced by such Person .

ARTICLE IV
CERTIFICATES ; RECORD HOLDERS ; TRANSFER OF COMPANY INTERESTS ; REDEMPTION OF COMPANY INTERESTS

Section 4.1. *Certificates* . Notwithstanding anything otherwise to the contrary herein, unless the General Partner shall determine otherwise in respect of some or all of any or all classes of Company Interests , Company Interests shall not be evidenced by certificates. Certificates that may be issued shall be executed on behalf of the Company by the General Partner (and by any appropriate officer of the General Partner on behalf of the General Partner). No Certificate evidencing Common Shares or Preferred Shares shall be valid for any purpose until it has been countersigned by the Transfer Agent ; provided that if the General Partner elects to issue Certificates evidencing Common Shares or Preferred Shares in global form, the Certificates evidencing Common Shares or Preferred Shares shall be valid upon receipt of a certificate from the Transfer Agent certifying that the Certificates evidencing Common Shares or Preferred Shares have been duly registered in accordance with the directions of the Company .

Section 4.2. *Mutilated, Destroyed, Lost or Stolen Certificates* .

(a) If any mutilated Certificate evidencing Shares is surrendered to the Transfer Agent or any mutilated Certificate evidencing other Company Securities is surrendered to the General Partner , the appropriate officers of the General Partner on behalf of the General Partner on behalf of the Company shall execute, and, if applicable, the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate evidencing the same number and type of Company Securities as the Certificate so surrendered.

(b) The appropriate officers of the General Partner on behalf of the General Partner on behalf of the Company shall execute and deliver, and, if applicable, the Transfer Agent shall countersign a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate :

(i) makes proof by affidavit, in form and substance satisfactory to the General Partner , that a previously issued Certificate has been lost, destroyed or stolen;

(ii) requests the issuance of a new Certificate before the General Partner has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(iii) if requested by the General Partner , delivers to the General Partner a bond, in form and substance satisfactory to the General Partner , with surety or sureties and with fixed or open penalty as the General Partner , in its sole discretion , may direct to indemnify the Company , the Partners , the General Partner and, if applicable, the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the Certificate ; and

(iv) satisfies any other requirements imposed by the General Partner .

If a Record Holder fails to notify the General Partner within a reasonable period of time after he or she has notice of the loss, destruction or theft of a Certificate, and a transfer of the Limited Partner Interests represented by the Certificate is registered before the Company, the Partners, the General Partner or the Transfer Agent receives such notification, the Record Holder shall be precluded from making any claim against the Company, the General Partner or the Transfer Agent for such transfer or for a new Certificate.

(c) As a condition to the issuance of any new Certificate under this Section 4.2 , the General Partner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent , if applicable) connected therewith.

Section 4.3. *Record Holders* . The Company shall be entitled to recognize the Record Holder as the owner with respect to any Company Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Company Interest on the part of any other Person , regardless of whether the Company shall have actual or other notice thereof, except as otherwise required by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such Company Interests are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring or holding Company Interests , as between the Company on the one hand, and such other Persons on the other, such representative Person shall be the Record Holder of such Company Interest .

Section 4.4. *Transfer Generally* .

(a) The term “transfer,” when used (i) in this Agreement with respect to a Company Interest , shall be deemed to refer to a transaction (A) by which the General Partner assigns its General Partner Shares to another Person who becomes the General Partner , and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange, or any other disposition by law or otherwise or (B) by which the holder of a Limited Partner Interest assigns such Limited Partner Interest to another Person , and includes a sale, assignment, gift, exchange or any other disposition by law or otherwise, including any transfer upon foreclosure of any pledge, encumbrance, hypothecation or mortgage, and (ii) in Section 4.7 with respect to a Company Interest shall also be deemed to refer to a transaction that causes any Person to acquire Beneficial Ownership , or any agreement to enter into such transactions or cause any such acquisitions, of Common Shares or the right to vote or receive distributions on Common Shares .

(b) No Company Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Company Interest not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent or restrict a disposition by any member of the General Partner of any or all of the issued and outstanding limited liability company or other interests in the General Partner .

Section 4.5. *Registration and Transfer of Limited Partner Interests* .

(a) The General Partner shall keep or cause to be kept on behalf of the Company a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 4.5(b) , the Company will provide for the registration and transfer of Limited Partner Interests . The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Shares and Preferred Shares and transfers of such Shares as herein provided. The Company shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this Section 4.5. Upon surrender of a Certificate for registration of transfer of any Limited Partner Interests evidenced by a Certificate , and subject to the provisions of Section 4.5(b) , the appropriate officers of the General Partner on behalf of the General Partner on behalf of the Company shall execute and deliver, and in the case of Common Shares and Preferred Shares , the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder’s instructions, one or more new Certificates evidencing the same aggregate number and type of Limited Partner Interests as was evidenced by the Certificate so surrendered.

(b) Except as otherwise provided in Section 4.8 , the Company shall not recognize any transfer of Limited Partner Interests evidenced by Certificates until the Certificates evidencing such Limited Partner Interests are surrendered for registration of transfer. No charge shall be imposed by the General Partner for such transfer; provided that as a condition to the issuance of any new Certificate under this Section 4.5 , the General Partner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(c) Subject to (i) the foregoing provisions of this Section 4.5 , (ii) Section 4.3 , (iii) Section 4.4 , (iv) Section 4.7 , (v) with respect to any series of Limited Partner Interests , the provisions of any statement of designations or amendment to this Agreement establishing such series, including Article XVI , (vi) any contractual provisions binding on any Limited Partner and (vii) provisions of applicable law including the Securities Act , Limited Partner Interests shall be freely transferable. Company Interests may also be subject to any transfer restrictions contained in any employee related policies or equity benefit plans, programs or practices adopted on behalf of the Company .

Section 4.6. *Transfer of the General Partner 's General Partner Interest* .

(a) Subject to Section 4.6(b) below, the General Partner may transfer all or any part of its General Partner Interest without Shareholder approval.

(b) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of the General Partner under this Agreement and to be bound by the provisions of this Agreement and (ii) the Company receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner . In the case of a transfer pursuant to and in compliance with this Section 4.6 , the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.3 , be admitted to the Company as the General Partner effective immediately prior to the transfer of such General Partner Interest , and the business of the Company shall continue without dissolution.

Section 4.7. *Restrictions on Transfers and Ownership of Company Interests* .

(a) Except as provided in Section 4.7(b) below, but notwithstanding the other provisions of this Article IV , no transfer of any Company Interests shall be made if such transfer would (i) violate the then applicable U.S. federal or state securities laws or rules and regulations of the Commission , any state securities commission or any other governmental authority with jurisdiction over such transfer or (ii) terminate the existence or qualification of the Partnership under the laws of the jurisdiction of its formation.

(b) Nothing contained in this Article IV , or elsewhere in this Agreement , shall preclude the settlement of any transactions involving Company Interests entered into through the facilities of any National Securities Exchange on which such Company Interests are listed for trading.

(c) For the avoidance of doubt, the restrictions on the transfer of any Company Interests contained herein shall be in addition to restrictions on the transfer of Company Interests applicable to a Limited Partner pursuant to the terms of any agreement entered into between a Group Member (or Affiliate thereof) and such Limited Partner .

Section 4.8. *Citizenship Certificates; Non-citizen Assignees* .

(a) If any Group Member is or becomes subject to any law or regulation that, in the determination of the General Partner in its sole discretion , creates a substantial risk of cancellation or forfeiture of any property in which the Group Member has an interest based on the nationality, citizenship or other related status of a Limited Partner , the General Partner may request any Limited Partner to furnish to the General Partner , within 30 days after receipt of such request, an executed Citizenship Certification or such other information concerning his or her nationality, citizenship or other related status (or , if the Limited Partner is a nominee holding for the account of another Person , the nationality, citizenship or other related status of such Person) as the General Partner may request. If a Limited Partner fails to furnish to the General Partner

within the aforementioned 30-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the General Partner determines, with the advice of counsel, that a Limited Partner is not an Eligible Citizen , the Company Interests owned by such Limited Partner shall be subject to redemption in accordance with the provisions of Section 4.9. The General Partner also may require in its sole discretion that the status of any such Limited Partner be changed to that of a Non-citizen Assignee and, thereupon, the General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his or her Limited Partner Interests .

(b) The General Partner shall, in exercising voting rights in respect of Limited Partner Interests held by it on behalf of Non-citizen Assignees , distribute the votes in the same ratios as the votes of Partners (including the General Partner) in respect of Limited Partner Interests (other than those of Non-citizen Assignees) are cast.

(c) Upon dissolution of the Company , a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Company shall provide cash in exchange for an assignment of the Non-citizen Assignee 's share of the distribution in kind. Such payment and assignment shall be treated for Company purposes as a purchase by the Company from the Non-citizen Assignee of his or her Limited Partner Interest (representing his or her right to receive his or her share of such distribution in kind).

(d) At any time after he or she can and does certify that he or she has become an Eligible Citizen , a Non-citizen Assignee may, upon application to the General Partner , request that with respect to any Limited Partner Interests of such Non-citizen Assignee not redeemed pursuant to Section 4.9 , such Non-citizen Assignee be admitted as a Limited Partner , and upon approval of the General Partner in its sole discretion , such Non-citizen Assignee shall be admitted as a Limited Partner and shall no longer constitute a Non-citizen Assignee and the General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee 's Limited Partner Interests .

Section 4.9. *Redemption of Company Interests of Non-citizen Assignees* .

(a) If at any time a Limited Partner fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.8(a) , or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner is not an Eligible Citizen , the General Partner , in its sole discretion , may cause the Company to, unless the Limited Partner establishes to the satisfaction of the General Partner that such Limited Partner is an Eligible Citizen or has transferred his or her Company Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the General Partner prior to the date fixed for redemption as provided below, redeem the Limited Partner Interest of such Limited Partner as follows:

(i) The General Partner shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Limited Partner , at his or her last address designated on the records of the Company or the Transfer Agent , by registered or certified mail,

postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the Redeemable Interests , the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon the redemption of the Redeemable Interests (or , if later in the case of Redeemable Interests evidenced by Certificates , upon surrender of the Certificates evidencing such Redeemable Interests) and that on and after the date fixed for redemption no further allocations or distributions to which the Limited Partner would otherwise be entitled in respect of the Redeemable Interests will accrue or be made.

(ii) The aggregate redemption price for the Redeemable Interests shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed for redemption) of Limited Partner Interests of the class to be so redeemed multiplied by the number of Limited Partner Interests of each such class included among the Redeemable Interests . The redemption price shall be paid as determined by the General Partner in its sole discretion , in cash or by delivery of a promissory note of the Company in the principal amount of the redemption price, bearing interest at the prime lending rate prevailing on the date fixed for redemption as published by *The Wall Street Journal* or such other publication as the General Partner may determine, payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) The Limited Partner or his or her duly authorized representative shall be entitled to receive the payment for the Redeemable Interests at the place of payment specified in the notice of redemption on the redemption date (or , if later in the case of Redeemable Interests evidenced by Certificates , upon surrender by or on behalf of the Limited Partner , at the place specified in the notice of redemption, of the Certificates , evidencing the Redeemable Interests , duly endorsed in blank or accompanied by an assignment duly executed in blank).

(iv) After the redemption date, the Redeemable Interests shall no longer constitute issued and Outstanding Limited Partner Interests ; provided that pursuant to Section 7.11 , in the sole discretion of the General Partner , the Redeemable Interests may be held in treasury.

(b) The provisions of this Section 4.9 shall also be applicable to Limited Partner Interests held by a Limited Partner as nominee of a Person determined to be other than an Eligible Citizen .

(c) Nothing in this Section 4.9 shall prevent the recipient of a notice of redemption from transferring his or her Limited Partner Interest before the redemption date if such transfer is otherwise permitted under this Agreement . Upon receipt of notice of such a transfer, the General Partner shall withdraw the notice of redemption, provided the transferee of such Limited Partner Interest certifies to the satisfaction of the General Partner in a Citizenship Certification that he or she is an Eligible Citizen . If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date set forth in the notice of redemption sent to the transferor.

(d) Notwithstanding anything in Section 4.8 or Section 4.9 to the contrary, no proceeds shall be delivered to a Person to whom the delivery of such proceeds would violate

applicable law, and in such case and in lieu thereof, the proceeds shall be delivered to a charity selected by the General Partner in its sole discretion and any redemption shall be effective upon delivery of such payments to such charity.

Section 4.10. *Forfeiture* .

(a) Shares owned by a Limited Partner are subject to forfeiture or cancellation as set forth in any Supplemental Agreement applicable to such Limited Partner .

(b) If any Ares Owners Class PTP Units are forfeited or cancelled for no consideration, a number of Common Shares held by Ares Owners LP equal to the product of the number of Ares Owners Class PTP Units so forfeited or cancelled multiplied by the Corresponding Rate shall be automatically forfeited or cancelled, as the case may be.

(c) Upon the forfeiture of any Shares in accordance with this Section 4.10 , such Shares shall be cancelled, the Company shall have no obligations with respect to such Shares and the General Partner shall modify the books and records of the Company to reflect such forfeiture and cancellation. By acceptance of Shares , each holder of Shares agrees that any forfeiture or cancellation pursuant to this Section 4.10 is a specified penalty or consequence, enforceable in accordance with Section 17-306 of the Delaware Limited Partnership Act.

ARTICLE V
CAPITAL CONTRIBUTIONS AND ISSUANCE OF COMPANY INTERESTS

Section 5.1. *Organizational Issuances* . Upon issuance by the Company of common units on or about the Listing Date and the admission of such unitholders as Limited Partners , the Organizational Limited Partner of the Company withdrew as a limited partner of the Company and as a result has no further right, interest or obligation of any kind whatsoever as the Organizational Limited Partner and any Capital Contribution of the Organizational Limited Partner has been returned to it on the date of such withdrawal.

Section 5.2. *Contributions by the General Partner and its Affiliates* . The General Partner shall not be obligated to make any Capital Contributions to the Company .

Section 5.3. *Issuances and Cancellations of Special Voting Shares* .

(a) The Company has issued one (1) Special Voting Share to Ares VoteCo .

(b) The General Partner shall be entitled to cause the Company to issue additional Special Voting Shares in its sole discretion .

(c) (i) Ares VoteCo , as holder of a Special Voting Share , shall be entitled to a number of votes that is equal to the product of (x) the total number of Ares Operating Group Units held of record by each Ares Operating Group Limited Partner that does not hold a Special Voting Share (other than the Company or its Subsidiaries) multiplied by (y) the Exchange Rate (as defined in the Exchange Agreement).

(ii) Each other holder of Special Voting Shares , as such, shall be entitled, without regard to the number of Special Voting Shares (or fraction thereof) held by such holder, to a number of votes that is equal to the product of (x) the total number of Ares Operating Group Units held of record by such holder multiplied by (y) the Exchange Rate (as defined in the Exchange Agreement).

(d) In the event that a holder of a Special Voting Share , other than Ares VoteCo , shall cease to be the record holder of an Ares Operating Group Unit , the Special Voting Share held by such holder shall be automatically cancelled without any further action of any Person and such holder shall cease to be a Limited Partner with respect to the Special Voting Share so cancelled. The determination of the General Partner as to whether a holder of a Special Voting Share is the record holder of an Ares Operating Group Unit (other than the Company and its Subsidiaries) or remains the Record Holder of such Special Voting Share shall be made in its sole discretion , which determination shall be conclusive and binding on all Partners .

(e) Upon the issuance to it of a Special Voting Share , each holder thereof shall automatically and without further action be admitted to the Company as a Limited Partner in respect of the Special Voting Share so issued.

Section 5.4. *Interest and Withdrawal* . No interest on Capital Contributions shall be paid by the Company . No Partner shall be entitled to the withdrawal or return of its Capital Contribution , except to the extent, if any, that distributions are made pursuant to this Agreement or upon dissolution of the Company and then in each case only to the extent provided for in this Agreement . Except to the extent expressly provided in this Agreement , no Partner shall have priority over any other Partner either as to the return of Capital Contributions or as to distributions. Any such return shall be a compromise to which all Partners agree within the meaning of Section 17-502(b) of the Delaware Limited Partnership Act .

Section 5.5. *Issuances of Additional Company Securities* .

(a) The Company may issue additional Company Securities and options, rights, warrants and appreciation rights relating to Company Securities for any Company purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as the General Partner shall determine in its sole discretion , all without the approval of any Limited Partners , including pursuant to Section 7.4(c), except as may be required by Article XVI. The Company may reissue any Company Securities and options, rights, warrants and appreciation rights relating to Company Securities held by the Company in treasury for any Company purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as the General Partner shall determine in its sole discretion , all without the approval of any Limited Partners , including pursuant to Section 7.4(c), except as may be required by Article XVI.

(b) Each additional Company Interest authorized to be issued by the Company pursuant to Section 5.5(a) or Section 7.4(c) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Company Interests), as shall be fixed by the

General Partner in its sole discretion , including (i) the right to share in Company distributions; (ii) the rights upon dissolution and liquidation of the Company ; (iii) whether, and the terms and conditions upon which, the Company may or shall be required to redeem the Company Interest (including sinking fund provisions); (iv) whether such Company Interest is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (v) the terms and conditions upon which each Company Interest will be issued, evidenced by certificates and assigned or transferred; (vi) the method for determining the Percentage Interest as to such Company Interest ; and (vii) the right, if any, of the holder of each such Company Interest to vote on Company matters, including matters relating to the relative designations, preferences, rights, powers and duties of such Company Interest .

(c) The General Partner is hereby authorized to take all actions that it determines to be necessary, appropriate, proper, advisable or incidental in connection with, or in furtherance of, (i) each issuance of Company Securities and options, rights, warrants and appreciation rights relating to Company Securities pursuant to this Section 5.5 or Section 7.4(c) , including the admission of additional Limited Partners in connection therewith and any related amendment of this Agreement , and (ii) all additional issuances of Company Securities and options, rights, warrants and appreciation rights relating to Company Securities . The General Partner shall determine in its sole discretion the relative rights, powers and duties of the holders of the Shares or other Company Securities or options, rights, warrants or appreciation rights relating to Company Securities being so issued. The General Partner is authorized to do all things that it determines to be necessary, appropriate, proper, advisable or incidental in connection with, or in furtherance of, any future issuance of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities , including compliance with any statute, rule, regulation or guideline of any governmental agency or any National Securities Exchange on which the Shares or other Company Securities or options, rights, warrants or appreciation rights relating to Company Securities are listed for trading.

Section 5.6. *Preemptive Rights* . Unless otherwise determined by the General Partner , in its sole discretion , no Person shall have any preemptive, preferential or other similar right with respect to the issuance of any Company Interest , whether unissued, held in the treasury or hereafter created.

Section 5.7. *Splits and Combinations* .

(a) Subject to Section 5.7(d) , the Company may make a Pro Rata distribution of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities to all Record Holders or may effect a subdivision or combination of Company Securities so long as, after any such event, as determined by the General Partner , each Partner shall have the same Percentage Interest in the Company as before such event, and any amounts calculated on a per Share basis or stated as a number of Shares are proportionately adjusted including , if determined by the General Partner , retroactive to the beginning of the Company .

(b) Whenever such a distribution, subdivision or combination of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities is declared, the General Partner shall select a Record Date as of which the distribution, subdivision or

combination shall be effective and shall provide notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than ten days prior to the date of such notice. The General Partner also may cause a firm of independent public accountants selected by it to calculate the number of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the Company may issue Certificates to the Record Holders of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities as of the applicable Record Date representing the new number of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities held by such Record Holders , or the General Partner may adopt such other procedures that it determines to be necessary or appropriate to reflect such changes. If any such combination results in a smaller total number of Company Securities Outstanding or outstanding options, rights, warrants or appreciation rights relating to Company Securities , the Company shall require, as a condition to the delivery to a Record Holder of any such new Certificate , the surrender of any Certificate held by such Record Holder immediately prior to such Record Date .

(d) The Company shall not be required to issue fractional Shares upon any distribution, subdivision or combination of Shares . If a distribution, subdivision or combination of Shares would result in the issuance of fractional Shares but for the provisions of this Section 5.7(d) , the General Partner in its sole discretion may determine that each fractional Share shall be rounded to the nearest whole Share .

Section 5.8. *Fully Paid and Non-Assessable Nature of Limited Partner Interests* . All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Limited Partner Interests in the Partnership , except as such non-assessability may be affected by Sections 17-607 or 17-804 of the Delaware Limited Partnership Act or this Agreement .

ARTICLE VI
DISTRIBUTIONS

Section 6.1. *Requirement and Characterization of Distributions; Distributions to Record Holders* .

(a) Subject to Article XVI , the General Partner , in its sole discretion , may authorize distributions by the Company to the Partners , which distributions shall be made in accordance with Article XVI and, in respect of any series of Shares , Pro Rata in accordance with such Partners ' respective Percentage Interests .

(b) Notwithstanding Section 6.1(a) , in the event of the dissolution of the Company , all receipts received during or after the Quarter in which the Liquidation Date occurs shall be

applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) Each distribution in respect of a Company Interest shall be paid by the Company , directly or through the Transfer Agent or through any other Person or agent, only to the Record Holder of such Company Interest as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Company 's liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

(d) Notwithstanding any provision to the contrary contained in this Agreement , the Company , and the General Partner on behalf of the Company , shall not be required to make a distribution to a Partner or a Record Holder if such distribution would violate the Delaware Limited Partnership Act or other applicable law.

ARTICLE VII
MANAGEMENT AND OPERATION OF BUSINESS

Section 7.1. *Management* .

(a) The General Partner shall conduct, direct and manage all activities of the Company . Except as otherwise expressly provided in this Agreement , all management powers over the business and affairs of the Company shall be exclusively vested in the General Partner , and no Limited Partner shall have any management power over the business and affairs of the Company . In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement , the General Partner shall have full power and authority to do all things and on such terms as it determines, in its sole discretion , to be necessary, appropriate, proper, advisable or incidental to, or in furtherance of, conducting the business of the Company , exercising all powers set forth in Section 2.5 and effectuating the purposes set forth in Section 2.4 , including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible or exchangeable into Company Securities or options, rights, warrants or appreciation rights relating to Company Securities , and the incurring of any other obligations;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Company ;

(iii) the acquisition , disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Company or the merger or other combination of the Company with or into another Person (the matters described in this clause

(iii) being subject, however, to any prior approval that may be required by Article XIV and Article XVI) ;

(iv) the use of the assets of the Company (including cash on hand) for any purpose consistent with the terms of this Agreement , including the financing of the conduct of the operations of the Company Group ; the lending of funds to other Persons ; the repayment or guarantee of obligations of any Group Member or other Person and the making of capital contributions to any Group Member or other Person ;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Company under contractual arrangements to all or particular assets of the Company , with the other party to the contract to have no recourse against the General Partner or its assets other than their interest in the Company , even if same results in the terms of the transaction being less favorable to the Company than would otherwise be the case);

(vi) subject to Article XVI , the distribution of Company cash;

(vii) the selection and dismissal of employees (including employees having such titles as the General Partner may determine in its sole discretion) and agents, representatives, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the maintenance of insurance for the benefit of the Company Group , the Partners and Indemnitees ;

(ix) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, limited liability companies, corporations or other entities or relationships (including the acquisition of interests in, and the contributions of property to, the Company 's Subsidiaries from time to time), subject to the restrictions set forth in Section 2.4 ;

(x) the control of any matters affecting the rights and obligations of the Company , including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation, arbitration or mediation and the incurring of legal expense and the settlement of claims and litigation;

(xi) the indemnification of any Person against liabilities and contingencies to the extent permitted by law ;

(xii) the entering into of listing agreements with any National Securities Exchange and the delisting of some or all of the Limited Partner Interests from, or requesting that trading be suspended on, any such exchange (subject to any prior approval that may be required under Section 4.7) ;

(xiii) subject to Article XVI , the purchase, sale or other acquisition or disposition of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities ;

(xiv) the undertaking of any action in connection with the Company 's participation in the management of the Company Group through its directors , officers or employees or the Company 's direct or indirect ownership of the Group Members , including all things described in or contemplated by the Registration Statement and the agreements described in or filed as exhibits to the Registration Statement ; and

(xv) the registration for resale under the Securities Act and applicable state or non-U.S. securities laws of any securities of, or any securities convertible or exchangeable into securities of, the Company held by any Person , including the General Partner or any Affiliate of the General Partner .

(b) In exercising its authority under this Agreement , the General Partner may, but shall be under no obligation or duty to, take into account the tax consequences to any Partner (including the General Partner) of any action taken (or not taken) by it. The General Partner and the Company shall not have any liability to a Limited Partner for monetary damages, equitable relief or otherwise for losses sustained, liabilities incurred or benefits not derived by such Limited Partner in connection with such decisions.

(c) Notwithstanding any other provision of this Agreement , the Delaware Limited Partnership Act or any applicable law, rule or regulation, each of the Partners and each other Person who may acquire an interest in Company Securities hereby (i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Exchange Agreement , the Tax Receivable Agreement , the Investor Rights Agreement , the Ares Operating Group Governing Agreements and the other agreements described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement ; (ii) agrees that the General Partner (on its own or through its delegation of such authority to any officer of the Company) is authorized to execute, deliver and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions and matters described in or contemplated by the Registration Statement on behalf of the Company , in each case in such form and with such terms as it in its sole discretion shall determine, without any further act, approval or vote of the Partners or the other Persons who may acquire an interest in Company Securities ; and (iii) agrees that the execution, delivery or performance by the General Partner , any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV) , shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Company or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty (fiduciary or otherwise) existing at law, in equity or otherwise .

Section 7.2. *Certificate of Limited Partnership* . The Certificate of Limited Partnership has been filed with the Secretary of State of the State of Delaware as required by the Delaware

Limited Partnership Act and the General Partner is authorized to cause to be filed such other certificates or documents that the General Partner determines to be necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Company may elect to do business or own property. If the General Partner determines such action to be necessary or appropriate, the General Partner is authorized to file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Company as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Company may elect to do business or own property. Subject to the terms of Section 3.4(a) , the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership , any qualification document or any amendment thereto to any Limited Partner .

Section 7.3. *Company Group Assets; General Partner's Authority* . Except as provided in Articles XII and XIV, the General Partner may not sell or exchange all or substantially all of the assets of the Company Group , taken as a whole, in a single transaction or a series of related transactions without the approval of holders of a majority of the voting power of Outstanding Voting Shares ; provided that this provision shall not preclude or limit the General Partner 's ability, in its sole discretion , to mortgage, pledge, hypothecate or grant a security interest in any or all of the assets of the Company Group (including for the benefit of Persons other than members of the Company Group , including Affiliates of the General Partner), including , in each case, pursuant to any forced sale of any or all of the assets of the Company Group pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a majority of the voting power of Outstanding Voting Shares , the General Partner shall not, on behalf of the Company , except as permitted under Sections 4.6 and 11.1, elect or cause the Company to elect a successor general partner of the Company .

Section 7.4. *Reimbursement of the General Partner* .

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement , the General Partner shall not be compensated for its services as general partner or managing member of any Group Member .

(b) The Company shall pay, or cause to be paid, all costs, fees, operating expenses and other expenses of the Company (including the costs, fees and expenses of attorneys, accountants or other professionals and the compensation of all personnel providing services to the Company) incurred in pursuing and conducting, or otherwise related to, the activities of the Company . The Company shall also, in the sole discretion of the General Partner , bear or reimburse the General Partner for (i) any costs, fees or expenses incurred by the General Partner (or any direct or indirect equityholders of the General Partner) in connection with the General Partner serving as the General Partner or the "tax matters partner" or "partnership representative," as applicable, and (ii) all other expenses allocable to the Company Group or otherwise incurred by the General Partner (or any direct or indirect equityholders of the General Partner) in connection with operating the Company Group 's business (including expenses

allocated to the General Partner (or any direct or indirect equityholders of the General Partner) by its Affiliates). If the General Partner determines in its sole discretion that such expenses are related to the business and affairs of the General Partner that are conducted through the Company Group (including expenses that relate to the business and affairs of the Company Group and that also relate to other activities of the General Partner), the General Partner may cause the Company to pay or bear all expenses of the General Partner (or any direct or indirect equityholders of the General Partner), including costs of securities offerings not borne directly by Partners , board of directors compensation and meeting costs, salary, bonus, incentive compensation and other amounts paid to any Person , including Affiliates of the General Partner , to perform services for the Company Group or for the General Partner , cost of periodic reports to Shareholders , litigation costs and damages arising from litigation, accounting and legal costs and franchise taxes, provided that the Company shall not pay or bear any income tax obligations of the General Partner . Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) The General Partner may, in its sole discretion , without the approval of the Limited Partners (who shall have no right to vote in respect thereof), propose and adopt on behalf of the Company Group equity benefit plans, programs and practices (including plans, programs and practices involving the issuance of or reservation of issuance of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities), or cause the Company to issue or to reserve for issuance Company Securities or options, rights, warrants or appreciation rights relating to Company Securities in connection with, or pursuant to, any such equity benefit plan, program or practice or any equity benefit plan, program or practice maintained or sponsored by the General Partner or any of its Affiliates in respect of services performed directly or indirectly for the benefit of the Company Group . The Company agrees to issue and sell to the General Partner or any of its Affiliates any Company Securities or options, rights, warrants or appreciation rights relating to Company Securities that the General Partner or such Affiliates are obligated to provide pursuant to any equity benefit plans, programs or practices maintained or sponsored by them. Expenses incurred by the General Partner in connection with any such plans, programs and practices (including the net cost to the General Partner or such Affiliates of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities purchased by the General Partner or such Affiliates from the Company to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with Section 7.4(b) . Any and all obligations of the General Partner under any equity benefit plans, programs or practices adopted by the General Partner as permitted by this Section 7.4(c) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or the transferee of or successor to all of the General Partner 's General Partner Interest .

Section 7.5. *Outside Activities* .

(a) On and after the Listing Date , the General Partner , for so long as it is a General Partner of the Company (i) agrees that its sole business will be to act as a general partner or managing member of the Company and any other partnership or limited liability company of which the Company is, directly or indirectly, a partner, managing member, trustee or stockholder

and to undertake activities that are ancillary or related thereto (including being a limited partner in the Company) and (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as general partner , managing member, trustee or stockholder of one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member .

(b) Except insofar as the General Partner is specifically restricted by Section 7.5(a) , each Indemnitee shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member , independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member , and none of the same shall constitute a breach of this Agreement or any duty (including fiduciary duties) otherwise existing at law, in equity or otherwise to any Group Member or any Partner , Record Holder or Person who acquires an interest in a Company Security ; provided that nothing in this Agreement shall be deemed to supersede any other agreement to which an Indemnitee may be party restricting such Indemnitee 's ability to have certain business interests or engage in certain business activities or ventures. None of any Group Member , any Limited Partner or any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business interests, activities or ventures of any Indemnitee .

(c) Subject to the terms of Section 7.5(a) and Section 7.5(b) , but otherwise notwithstanding anything to the contrary in this Agreement , (i) the engagement in competitive activities by any Indemnitee (other than the General Partner) in accordance with the provisions of this Section 7.5 is hereby approved by the Company , all Partners and all Persons acquiring an interest in a Company Security , (ii) it shall not be a breach of the General Partner 's or any other Indemnitee 's duties or any other obligation of any type whatsoever of the General Partner or any other Indemnitee if the Indemnitee (other than the General Partner) engages in any such business interests or activities in preference to or to the exclusion of any Group Member , (iii) the General Partner and the Indemnitees shall have no obligation hereunder or as a result of any duty otherwise existing at law, in equity or otherwise to present business opportunities to any Group Member , (iv) the doctrine of "corporate opportunity" or other analogous doctrine shall not apply to any such Indemnitee and (v) each Indemnitee (including the General Partner) shall not be liable to the Company , any Limited Partner , Record Holder or any other Person who acquires an interest in a Company Security by reason that such Indemnitee (including the General Partner) pursues or acquires a business opportunity for itself, directs such opportunity to another Person , does not communicate such opportunity or information to any Group Member or uses information in the possession of a Group Member to acquire or operate a business opportunity.

(d) The General Partner, any of its Affiliates or Associates, and any Indemnitees may acquire Shares or other Company Securities or options, rights, warrants or appreciation rights relating to Company Securities and, except as otherwise expressly provided in this Agreement , shall be entitled to exercise all rights of a General Partner or Limited Partner , as applicable,

relating to such Shares or other Company Securities or options, rights, warrants or appreciation rights relating to Company Securities .

Section 7.6. *Loans from the General Partner ; Loans or Contributions from the Company ; Contracts with the General Partner and its Affiliates ; Certain Restrictions on the General Partner* .

(a) The General Partner or any of its Affiliates may, but shall be under no obligation to, lend to any Group Member , and any Group Member may borrow from the General Partner or any of its Affiliates , funds needed or desired by the Group Member on terms to which the General Partner agrees in good faith.

(b) Any Group Member (including the Company) may lend or contribute to any other Group Member , and any Group Member may borrow from any other Group Member (including the Company), funds on terms and conditions determined by the General Partner in its sole discretion . The foregoing authority may be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person .

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Company on terms to which the General Partner agrees to in good faith.

(d) The Company may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant on terms to which the General Partner agrees in good faith.

(e) The General Partner or any of its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Company , directly or indirectly, on terms to which the General Partner agrees in good faith.

(f) The General Partner and its Affiliates will have no obligation to permit any Group Member to use any facilities or assets of the General Partner and its Affiliates , except as may be provided in contracts entered into from time to time specifically dealing with such use, nor shall there be any obligation on the part of the General Partner or its Affiliates to enter into such contracts.

Section 7.7. *Indemnification* .

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Section 7.7 , all Indemnitees shall be indemnified and held harmless by the Company on an after tax basis from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which any Indemnitee

may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee whether arising from acts or omissions to act occurring on, before or after the date of this Agreement ; provided that the Indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Section 7.7 , the Indemnitee acted in bad faith or with criminal intent. Notwithstanding the preceding sentence, except as otherwise provided in Section 7.7(j) , the Company shall be required to indemnify a Person described in such sentence in connection with any claim, demand, action, suit or proceeding (or part thereof) commenced by such Person only if (x) the commencement of such claim, demand, action, suit or proceeding (or part thereof) by such Person was authorized by the General Partner in its sole discretion or (y) there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that such Person was entitled to indemnification by the Company pursuant to Section 7.7(j) . The indemnification of an Indemnitee of the type identified in clause (d) of the definition of Indemnitee shall be secondary to any and all indemnification to which such Person is entitled from, firstly, the relevant other Person , and from, secondly, the relevant Fund (if applicable), and will only be paid if the primary indemnification is not paid and the proviso set forth in the first sentence of this Section 7.7(a) does not apply; provided that such other Person and such Fund shall not be entitled to contribution or indemnification from or subrogation against the Company , unless otherwise mandated by applicable law. If, notwithstanding the foregoing sentence, the Company makes an indemnification payment or advances expenses to such an Indemnitee entitled to primary indemnification, the Company shall be subrogated to the rights of such Indemnitee against the Person or Persons responsible for the primary indemnification.

(b) To the fullest extent permitted by law , expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in appearing at, participating in or defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company prior to a final and non-appealable determination that the Indemnitee is not entitled to be indemnified upon receipt by the Company of an undertaking by or on behalf of the Indemnitee to repay such amount if it ultimately shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7. Notwithstanding the preceding sentence, except as otherwise provided in Section 7.7(j) , the Company shall be required to indemnify a Person described in such sentence in connection with any claim, demand, action, suit or proceeding (or part thereof) commenced by such Person only if (x) the commencement of such claim, demand, action, suit or proceeding (or part thereof) by such Person was authorized by the General Partner in its sole discretion or (y) there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that such Person was entitled to indemnification by the Company pursuant to Section 7.7(j) .

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement , insurance, pursuant to any vote of the holders of Outstanding Voting Shares entitled to vote on such matter, as a matter of law, in equity or otherwise, both as to actions in the Indemnitee ’s capacity as an Indemnitee and as to actions in any other capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity.

(d) The Company may purchase and maintain (or reimburse the General Partner or its Affiliates or Associates for the cost of) insurance, on behalf of the General Partner , its Affiliates and Associates , the other Indemnitees and such other Persons as the General Partner shall determine in its sole discretion , against any liability that may be asserted against, or expense that may be incurred by, such Person in connection with the Company Group 's activities or such Person 's activities on behalf of the Company Group regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement .

(e) For purposes of this Section 7.7 , (i) the Company shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Company also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; (ii) excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute " fines " within the meaning of Section 7.7(a) ; and (iii) any action taken or omitted by an Indemnitee with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the best interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is in the best interests of the Company .

(f) Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Company . The General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Company to enable it to effectuate such indemnification. Except as required by Section 17-607 and Section 17-804 of the Delaware Limited Partnership Act , in no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement .

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement .

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees and their heirs, successors, assigns, executors and administrators and shall not be deemed to create any rights for the benefit of any other Persons .

(i) No amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Company , nor the obligations of the Company to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or -in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(j) If a claim for indemnification (following the final disposition of the action, suit or proceeding for which indemnification is being sought) or advancement of expenses under this

Section 7.7 is not paid in full within 30 days after a written claim therefor by any Indemnitee has been received by the Company , such Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expenses of prosecuting such claim, including reasonable attorneys' fees. In any such action the Company shall have the burden of proving that such Indemnitee is not entitled to the requested indemnification or advancement of expenses under applicable law.

(k) This Section 7.7 shall not limit the right of the Company , to the extent and in the manner permitted by law, to indemnify and to advance expenses to, and purchase and maintain insurance on behalf of, Persons other than Indemnitees .

Section 7.8. *Liability of Indemnitees* .

(a) Notwithstanding anything to the contrary set forth in this Agreement , no Indemnitee shall be liable to the Company , the Limited Partners or any other Persons who have acquired interests in the Company Securities or are bound by this Agreement , for any losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising as a result of any act or omission of an Indemnitee , or for any breach of contract (including breach of this Agreement) or any breach of duties (including breach of fiduciary duties) whether arising hereunder, at law, in equity or otherwise , unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter in question, the Indemnitee acted in bad faith or with criminal intent. The Company , the Limited Partners , the Record Holders and any other Person who acquires an interest in a Company Security , each on their own behalf and on behalf of the Company , waives, to the fullest extent permitted by law , any and all rights to seek punitive damages or other damages based upon any Federal, State or other income (or similar) taxes paid or payable by any such Limited Partner , Record Holder or other Person .

(b) The General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct, negligence or wrongdoing on the part of any such agent appointed by the General Partner in good faith.

(c) If, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Company , the Partners , the Record Holders or any Person who acquires an interest in a Company Security , any Indemnitee acting in connection with the Company 's business or affairs shall not be liable, to the fullest extent permitted by law , to the Company , to any Partner , to any Record Holder or to any other Person who acquires an interest in a Company Security for such Indemnitee 's reliance on the provisions of this Agreement .

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of the Indemnitees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such

claims may arise or be asserted, and provided such Person became an Indemnitee hereunder prior to such amendment, modification or repeal.

Section 7.9. *Modification of Duties; Standards of Conduct; Resolution of Conflicts of Interest* .

(a) Notwithstanding anything to the contrary set forth in this Agreement or otherwise applicable provision of law or in equity, neither the General Partner, nor its Affiliates or Associates , nor any other Indemnitee shall have any fiduciary duties, or , to the fullest extent permitted by law , except to the extent expressly provided in this Agreement , other duties, obligations or liabilities, to the Company , any Limited Partner , any other Person who has acquired an interest in a Company Security , any other Person who is bound by this Agreement or any creditor of the Company , and, to the fullest extent permitted by law , the General Partner, its Affiliates and Associates , and the other Indemnitees shall only be subject to any contractual standards imposed and existing under this Agreement . Notwithstanding any other provision of this Agreement or otherwise applicable provision of law or in equity, whenever in this Agreement or any other agreement contemplated hereby the General Partner , the Board of Directors or any committee of the Board of Directors is permitted to or required to make or take (or omit to make or take) a determination , evaluation, election, decision, approval, authorization, consent or other action (howsoever described herein, each, a " *Determination* ") (i) in its " discretion " or " sole discretion " or under a grant of similar authority or latitude or (ii) pursuant to any provision not subject to an express standard of "good faith" (regardless of whether there is a reference to " discretion ", " sole discretion " or any other standard), then the General Partner (or any of its Affiliates or Associates causing it to do so), the Board of Directors , or any committee of the Board of Directors , as applicable, in making such Determination , shall not be subject to any fiduciary duty and shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting the Company , the Partners , or any other Person (including any creditor of the Company), and shall not be subject to any other or different standards imposed by this Agreement or otherwise existing at law, in equity or otherwise . Notwithstanding the immediately preceding sentence, if a Determination under this Agreement is to be made or taken by the General Partner in "good faith", the General Partner shall act under that express standard and shall not be subject to any other or different standard under this Agreement or otherwise existing at law, in equity or otherwise .

(b) For all purposes of this Agreement and notwithstanding any applicable provision of law or in equity, a Determination or failure to act by the General Partner , the Board of Directors or any committee thereof conclusively will be deemed to be made, taken or omitted to be made or taken in "good faith", and shall not be a breach of this Agreement or any duty , (i) if such Determination or failure to act was approved by Special Approval or (ii) unless the General Partner , the Board of Directors or committee thereof, as applicable, subjectively believed such Determination or failure to act was opposed to the best interests of the Company . The belief of a majority of the Board of Directors or committee thereof shall be deemed to be the belief of the Board of Directors or such committee. In any proceeding brought by the Company , any Limited Partner , any Record Holder , any other Person who acquires an interest in a Company Security or

any other Person who is bound by this Agreement challenging such Determination or failure to act, notwithstanding any provision of law or equity to the contrary, the Person bringing or prosecuting such proceeding shall have the burden of proving that such Determination or failure to act was not in good faith. Any Determination taken or made by the General Partner , its Board of Directors , any committee of the Board of Directors (including the Conflicts Committee) or any other Indemnitee which is not in breach of this Agreement shall be deemed taken or determined in compliance with this Agreement , the Delaware Limited Partnership Act and any other applicable fiduciary requirements.

(c) Whenever the General Partner makes a Determination or takes or fails to take any other action, or any of its Affiliates or Associates causes it to do so, in its individual capacity as opposed to in its capacity as a general partner of the Company , whether under this Agreement or any other agreement or circumstance contemplated hereby or otherwise, then the General Partner , or such Affiliates or Associates causing it to do so, are entitled, to the fullest extent permitted by law , to make such Determination or to take or not to take such other action free of any duty (including any fiduciary duty) existing at law, in equity or otherwise or obligation whatsoever to the Company , any Limited Partner , any Record Holder , any Person who acquires an interest in a Company Security , any other Person bound by this Agreement or any creditor of the Company , and the General Partner , or such Affiliates or Associates causing it to do so, shall not, to the fullest extent permitted by law , be required to act pursuant to any other standard imposed by this Agreement , any other agreement contemplated hereby or under the Delaware Limited Partnership Act or any other law, rule or regulation or at equity.

(d) Whenever a potential conflict of interest exists or arises between the General Partner (in its capacity as the general partner of the Company , as limited partner of the Company , or in its individual capacity) or any of its Affiliates or Associates, on the one hand, and the Company , any Group Member , any Partner , any other Person who acquires an interest in a Company Security or any other Person who is bound by this Agreement , on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall conclusively be deemed approved by the Company , all of the Partners , each Person who acquires an interest in a Company Security and any other Person bound hereby and shall not constitute a breach of this Agreement or any agreement contemplated herein, or of any duty (including any fiduciary duty) existing at law, in equity or otherwise or obligation whatsoever if the resolution or course of action in respect of such conflict of interest is (i) approved by Special Approval or (ii) approved by the General Partner in good faith. The General Partner and the Conflicts Committee (in connection with any Special Approval by the Conflicts Committee) each shall be authorized in connection with its resolution of any conflict of interest to consider such factors as it determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. The General Partner shall be authorized but not required in connection with its resolution of any conflict of interest to seek Special Approval of such resolution, and the General Partner may also adopt a resolution or course of action that has not received Special Approval . Failure to seek Special Approval shall not be deemed to indicate that a conflict of interest exists or that Special Approval could not have been obtained. Notwithstanding anything to the contrary in this Agreement or any duty otherwise existing at law or equity, and without limitation of Section 7.6 , to the fullest extent permitted by the Delaware Limited Partnership Act , the

existence of the conflicts of interest described in or contemplated by the Registration Statement are hereby approved, and all such conflicts of interest are waived, by the Company and each Partner and any other Person who acquires an interest in a Company Security and shall not constitute a breach of this Agreement or any duty existing at law, in equity or otherwise .

(e) Notwithstanding anything to the contrary in this Agreement , the General Partner and its Affiliates shall have no duty or obligation, express or implied, to (i) sell or otherwise dispose of any asset of the Company Group other than in the ordinary course of business or (ii) permit any Group Member to use any facilities or assets of the General Partner and its Affiliates , except as may be provided in contracts entered into from time to time specifically dealing with such use. Any determination by the General Partner or any of its Affiliates to enter into such contracts shall be in its sole discretion .

(f) The Limited Partners hereby authorize the General Partner , on behalf of the Company as a partner or member of a Group Member , to approve of actions by the general partner or managing member of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.9.

(g) The Limited Partners expressly acknowledge that the General Partner is under no obligation to consider the separate interests of the Limited Partners (including the tax consequences to Limited Partners) in deciding whether to cause the Company to take (or decline to take) any Determinations , and that the General Partner shall not be liable to the Limited Partners for monetary damages or equitable relief for losses sustained, liabilities incurred or benefits not derived by Limited Partners in connection with such Determinations .

(h) Notwithstanding any other provision of this Agreement , if any provision of this Agreement , including the provisions of this Section 7.9 , purports (i) to restrict or otherwise modify or eliminate the duties (including fiduciary duties), obligations and liabilities of the General Partner , the Board of Directors , any committee of the Board of Directors (including the Conflicts Committee) or any other Indemnitee otherwise existing at law or in equity or (ii) to constitute a waiver or consent by the Company , the Limited Partners or any other Person who acquires an interest in a Company Security to any such restriction, modification or elimination, such provision shall be deemed to have been approved by the Company , all of the Partners , and each other Person who has acquired an interest in a Company Security .

Section 7.10. *Other Matters Concerning the General Partner* .

(a) The General Partner and any other Indemnitee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate , statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner and any Indemnitee may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the advice or opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner

or such Indemnitee believes to be within such Person 's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such advice or opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder , to act through any of its duly authorized officers or any duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform each and every act and duty that is permitted or required to be done by the General Partner hereunder .

Section 7.11. *Purchase or Sale of Company Securities* . The General Partner may cause the Company or any other Group Member to purchase or otherwise acquire Company Securities or options, rights, warrants or appreciation rights relating to Company Securities . Notwithstanding any other provision of this Agreement or otherwise applicable provision of law or equity, any Company Securities or options, rights, warrants or appreciation rights relating to Company Securities that are purchased or otherwise acquired by the Company may, in the sole discretion of the General Partner , be held by the Company in treasury and, if so held in treasury, shall no longer be deemed to be Outstanding for any purpose. For the avoidance of doubt , Company Securities or options, rights, warrants or appreciation rights relating to Company Securities that are held by the Company in treasury (i) shall not be entitled to distributions pursuant to Article VI or Article XVI , and (ii) shall neither be entitled to vote nor be counted for quorum purposes. The General Partner or any other Indemnitee or any Affiliate or Associate of the General Partner may also purchase or otherwise acquire and sell or otherwise dispose of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities for their own account, subject to the provisions of Articles IV, X and XVI.

Section 7.12. *Reliance by Third Parties.* Notwithstanding anything to the contrary in this Agreement , any Person dealing with the Company shall be entitled to assume that the General Partner and any officer of the General Partner purporting to act on behalf of and in the name of the Company has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Company and to enter into any authorized contracts on behalf of the Company , and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Company 's sole party in interest, both legally and beneficially. The Company , each Limited Partner and each other Person who has acquired an interest in a Company Security hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer. Each and every certificate , document or other instrument executed on behalf of the Company by the General Partner or any such officer shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate , document or instrument, this Agreement was in full force and effect, (b) the General Partner or any such officer executing and delivering such certificate , document or instrument was duly authorized

and empowered to do so for and on behalf of the Company and (c) such certificate , document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Company .

Section 7.13. *Board of Directors* .

(a) On January 31 of each year (each a " *Determination Date* "), the General Partner will determine whether the voting power held collectively by (i) the holders of Special Voting Shares (including Voting Shares held by the General Partner , the Holdco Members and their respective Affiliates) in their capacity as such, (ii) persons that were formerly employed by or had provided services to (including as a director), or are then employed by or providing services to (including as a director), the General Partner or its Affiliates , (iii) any estate, trust , corporation, partnership or limited liability company or other entity of any kind or nature of which any person listed in clause (ii) is a trustee , other fiduciary, manager, partner, member, officer, director or party, respectively, (iv) any estate, trust , corporation, partnership or limited liability company or other entity of any kind or nature for the direct or indirect benefit of the spouse, parents, siblings or children of, or any other natural person who occupies the same principal residence as, any person listed in clause (ii) , and the spouses, ancestors or descendants of each of the foregoing, and (v) Ares Owners LP is at least 10% of the voting power of the Outstanding Voting Shares (treating as Outstanding and held by any such persons, Voting Shares deliverable pursuant to any equity awards granted to such persons) (the " *Ares Partners Ownership Condition* ").

(b) Subject to Section 16.7 , the method of nomination, election and removal of Directors shall be determined as follows: (i) in any year in which the General Partner has determined on the applicable Determination Date that the Ares Partners Ownership Condition has not been satisfied, the Board of Directors shall be elected at an annual meeting of the Limited Partners holding Outstanding Shares in accordance with Section 13.4(b) ; and (ii) in any year in which the General Partner has determined on the applicable Determination Date that the Ares Partners Ownership Condition has been satisfied, the provisions of Section 13.4(b) shall not apply and the method for nominating, electing and removing Directors shall be as otherwise provided in the General Partner Agreement .

ARTICLE VIII
BOOKS, RECORDS AND ACCOUNTING

Section 8.1. *Records and Accounting.* The General Partner shall keep or cause to be kept at the principal office of the Company or any other place designated by the General Partner in its sole discretion appropriate books and records with respect to the Company 's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a) . Any books and records maintained by or on behalf of the Company in the regular course of its business, including the record of the Record Holders of Shares or other Company Securities or options, rights, warrants or appreciation rights relating to Company Securities , books of account and records of Company proceedings, may be kept on, or be in the form of, computer disks, hard drives, magnetic tape, photographs, micrographics or any other information storage device; provided that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time.

The books of the Company shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP .

Section 8.2. *Fiscal Year* . The fiscal year of the Company (each, a " *Fiscal Year* ") shall be a year ending December 31. The General Partner in its sole discretion may change the Fiscal Year of the Company at any time and from time to time in each case as may be required or permitted under the Code or applicable United States Treasury Regulations and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners .

ARTICLE IX
TAX MATTERS

Section 9.1. *Tax Returns and Information.* The Company shall provide the Partners with information as may be reasonably required in the discretion of the General Partner for purposes of allowing the Partners to prepare and file their own U.S. federal, state and local tax returns. Each Partner shall be required to report for all tax purposes consistently with such information provided by the Company .

Section 9.2. *Tax Elections.* The General Partner in its sole discretion shall determine whether to make, refrain from making or revoke any and all elections permitted by the tax laws of the United States, the several states and other relevant jurisdictions.

Section 9.3. *Tax Controversies.* For taxable years ending on or prior to the Effective Date and subject to the provisions hereof, the General Partner shall be the "tax matters partner" of the Company for purposes of Section 6231(a)(7) of the Code (prior to amendment by P.L. 114-74) and the "partnership representative" of the Company for purposes of Section 6223 of the Code (after amendment by P.L. 114-74). The General Partner is authorized to represent the Company (at the Company's expense) in connection with all examinations of the affairs of the Company, by any federal, state or local tax authorities, including any resulting administrative and judicial proceedings, and to expend funds of the Company for professional services and costs associated therewith. Each Record Holder agrees to cooperate with the General Partner and to do or refrain from doing any or all things required by the General Partner in connection with the conduct of all such proceedings.

Section 9.4. *Withholding.* Notwithstanding any other provision of this Agreement , the General Partner is authorized to take any action that may be required or be necessary or appropriate to cause the Company or any other Group Member to comply with any withholding requirements established under the Code or any other U.S. federal, state, local or non-U.S. law, including any withholding required pursuant to Sections 1441, 1442, 1445, 1471 and 3406 of the Code . If the Company is required or elects to withhold and pay over to any taxing authority any amount resulting from a distribution or payment to or for the benefit of any Partner , the General Partner shall treat the amount withheld as a distribution pursuant to Section 6.1 or Article XVI , as applicable, in the amount of such withholding from such Partner .

Section 9.5. *Election to be Treated as a Partnership* . If the General Partner determines in its sole discretion that it is no longer in the interests of the Company to continue being

classified as an association taxable as a corporation for U.S. federal income tax purposes, the General Partner may cause the Company to be classified as a partnership for U.S. federal (and applicable state) income tax purposes by election, merger , conversion or other method.

ARTICLE X
ADMISSION OF PARTNERS

Section 10.1. *Admission of Initial Limited Partners* .

(a) Upon the issuance by the Company of a Special Voting Share to Ares VoteCo, Ares VoteCo was automatically admitted to the Company as a Limited Partner in respect of the Special Voting Share issued to it.

(b) Upon the issuance by the Company of common units to the underwriters or their designee(s) in connection with the Initial Offering, such parties were automatically admitted to the Company as Limited Partners in respect of the common units issued to them.

Section 10.2. *Admission of Additional Limited Partners* .

(a) By acceptance of the transfer of any Limited Partner Interests in accordance with this Section 10.2 or the issuance of any Limited Partner Interests in accordance herewith (including in a merger, consolidation or other business combination pursuant to Article XIV) , and except as provided in Section 4.8 , each transferee or other recipient of a Limited Partner Interest (including any nominee holder or an agent or representative acquiring such Limited Partner Interests for the account of another Person) (i) shall be admitted to the Company as a Limited Partner with respect to the Limited Partner Interests so transferred or issued to such Person when any such transfer or issuance is reflected in the books and records of the Company , with or without execution of this Agreement , (ii) shall become bound by the terms of, and shall be deemed to have agreed to be bound by, this Agreement , (iii) shall become the Record Holder of the Limited Partner Interests so transferred or issued, (iv) represents that the transferee or other recipient has the capacity, power and authority to enter into this Agreement , (v) grants the powers of attorney set forth in this Agreement and (vi) makes the consents, acknowledgments and waivers contained in this Agreement . The transfer of any Limited Partner Interests or the admission of any new Limited Partner shall not constitute an amendment to this Agreement . A Person may become a Record Holder without the consent or approval of any of the Partners . A Person may not become a Limited Partner without acquiring a Limited Partner Interest . The rights and obligations of a Person who is a Non-citizen Assignee shall be determined in accordance with Section 4.8.

(b) The name and mailing address of each Record Holder shall be listed on the books and records of the Company maintained for such purpose by the Company or the Transfer Agent . The General Partner shall update the books and records of the Company from time to time as necessary to reflect accurately the information therein (or shall cause the Transfer Agent to do so, as applicable). A Limited Partner Interest may be represented by a Certificate , as provided in Section 4.1.

(c) Any transfer of a Limited Partner Interest shall not entitle the transferee to receive distributions or to any other rights to which the transferor was entitled until the transferee becomes a Limited Partner pursuant to Section 10.2(a) .

Section 10.3. *Admission of Successor General Partner.* A successor General Partner approved pursuant to Section 11.1 or the transferee of or successor to all of the General Partner Interest (represented by General Partner Shares) pursuant to Section 4.6 who is proposed to be admitted as a successor General Partner shall be admitted to the Company as the General Partner effective immediately prior to the withdrawal of the predecessor or transferring General Partner pursuant to Section 11.1 or the transfer of such General Partner 's General Partner Interest (represented by General Partner Shares) pursuant to Section 4.6 ; provided that no such successor shall be admitted to the Company until compliance with the terms of Section 4.6 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor is hereby authorized to and shall, subject to the terms hereof , carry on the business of the Company without dissolution.

Section 10.4. *Amendment of Agreement and Certificate of Limited Partnership to Reflect the Admission of Partners.* To effect the admission to the Company of any Partner , the General Partner shall take all steps necessary under the Delaware Limited Partnership Act to amend the records of the Company to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership , and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI
WITHDRAWAL OR REMOVAL OF PARTNERS

Section 11.1. *Withdrawal of the General Partner* .

(a) The General Partner shall be deemed to have withdrawn from the Company upon the occurrence of any one of the following events (each such event herein referred to as an " *Event of Withdrawal* "):

(i) The General Partner voluntarily withdraws from the Company by giving written notice to the other Partners ;

(ii) The General Partner transfers all of its General Partner Interest pursuant to Section 4.6 ;

(iii) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code ; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A) - (C) of this Section 11.1(a)(iii) ; or (E)

seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(iv) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner ; or

(v) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner , or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or a limited liability company , the dissolution and commencement of winding up of the General Partner ; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust , the termination of the trust ; (D) in the event the General Partner is a natural person , his or her death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner .

If an Event of Withdrawal specified in Section 11.1(a)(iii), (iv) or (v)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Company.

(b) Withdrawal of the General Partner from the Company upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) the General Partner voluntarily withdraws at any time by giving at least 90 days' advance notice to the Shareholders , such withdrawal to take effect on the date specified in such notice; (ii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii) ; or (iii) at any time that the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners , such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the General Partner and its Affiliates) Beneficially Own or own of record or control at least 50% of the Outstanding Common Shares . The withdrawal of the General Partner from the Company upon the occurrence of an Event of Withdrawal shall also constitute the withdrawal of the General Partner as general partner or managing member, to the extent applicable, of the other Group Members . If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i) , the Limited Partners holding of a majority of the voting power of Outstanding Voting Shares , may, prior to the effective date of such withdrawal, elect a successor General Partner . The Person so elected as successor General Partner shall automatically become the successor general partner or managing member, to the extent applicable, of the other Group Members of which the General Partner is a general partner or a managing member, and is hereby authorized to, and shall, continue the business of the Company and, to the extent applicable, the other Group Members without dissolution. If, prior to the effective date of the General Partner 's withdrawal pursuant to Section 11.1(a)(i) , a successor is not selected by the Shareholders as provided herein or the Company does not receive an Opinion of Counsel that the withdrawal of the General Partner will not result in the loss of the limited

liability of any Limited Partner , the Company shall be dissolved in accordance with and subject to Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

Section 11.2. *No Removal of the General Partner .* The Limited Partners shall have no right to remove or expel, with or without cause, the General Partner .

Section 11.3. *Interest of Departing General Partner and Successor General Partner .*

(a) In the event of the withdrawal of a General Partner , if a successor General Partner is elected in accordance with the terms of Section 11.1 , the Departing General Partner , in its sole discretion and acting in its individual capacity, shall have the option exercisable prior to the effective date of the withdrawal of such Departing General Partner to require its successor to purchase its General Partner Interest (represented by General Partner Shares) in exchange for an amount in cash equal to the fair market value of such General Partner Interest , such amount to be determined and payable as of the effective date of its withdrawal. The Departing General Partner shall be entitled to receive all reimbursements due such Departing General Partner pursuant to Section 7.4 , including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the Departing General Partner or its Affiliates (excluding any Group Member) for the benefit of the Company or the other Group Members .

For purposes of this Section 11.3(a), the fair market value of a Departing General Partner's General Partner Interest shall be determined by agreement between the Departing General Partner and its successor or, failing agreement within 30 days after the effective date of such Departing General Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing General Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing General Partner shall designate an independent investment banking firm or other independent expert, the Departing General Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the General Partner Interest of the Departing General Partner. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Shares on any National Securities Exchange on which Shares are then listed, the value of the Company's assets, the rights and obligations of the Departing General Partner and other factors it may deem relevant.

(b) If the Departing General Partner does not exercise its option to require the successor General Partner to purchase its General Partner Interest in the manner set forth in Section 11.3(a) , the Departing General Partner (or its transferee) shall automatically become a Limited Partner and its General Partner Interest automatically shall be converted into Common Shares pursuant to a valuation made by an investment banking firm or other independent expert

selected by the Departing General Partner . Any successor General Partner shall indemnify the Departing General Partner (or its transferee) as to all debts and liabilities of the Company arising on or after the date on which the Departing General Partner (or its transferee) becomes a Limited Partner . For purposes of this Agreement , conversion of the General Partner Interest of the Departing General Partner to Common Shares will be characterized as if the Departing General Partner (or its transferee) contributed its General Partner Interest to the Company in exchange for the newly-issued Common Shares and the Company reissued a new General Partner Interest in the Company to the successor General Partner .

Section 11.4. *Withdrawal of Limited Partners* . No Limited Partner shall have any right to withdraw from the Company ; provided that when a transferee of a Limited Partner's Limited Partner Interest becomes a Record Holder of the Limited Partner Interest so transferred, such transferring Limited Partner shall cease to be a Limited Partner with respect to the Limited Partner Interest so transferred.

ARTICLE XII
DISSOLUTION AND LIQUIDATION

Section 12.1. *Dissolution.* The Company shall not be dissolved by the admission of additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement . Upon the withdrawal of the General Partner , if a successor General Partner is admitted to the Company pursuant to Sections 10.3 , 11.1 or 12.2, the Company shall not be dissolved and such successor General Partner is hereby authorized to, and shall, continue the business of the Company . Subject to Section 12.2 , the Company shall dissolve, and its affairs shall be wound up, upon:

(a) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and such successor is admitted to the Company pursuant to this Agreement ;

(b) an election to dissolve the Company by the General Partner that is approved by the Shareholders holding a majority of the voting power of Outstanding Voting Shares ;

(c) the entry of a decree of judicial dissolution of the Company pursuant to the provisions of the Delaware Limited Partnership Act ; or

(d) at any time there are no Limited Partners , unless the Company is continued without dissolution in accordance with the Delaware Limited Partnership Act .

Section 12.2. *Continuation of the Business of the Company After Event of Withdrawal* . Upon an Event of Withdrawal caused by (a) the withdrawal of the General Partner as provided in Sections 11.1(a)(i) and the failure of the Partners to select a successor to such Departing General Partner pursuant to Section 11.1 , then within 90 days thereafter, or (b) an event constituting an Event of Withdrawal as defined in Sections 11.1(a)(iii) , (iv) or (v) , then, to the maximum extent permitted by law , within 180 days thereafter, the Shareholders holding a majority of the voting power of Outstanding Voting Shares may elect to continue the business of the Company on the

same terms and conditions set forth in this Agreement by appointing as the successor General Partner a Person approved by the Shareholders holding a majority of the voting power of Outstanding Voting Shares . Unless such an election is made within the applicable time period as set forth above, the Company shall dissolve and conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the Company shall continue without dissolution unless earlier dissolved in accordance with this Article XII ;

(ii) if the successor General Partner is not the former General Partner , then the interest of the former General Partner shall be treated in the manner provided in Section 11.3 ; and

(iii) the successor General Partner shall be admitted to the Company as General Partner , effective as of the Event of Withdrawal , by agreeing in writing to be bound by this Agreement ;

provided that the right of the Shareholders holding a majority of the voting power of Outstanding Voting Shares to approve a successor General Partner and to continue the business of the Company shall not exist and may not be exercised unless the Company has received an Opinion of Counsel that the exercise of the right would not result in the loss of limited liability of any Limited Partner under the Delaware Limited Partnership Act.

Section 12.3. *Liquidator* . Upon dissolution of the Company , unless the Company is continued pursuant to Section 12.2 , the General Partner shall act, or select in its sole discretion one or more Persons to act as Liquidator . If the General Partner is acting as the Liquidator , it shall not be entitled to receive any additional compensation for acting in such capacity. If a Person other than the General Partner acts as Liquidator , such Liquidator (1) shall be entitled to receive such compensation for its services as may be approved by either the withdrawing General Partner or Shareholders holding at least a majority of the voting power of the Outstanding Voting Shares voting as a single class, (2) shall agree not to resign at any time without 15 days' prior notice and (3) may be removed at any time, with or without cause, by notice of removal approved by Shareholders holding at least a majority of the voting power of the Outstanding Voting Shares voting as a single class. Upon dissolution, removal or resignation of the Liquidator , a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the voting power of the Outstanding Voting Shares voting as a single class. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII , the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto , all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3) necessary or appropriate to carry out the duties and functions of

the Liquidator hereunder for and during the period of time required to complete the winding up and liquidation of the Company as provided for herein.

Section 12.4. *Liquidation.* The Liquidator shall proceed to dispose of the assets of the Company , discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners , subject to Section 17-804 of the Delaware Limited Partnership Act and the following:

(a) *Disposition of Assets.* The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate distributions of cash (to the extent any cash is available) must be made to the other Partners . The Liquidator may defer liquidation or distribution of the Company 's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Company 's assets would be impractical or would cause undue loss to the Partners . The Liquidator may distribute the Company 's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners .

(b) *Discharge of Liabilities.* Liabilities of the Company include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of Section 12.3) and amounts to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment.

(c) *Liquidation Distributions.* All cash and other property in excess of that required to discharge liabilities (whether by payment or the making of reasonable provision for payment thereof) as provided in Section 12.4(b) shall, subject to Article XVI , be distributed to the Partners in accordance with their respective Percentage Interests as of a Record Date selected by the Liquidator .

Section 12.5. *Cancellation of Certificate of Limited Partnership* . Upon the completion of the distribution of Company cash and other property as provided in Section 12.4 in connection with the liquidation of the Company , the Certificate of Limited Partnership shall be cancelled in accordance with the Delaware Limited Partnership Act and all qualifications of the Company as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Company shall be taken.

Section 12.6. *Return of Contributions.* The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Company to enable it to effectuate, the return of the Capital Contributions of the Limited Partners or Shareholders , or any portion thereof, it being expressly understood that any such return shall be made solely from Company assets.

Section 12.7. *Waiver of Partition.* To the maximum extent permitted by law , each Partner hereby waives any right to partition of the Company property.

ARTICLE XIII
AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

Section 13.1. *Amendments to be Adopted Solely by the General Partner* . Each Partner agrees that the General Partner , without the approval of any Partner , any Shareholder or any other Person , may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Company , the location of the principal place of business of the Company , the registered agent of the Company or the registered office of the Company ;

(b) the admission, substitution, withdrawal or removal of Partners in accordance with this Agreement ;

(c) a change that the General Partner determines in its sole discretion is necessary, appropriate, proper, advisable or incidental to, or in furtherance of, qualifying or continuing the qualification of the Company as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or other jurisdiction;

(d) a change that the General Partner determines in its sole discretion to be necessary, appropriate, proper, advisable or incidental to, or in furtherance of, addressing changes in U.S. federal, state or local income tax regulations, legislation or interpretation;

(e) a change that the General Partner determines (i) does not adversely affect the Limited Partners considered as a whole (or adversely affect any particular class of Company Interests as compared to another class of Company Interests , except under clause (h) below) in any material respect; provided that for purposes of determining whether an amendment satisfies the requirements of this Section 13.1(e)(i) , the General Partner may in its sole discretion disregard any adverse effect on any class or classes of Company Interests the holders of which have approved such amendment pursuant to Section 13.3(c), (ii) to be necessary or appropriate to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any U.S. federal, state or local or non-U.S. agency or judicial authority or contained in any U.S. federal, state or local or non-U.S. statute (including the Delaware Limited Partnership Act) or (B) facilitate the trading of the Limited Partner Interests (including the division of any class or classes of Outstanding Limited Partner Interests into different classes to facilitate uniformity of tax consequences within such classes of Limited Partner Interests) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are or will be listed, (iii) to be necessary, appropriate, proper, advisable or incidental in connection with, or in furtherance of, action taken by the General Partner pursuant to Section 5.7 or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement ;

(f) a change in the Fiscal Year or taxable year of the Company and any other changes that the General Partner determines to be necessary or appropriate as a result of a change in the Fiscal Year or taxable year of the Company including , if the General Partner shall so determine in its sole discretion , a change in the definition of " *Quarter* " and, subject to Article XVI , the dates on which distributions are to be made by the Company ;

(g) an amendment that the General Partner determines is necessary or appropriate, based on the advice of counsel, to prevent the Company , or the General Partner or its Indemnitees , from having a material risk of being in any manner subjected to registration under the provisions of the U.S. Investment Company Act of 1940 or the U.S. Investment Advisers Act of 1940 , or "plan asset" regulations adopted under the U.S. Employee Retirement Income Security Act of 1974 , regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(h) an amendment that the General Partner determines in its sole discretion to be necessary, appropriate, proper, advisable or incidental in connection with, or in furtherance of, the creation, authorization or issuance of any class or series of Company Securities or options, rights, warrants or appreciation rights relating to Company Securities pursuant to Section 5.5 ;

(i) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(j) an amendment effected, necessitated or contemplated by a Merger Agreement permitted by Article XIV ;

(k) an amendment that the General Partner determines in its sole discretion to be necessary, appropriate, proper, advisable or incidental to, or in furtherance of, reflecting and accounting for the formation by the Company of, or investment by the Company in, any corporation, partnership , joint venture, limited liability company or other entity;

(l) an amendment effected, necessitated or contemplated by an amendment to any Ares Operating Group Governing Agreement that requires members or partners of any Ares Operating Group entity to provide a statement, certification or other proof of evidence to the Ares Operating Group entities regarding whether such member or partner is subject to U.S. federal income taxation on the income generated by the Ares Operating Group ;

(m) a merger, conversion or conveyance pursuant to Section 14.3(c) , including any amendment permitted pursuant to Section 14.5 ;

(n) any amendment to Section 17.9 that the General Partner determines in good faith;

(o) any amendment that the General Partner determines to be necessary, appropriate, proper, advisable or incidental to, or in furtherance of, curing any ambiguity, omission, mistake, defect or inconsistency; or

(p) any other amendments that the General Partner determines to be substantially similar to the foregoing.

Section 13.2. *Amendment Procedures.* Except as provided in Sections 5.5 , 13.1, 13.3, 14.5 and Article XVI , all amendments to this Agreement shall be made in accordance with the requirements of this Section 13.2. Amendments to this Agreement may be proposed only by the General Partner ; provided that, to the fullest extent permitted by law , the General Partner shall have no duty or obligation to propose any amendment to this Agreement and may decline to do so free of any duty (including any fiduciary duty) or obligation whatsoever to the Company , any Limited Partner , any other Person bound by this Agreement or any creditor of the Company . A proposed amendment pursuant to this Section 13.2 shall be effective upon its approval by the General Partner and Shareholders holding a majority of the voting power of the Outstanding Voting Shares , unless a greater or lesser percentage is required under this Agreement . If such an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of the voting power of Outstanding Voting Shares or call a meeting of the Shareholders to consider and vote on such proposed amendment, in each case in accordance with the other provisions of this Article XIII and Article XVI. The General Partner shall notify all Record Holders upon final adoption of any such proposed amendments.

Section 13.3. *Amendment Requirements* .

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that requires the vote or consent of Shareholders holding, or holders of, a percentage of the voting power of Outstanding Voting Shares (including Voting Shares deemed owned by the General Partner and its Affiliates) required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of Shareholders or holders of Outstanding Voting Shares whose aggregate Outstanding Voting Shares constitute not less than the voting or consent requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner without its consent, unless such enlargement may be deemed to have occurred as a result of an amendment approved pursuant to Section 13.3(c) , or (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to the General Partner or any of its Affiliates without the General Partner ’s consent, which consent may be given or withheld in its sole discretion .

(c) Except as provided in Sections 13.1 and 14.3 and Article XVI , any amendment that would have a material adverse effect on the rights or preferences of any class of Company Interests in relation to other classes of Company Interests (treating the Voting Shares as a separate class for this purpose) must be approved by the holders of not less than a majority of the Outstanding Company Interests of the class affected.

(d) Notwithstanding the provisions of Sections 13.1 and 13.2, in addition to any other approvals or consents that may be required under this Agreement , neither Section 7.13 nor

Section 13.4(b) shall be amended, altered, changed, repealed or rescinded in any respect without the written consent of Ares VoteCo .

(e) Notwithstanding any other provision of this Agreement , except for amendments pursuant to Section 13.1 and except as otherwise provided by Article XIV , no amendments shall become effective without the approval of Shareholders holding at least 90% of the voting power of the Outstanding Voting Shares unless the Company obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any Limited Partner under the Delaware Limited Partnership Act .

Section 13.4. *Meetings* .

(a) All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the General Partner or by Limited Partners representing 50% or more of the voting power of the Outstanding Limited Partner Interests of the class or classes for which a meeting is proposed or as otherwise provided in Article XVI. (For the avoidance of doubt, the Common Shares and the Special Voting Shares shall not constitute separate classes for this purpose.) Limited Partners shall call a special meeting by delivering to the General Partner one or more requests in writing stating that the signing Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Company to comply with any statutes, rules, regulations, listing, agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent . A meeting shall be held at a time and place determined by the General Partner in its sole discretion on a date not less than ten days nor more than 60 days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Company within the meaning of the Delaware Limited Partnership Act so as to jeopardize the Limited Partners ' limited liability under the Delaware Limited Partnership Act or the law of any other state in which the Company is qualified to do business.

(b) (i) Subject to Section 7.13, Section 13.4(b)(xi) and Section 16.7 , in any year in which the General Partner has determined on the applicable Determination Date that the Ares Partners Ownership Condition has not been satisfied, an annual meeting of the Limited Partners holding Outstanding Shares for the election of Directors and such other matters as the General Partner shall submit to a vote of the Limited Partners holding Outstanding Shares shall be held in June of such year or at such other date and time as may be fixed by the General Partner at such place within or without the State of Delaware as may be fixed by the General Partner and all as stated in the notice of the meeting. Notice of the annual meeting shall be given in accordance with Section 13.5 not less than ten days nor more than 60 days prior to the date of such meeting.

(ii) Subject to Section 16.7 , the Limited Partners holding Outstanding Common Shares shall vote together as a single class for the election of Directors to the Board of

Directors (but such Limited Partners and their Shares shall not, however, be treated as a separate class of Partners or Company Securities for purposes of this Agreement). The Limited Partners described in the immediately preceding sentence shall elect by a plurality of the votes cast at such meeting persons to serve as Directors who are nominated in accordance with the provisions of this Section 13.4(b) . The exercise by a Limited Partner of the right to elect the Directors and any other rights afforded to such Limited Partner under this Section 13.4(b) shall be in such Limited Partner 's capacity as a limited partner of the Company and shall not cause a Limited Partner to be deemed to be taking part in the management and control of the business and affairs of the Company so as to jeopardize such Limited Partner 's limited liability under the Delaware Limited Partnership Act or the law of any other state in which the Company is qualified to do business.

(iii) If the General Partner has provided at least thirty days advance notice of any meeting at which Directors are to be elected, then the Limited Partners holding Outstanding Common Shares that attend such meeting shall constitute a quorum, and if the General Partner has provided less than thirty days advance notice of any such meeting, then Limited Partners holding a majority of the Outstanding Common Shares shall constitute a quorum.

(iv) Subject to Section 16.7 , the number of Directors on, and the powers, duties and responsibilities of, the Board of Directors shall be as determined in accordance with the General Partner Agreement .

(v) The Directors shall be divided into three classes, Class I , Class II , and Class III , as determined by the then-existing Board of Directors in its sole discretion , on any Determination Date on which the General Partner has determined that the Ares Partners Ownership Condition has not been satisfied, unless the Board of Directors has already been classified in accordance with this Section 13.4(b)(v) on the next preceding Determination Date . The number of Directors in each class shall be the whole number contained in the quotient arrived at by dividing the authorized number of Directors by three, and if a fraction is also contained in such quotient, then if such fraction is one-third, the extra director shall be a member of Class I and if the fraction is two-thirds, one of the extra directors shall be a member of Class I and the other shall be a member of Class II . Each Director shall serve for a term ending as provided herein; provided that the Directors designated to Class I by the Board of Directors shall serve for an initial term that expires at the applicable Initial Annual Meeting , the Directors designated to Class II by the Board of Directors shall serve for an initial term that expires at the first annual meeting of Limited Partners following the applicable Initial Annual Meeting and the Directors designated to Class III by the Board of Directors shall serve for an initial term that expires at the second annual meeting of Limited Partners following the applicable Initial Annual Meeting . At each succeeding annual meeting of Limited Partners for the election of Directors following an Initial Annual Meeting , successors to the Directors whose term expires at that annual meeting shall be elected for a three-year term.

(vi) Each Director shall hold office for the term for which such Director is elected and thereafter until such Director 's successor shall have been duly elected and qualified, or until such Director 's earlier death, resignation or removal. Subject to Section 16.7 , if, in any

year in which an annual meeting of the Limited Partners for the election of Directors is required to be held in accordance with Section 7.13 and this Section 13.4(b) , the number of Directors is changed, any increase or decrease shall be apportioned among the classes of Directors so as to maintain the number of Directors in each class as nearly equal as possible, and any additional Director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of Directors shorten the term of any incumbent Director . Subject to Section 16.7 , any vacancy on the Board of Directors (including any vacancy caused by an increase in the number of Directors on the Board of Directors) may only be filled by the vote of a majority of the remaining Directors . Any Director elected to fill a vacancy not resulting from an increase in the number of Directors shall have the same remaining term as that of his or her predecessor. Subject to Section 16.7 , a Director may be removed only at a meeting of the Limited Partners upon the affirmative vote of Limited Partners holding a majority of the Outstanding Shares ; provided that a Director may only be removed if, at the same meeting, Limited Partners holding a majority of the Outstanding Shares nominate a replacement Director (and any such nomination shall not be subject to the nomination procedures otherwise set forth in this Section 13.4) , and Limited Partners holding a majority of the Outstanding Shares also vote to elect a replacement Director , and, provided, further, a Director may only be removed for cause.

(vii) (A) (1) Subject to Section 16.7 , nominations of persons for election of Directors to the Board of Directors of the General Partner may be made at an annual meeting of the Limited Partners only pursuant to the General Partner 's notice of meeting (or any supplement thereto) (a) by or at the direction of a majority of the Directors or (b) by a Limited Partner , or a group of Limited Partners , that holds or Beneficially Owns , and has continuously held or Beneficially Owned without interruption for the prior 18 months, 5% of the Outstanding Shares (in either case, a " *Limited Partner Group* ") if each member of the Limited Partner Group was a Record Holder at the time the notice provided for in this Section 13.4(b)(vii) is delivered to the General Partner , and if the Limited Partner Group complies with the notice procedures set forth in this Section 13.4(b)(vii) .

(2) For any nominations brought before an annual meeting by a Limited Partner Group pursuant to clause (b) of paragraph (A)(1) of this Section 13.4(b)(vii) , the Limited Partner Group must have given timely notice thereof in writing to the General Partner . To be timely, a Limited Partner Group 's notice shall be delivered to the General Partner not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting (provided that in the event that the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, notice by the Limited Partner Group must be so delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Company or the General Partner). For purposes of any Initial Annual Meeting , the first anniversary of the preceding year's annual meeting shall be deemed to be June 30 of that year. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new

time period (or extend any time period) for the giving of a Limited Partner Group 's notice as described above. Such Limited Partner Group 's notice shall set forth: (a) as to each person whom the Limited Partner Group proposes to nominate for election as Director (i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Securities Exchange Act and the rules and regulations promulgated thereunder and (ii) such person 's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected; and (b) as to each member of the Limited Partner Group giving the notice and the beneficial owner, if any, on whose behalf the nomination is made (i) the name and address of such Limited Partners , as they appear on the Company 's books and records, and of such beneficial owners, (ii) the type and number of Shares which are owned beneficially and of record by such Limited Partners and such beneficial owners, (iii) a description of any agreement , arrangement or understanding with respect to the nomination between or among any or all members of such Limited Partner Group or such beneficial owners, any of their respective Affiliates or associates, and any others acting in concert with any of the foregoing, including each nominee, (iv) a description of any agreement , arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, equity appreciation or similar rights, hedging transactions, and borrowed or loaned Shares) that has been entered into as of the date of the Limited Partner Group 's notice by, or on behalf of, any members of such Limited Partner Group and such beneficial owners, the effect or intent of which is to mitigate loss to, manage risk or benefit of Share price changes for, or increase or decrease the voting power of, such Limited Partners and such beneficial owner, with respect to Shares , (v) a representation that each member of the Limited Partner Group is a Record Holder entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination, (vi) a representation whether any member of the Limited Partner Group or the beneficial owners, if any, intend or are part of a group which intends (a) to deliver a proxy statement or form of proxy to holders of at least the percentage of the Company 's Outstanding Shares required to elect the nominee or (b) otherwise to solicit proxies from Limited Partners in support of such nomination and (vii) any other information relating to any member of such Limited Partner Group and beneficial owners, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Securities Exchange Act and the rules and regulations promulgated thereunder . A Limited Partner Group providing notice of a proposed nomination for election to the Board of Directors shall update and supplement such notice from time to time to the extent necessary so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is 15 days prior to the meeting or any adjournment or postponement thereof; such update and supplement shall be delivered in writing to the General Partner at the principal executive offices of the General Partner not later than five days after the record date for the meeting (in the case of any update and supplement required to be made as of the record date), and not later than ten days prior to the date for the meeting or any adjournment or postponement thereof (in the case of any update and supplement required to be made as of 15 days prior to the meeting or any adjournment or postponement thereof). The General Partner may require any proposed nominee to furnish such other information as it may

reasonably require to determine the eligibility of such proposed nominee to serve as a Director of the General Partner .

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 13.4(b)(vii) to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the General Partner is increased (except pursuant to Section 16.7) effective after the time period for which nominations would otherwise be due under paragraph (A)(2) of this Section 13.4(b)(vii) and there is no public announcement by the Company or the General Partner naming the nominees for the additional directorships at least 100 days prior to the first anniversary of the preceding year's annual meeting, a Limited Partner Group 's notice required by this Section 13.4(b)(vii) shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the General Partner not later than the close of business on the tenth day following the day on which such public announcement is first made by the Company or the General Partner .

(B) Subject to Section 16.7 , nominations of persons for election as a Director to the Board of Directors may be made at a special meeting of Limited Partners at which Directors are to be elected pursuant to the General Partner 's notice of meeting (1) by or at the direction of a majority of the Directors or (2) provided that the Board of Directors has determined that Directors shall be elected at such meeting, by any Limited Partner Group pursuant to Section 13.4(a) hereof , if each member of such Limited Partner Group is a Record Holder at the time the notice provided for in this Section 13.4(b)(vii) is delivered to the General Partner and if the Limited Partner Group complies with the notice procedures set forth in this Section 13.4(b)(vii) . In the event the General Partner calls a special meeting of Limited Partners for the purpose of electing one or more Directors to the Board of Directors , any such Limited Partner Group may nominate a person or persons (as the case may be) for election to such position(s) as specified in the General Partner 's notice of meeting, if the Limited Partner Group 's notice required by paragraph (A)(2) of this Section 13.4(b)(vii) shall be delivered to the General Partner not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a Limited Partner Group 's notice as described above.

(C) (1) Subject to Section 16.7 , only such persons who are nominated in accordance with the procedures set forth in this Section 13.4(b) shall be eligible to be elected at an annual or special meeting of Limited Partners to serve as Directors . Except as otherwise provided by law, the chairman designated by the General Partner pursuant to Section 13.10 shall have the power and duty (a) to determine whether a nomination was made in accordance with the procedures set forth in this Section 13.4(b) (including whether the members of the Limited Partner Group or beneficial owner, if any, on whose behalf the nomination is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such Limited Partner Group 's nominee in compliance with such Limited Partner Group 's

representation as required by clause (A)(2)(b)(vi) of this Section 13.4(b)(vii)) and (b) if any proposed nomination was not made in compliance with this Section 13.4(b) , to declare that such nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 13.4(b) , unless otherwise required by law, if each member of the Limited Partner Group (or a qualified representative of each member of the Limited Partner Group) does not appear at the annual or special meeting of Limited Partners to present a nomination, such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the General Partner or the Company . For purposes of this Section 13.4(b) , to be considered a qualified representative of a member of the Limited Partner Group , a person must be a duly authorized officer, manager or partner of such Limited Partner or must be authorized by a writing executed by such Limited Partner or an electronic transmission delivered by such Limited Partner to act for such Limited Partner as proxy at the meeting of Limited Partners and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of Limited Partners .

(2) For purposes of this Section 13.4(b)(vii) , " public announcement " shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or other national news service or in a document publicly filed by the Company or the General Partner with the Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act and the rules and regulations promulgated thereunder .

(3) Notwithstanding the foregoing provisions of this Section 13.4(b)(vii) , a Limited Partner shall also comply with all applicable requirements of the Securities Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 13.4(b)(vii) ; provided that any references in this Agreement to the Securities Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to nominations pursuant to this Section 13.4(b)(vii) (including paragraphs A(1) and B hereof), and compliance with paragraphs A(1)(b) and B of this Section 13.4(b)(vii) shall be the exclusive means for a Limited Partner to make nominations.

(viii) This Section 13.4(b) shall not be deemed in any way to limit or impair the ability of the Board of Directors to adopt a "poison pill" or shareholder or other similar rights plan with respect to the Company , whether such poison pill or plan contains "dead hand" provisions, "no hand" provisions or other provisions relating to the redemption of the poison pill or plan, in each case as such terms are used under Delaware common law.

(ix) The Company and the General Partner shall use their commercially reasonable best efforts to take such action as shall be necessary or appropriate to give effect to and implement the provisions of this Section 13.4(b) , including amending the organizational documents of the General Partner such that at all times the organizational documents of the General Partner shall provide (i) that in any year in which the General Partner has determined on the applicable Determination Date that the Ares Partners Ownership Condition has not been satisfied the Directors shall be elected in accordance with the terms of this Agreement , and (ii) terms consistent with this Section 13.4(b) .

(x) If the General Partner delegates to an existing or newly formed wholly owned Subsidiary the power and authority to manage and control the business and affairs of the Company Group , the foregoing provisions of this Section 13.4(b) shall be applicable with respect to the Board of Directors or other governing body of such Subsidiary .

(xi) During the period beginning on any Determination Date on which the General Partner has determined that the Ares Partners Ownership Condition has been satisfied until the next succeeding Determination Date , if any, on which the General Partner has determined that the Ares Partners Ownership Condition has not been satisfied, the provisions of this Section 13.4(b) shall automatically not apply, the Board of Directors shall not be classified, Directors shall not be elected by the Limited Partners , and, subject to Section 16.7 , the Directors shall be nominated and elected and may be removed solely in accordance with the General Partner Agreement .

Section 13.5. *Notice of a Meeting.* Notice of a meeting called pursuant to Section 13.4 shall be given to the Record Holders of the class or classes of Limited Partner Interests for which a meeting is proposed in writing by mail or other means of written communication in accordance with Section 17.1. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

Section 13.6. *Record Date* . For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in Section 13.11 the General Partner may set a Record Date , which shall not be less than 10 nor more than 60 days before (a) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such National Securities Exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the General Partner to give such approvals (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such National Securities Exchange shall govern). If the General Partner does not set a Record Date , then (a) the Record Date for determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners shall be the close of business on the Business Day immediately preceding the day on which notice is given, and (b) the Record Date for determining the Limited Partners entitled to give approvals without a meeting shall be the date the first written approval is deposited with the Company in care of the General Partner in accordance with Section 13.11.

Section 13.7. *Adjournment.* When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 45 days. At the adjourned meeting, the Company may transact any business which might have been transacted at the original meeting. If the

adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article XIII.

Section 13.8. *Waiver of Notice; Approval of Meeting; Approval of Minutes.* The transactions of any meeting of Limited Partners , however called and noticed, and whenever held, shall be as valid as if it had occurred at a meeting duly held after regular call and notice if a quorum is present either in person or by proxy. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except (i) when the Limited Partner attends the meeting solely for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business at such meeting because the meeting is not lawfully called or convened, and takes no other action, and (ii) that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, if the disapproval is expressly made at the meeting.

Section 13.9. *Quorum.* Subject to Section 13.4(b) , the Limited Partners holding a majority of the voting power of the Outstanding Limited Partner Interests of the class or classes for which a meeting has been called (including Limited Partner Interests deemed owned by the General Partner) represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class or classes unless any such action by the Limited Partners requires approval by Limited Partners holding a greater percentage of the voting power of such Limited Partner Interests , in which case the quorum shall be such greater percentage. (For the avoidance of doubt, the Common Shares and the Special Voting Shares shall not constitute separate classes for this purpose.) At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding a majority Limited Partner votes cast shall be deemed to constitute the act of all Limited Partners , unless a greater or different percentage is required with respect to such action under this Agreement , in which case the act of the Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent at least such greater or lesser percentage of the voting power shall be required. The Limited Partners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Limited Partners to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of the voting power of Outstanding Limited Partner Interests specified in this Agreement (including Outstanding Limited Partner Interests deemed owned by the General Partner). In the absence of a quorum any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of Limited Partners holding at least a majority of the voting power of the Outstanding Limited Partner Interests present and entitled to vote at such meeting (including Outstanding Limited Partner Interests deemed owned by the General Partner) represented either in person or by proxy, but no other business may be transacted, except as provided in Section 13.7.

Section 13.10. *Conduct of a Meeting.* The General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 13.4 , the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or

challenges arising in connection with or during the meeting or voting. The General Partner shall designate a Person to serve as chairman of any meeting, who shall, among other things, be entitled to exercise the powers of the General Partner set forth in this Section 13.10 , and the General Partner shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Company maintained by the General Partner . The General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem necessary or advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of approvals, proxies and votes in writing.

Section 13.11. *Action Without a Meeting.* If authorized by the General Partner , any action that may be taken at a meeting of the Limited Partners may be taken without a meeting, without a vote and without prior notice, if consented to in writing or by electronic transmission by Limited Partners owning not less than the minimum percentage of the voting power of the Outstanding Limited Partner Interests (including Limited Partner Interests deemed owned by the General Partner) that would be necessary to authorize or take such action at a meeting at which all the Limited Partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests or a class thereof are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern). Prompt notice of the taking of action without a meeting shall be given to the Limited Partners who have not consented. The General Partner may specify that any written ballot, if any, submitted to Limited Partners for the purpose of taking any action without a meeting shall be returned to the Company within the time period, which shall be not less than 20 days, specified by the General Partner in its sole discretion . If a ballot returned to the Company does not vote all of the Limited Partner Interests held by the Limited Partners , the Company shall be deemed to have failed to receive a ballot for the Limited Partner Interests that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the General Partner , any written approvals or approvals transmitted by electronic transmission shall have no force and effect unless and until (a) they are deposited with the Company in care of the General Partner , (b) approvals sufficient to take the action proposed are dated or transmitted as of a date not more than 90 days prior to the date sufficient approvals are deposited with the Company and (c) an Opinion of Counsel is delivered to the General Partner to the effect that the exercise of such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Company within the meaning of the Delaware Limited Partnership Act so as to jeopardize the Limited Partners ’ limited liability, and (ii) is otherwise permissible under the state statutes then governing the rights, duties and liabilities of the Company and the Partners . Nothing contained in this Section 13.11 shall be deemed to require the General Partner to solicit all Limited Partners in connection with a matter approved by the requisite percentage of the voting power of Limited Partners or other holders of Outstanding Voting Shares acting by written consent or consent by electronic transmission without a meeting.

Section 13.12. *Voting and Other Rights* .

(a) Only those Record Holders of Outstanding Limited Partner Interests on the Record Date set pursuant to Section 13.6 (and also subject to the limitations contained in the definition of " *Outstanding* " and the limitations set forth in Section 13.4(b)) shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which the holders of the Outstanding Limited Partner Interests have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding Limited Partner Interests shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Limited Partner Interests . Each Common Share shall entitle the holder thereof (other than a Non-Voting Shareholder) to one vote for each Common Share held of record by such holder as of the relevant Record Date .

(b) With respect to Limited Partner Interests that are held for a Person 's account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such Limited Partner Interests are registered, such other Person shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, and unless the arrangement between such Persons provides otherwise, vote such Limited Partner Interests in favor of, and at the direction of, the Person who is the Beneficial Owner, and the Company shall be entitled to assume it is so acting without further inquiry. The provisions of this Section 13.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 4.3.

(c) Notwithstanding any other provision of this Agreement , for the avoidance of doubt, a Non-Voting Shareholder shall be subject to the limitations on voting set forth in this Section 13.12(c) for so long as it is a Limited Partner or Beneficially Owns any Common Shares . Notwithstanding any other provision of this Agreement or the terms of any Common Shares , a Non-Voting Shareholder shall have no voting rights whatsoever with respect to the Company , including any voting rights that may otherwise exist for Limited Partners or holders of Common Shares hereunder , under the Act , at law, in equity or otherwise ; provided that any amendment of this Agreement that would have a material adverse effect on the rights or preferences of the Common Shares Beneficially Owned by Non-Voting Shareholders in relation to other Common Shares (treating the Common Shares Beneficially Owned by Non-Voting Shareholders as a separate class for this purpose) must be approved by the holders of not less than a majority of the Common Shares Beneficially Owned by the Non-Voting Shareholders . Each Non-Voting Shareholder hereby further irrevocably waives any right it may otherwise have to vote to elect or appoint a successor General Partner or Liquidator under the Act in its capacity as Limited Partner or with respect to any Common Shares owned by it.

Section 13.13. *Participation of Special Voting Shares in All Actions Participated in by Common Shares* .

(a) Notwithstanding any other provision of this Agreement , the Delaware Limited Partnership Act or any applicable law, rule or regulation, but subject to Section 13.13(b) with respect to the voting matters addressed therein, each of the Partners and each other Person who may acquire an interest in Company Securities hereby agrees that the holders of Special Voting

Shares (other than the Company and its Subsidiaries) shall be entitled to receive notice of, be included in any requisite quora for and participate in any and all approvals, votes or other actions of the Partners on an equivalent basis as, and treating such Persons for all purposes as if they are, Limited Partners holding Common Shares that are not Non-Voting Shareholders (including the notices, quora, approvals, votes and other actions contemplated by Sections 4.6(a) , 7.3, 7.7(c), 7.9(a), 11.1(b), 12.1(b), 12.2, 12.3, 13.2, 13.3, 13.4, 13.5, 13.6, 13.8, 13.9, 13.10, 13.11, 13.12, 14.3 and 17.1 hereof), including any and all notices, quora, approvals, votes and other actions that may be taken pursuant to the requirements of the Delaware Limited Partnership Act or any other applicable law, rule or regulation. This Agreement shall be construed in all cases to give maximum effect to such agreement .

(b) Notwithstanding Section 13.13(a) or any other provision of this Agreement , the holders of Special Voting Shares , as such, collectively shall be entitled to a number of Limited Partner votes that is equal to the product of (x) the total number of Ares Operating Group Units outstanding (excluding Ares Operating Group Units held by the Company or its Subsidiaries) as of the relevant Record Date multiplied by (y) the Exchange Rate (as defined in the Exchange Agreement). Pursuant to Section 5.3 hereof , (i) Ares VoteCo , as holder of a Special Voting Share , shall be entitled to a number of votes that is equal to the product of (x) the total number of Ares Operating Group Units held of record by each Ares Operating Group Limited Partner that does not hold a Special Voting Share multiplied by (y) the Exchange Rate (as defined in the Exchange Agreement) and (ii) each other holder of Special Voting Shares , as such, shall be entitled, without regard to the number of Special Voting Shares (or fraction thereof) held by such holder, to a number of votes that is equal to the product of (x) the total number of Ares Operating Group Units held of record by such holder multiplied by (y) the Exchange Rate (as defined in the Exchange Agreement). The number of votes to which each holder of a Special Voting Share shall be entitled shall be adjusted accordingly if (i) a Limited Partner holding Common Shares , as such, shall become entitled to a number of votes other than one for each Common Share held or (ii) under the terms of the Exchange Agreement the holders of Ares Operating Group Units party thereto shall become entitled to exchange each such unit for a number of Common Shares other than one. The holders of Special Voting Shares shall vote together with the Limited Partners holding Common Shares as a single class and, if the Limited Partners holding Common Shares shall vote together with the holders of any other class of Company Interest , the holders of Special Voting Shares shall also vote together with the holders of such other class of Company Interests on an equivalent basis as the Limited Partners holding Common Shares .

(c) Notwithstanding anything to the contrary contained in this Agreement , and in addition to any other vote required by the Delaware Limited Partnership Act or this Agreement , the affirmative vote of the holders of at least a majority of the voting power of the Special Voting Shares (excluding Special Voting Shares held by the Company and its Subsidiaries) voting separately as a class shall be required to alter, amend or repeal this Section 13.13 or to adopt any provision inconsistent therewith.

Section 13.14. *Preferred Shares* . Notwithstanding anything to the contrary, the provisions of Section 13.3 are not applicable to Preferred Shares or the holders of Preferred Shares . Holders of Preferred Shares shall have no voting, approval or consent rights under this

Article XIII. Voting, approval and consent rights of holders of Preferred Shares shall be solely as provided for and set forth in Article XVI.

ARTICLE XIV
MERGER

Section 14.1. *Authority.* The Company may merge or consolidate or otherwise combine with or into one or more corporations, limited liability companies, statutory trusts or associations, real estate investment trusts, common law trusts, unincorporated businesses or other Person permitted by the Delaware Limited Partnership Act , including a partnership (whether general or limited (including a limited liability partnership or a limited liability limited partnership)), pursuant to a written agreement of merger, consolidation or other business combination (" *Merger Agreement* ") in accordance with this Article XIV.

Section 14.2. *Procedure for Merger, Consolidation or Other Business Combination* . Merger, consolidation or other business combination of the Company pursuant to this Article XIV requires the prior consent of the General Partner , provided that, to the fullest extent permitted by law , the General Partner shall have no duty or obligation to consent to any merger, consolidation or other business combination of the Company and, to the fullest extent permitted by law , may decline to do so free of any duty (including any fiduciary duty) or obligation whatsoever to the Company , any Limited Partner , any other Person bound by this Agreement or any creditor of the Company and, in declining to consent to a merger, consolidation or other business combination , shall not be required to act pursuant to any other standard imposed by this Agreement , any other agreement contemplated hereby or under the Delaware Limited Partnership Act or any other law, rule or regulation or at equity. If the General Partner shall determine, in the exercise of its sole discretion , to consent to the merger, consolidation or other business combination , the General Partner shall approve the Merger Agreement , which shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge, consolidate or combine;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger, consolidation or other business combination (the " *Surviving Business Entity* ");

(c) The terms and conditions of the proposed merger, consolidation or other business combination ;

(d) The manner and basis of converting or exchanging the equity securities of each constituent business entity for, or into, cash, property or interests, rights, securities or obligations of the Surviving Business Entity ; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be converted or exchanged solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity , the cash, property or interests, rights, securities or obligations of any general or limited partnership , corporation, trust , limited liability company , unincorporated

business or other Person (other than the Surviving Business Entity) which the holders of such general or limited partner interests, securities or rights are to receive upon conversion of, or in exchange for, their interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership , corporation, trust , limited liability company , unincorporated business or other Person (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust , declaration of trust , certificate or agreement of limited partnership , operating agreement or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger, consolidation or other business combination ;

(f) The effective time of the merger, consolidation or other business combination which may be the date of the filing of the certificate of merger or consolidation or similar certificate pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided that if the effective time of such transaction is to be later than the date of the filing of such certificate , the effective time shall be fixed at a date or time certain at or prior to the time of the filing of such certificate and stated therein); and

(g) Such other provisions with respect to the proposed merger, consolidation or other business combination that the General Partner determines in its sole discretion to be necessary or appropriate.

Section 14.3. *Approval by Limited Partners of Merger, Consolidation or Other Business Combination ; Conversion of the Company into another Limited Liability Entity .*

(a) Except as provided in Section 14.3(c) , the Merger Agreement and the merger, consolidation or other business combination contemplated thereby shall be approved upon receiving the affirmative vote or consent of the holders of a majority of the voting power of Outstanding Voting Shares .

(b) Except as provided in Section 14.3(c) , after such approval by vote or consent of the holders of Voting Shares , and at any time prior to the filing of the certificate of merger or consolidation or similar certificate pursuant to Section 14.4 , the merger, consolidation or other business combination may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement .

(c) Notwithstanding anything else contained in this Article XIV or otherwise in this Agreement , the General Partner is permitted, without Limited Partner approval, to convert the Company into a new limited liability entity or to merge the Company into, or convey all of the Company ’s assets to, another limited liability entity , which shall be newly formed and shall have no assets, liabilities or operations at the time of such conversion, merger or conveyance other than those it receives from the Company or those arising from its incorporation or formation; provided that (A) the General Partner has received an Opinion of Counsel that the merger or

conveyance, as the case may be, would not result in the loss of the limited liability of any Limited Partner , (B) the sole purpose of such conversion, merger or conveyance is to effect a change in the legal form of the Company into another limited liability entity and (C) the governing instruments of the new entity provide the Limited Partners and the General Partner with substantially the same rights and obligations as are herein contained.

Section 14.4. *Certificate of Merger or Consolidation.* Upon the approval by the General Partner and, if required pursuant to Section 14.3(a) , of the holders of Voting Shares , of a Merger Agreement and the merger, consolidation or business combination contemplated thereby, a certificate of merger or consolidation or similar certificate shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Limited Partnership Act .

Section 14.5. *Amendment of Company Agreement.* Pursuant to Section 17-211(g) of the Delaware Limited Partnership Act , an agreement of merger, consolidation or other business combination approved in accordance with this Article XIV may (a) effect any amendment to this Agreement or (b) effect the adoption of a new partnership agreement for a limited partnership if it is the Surviving Business Entity . Any such amendment or adoption made pursuant to this Section 14.5 shall be effective at the effective time or date of the merger, consolidation or other business combination .

Section 14.6. *Effect of Merger* .

(a) At the effective time of the certificate of merger or consolidation or similar certificate :

(i) all of the rights, privileges and powers of each of the business entities that has merged, consolidated or otherwise combined, and all property, real, personal and mixed, and all debts due to any of those business entities and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger, consolidation or other business combination shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger, consolidation or other business combination ;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) A merger, consolidation or other business combination effected pursuant to this Article XIV shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

Section 14.7. *Merger of Subsidiaries* . Article XIV does not apply to mergers of Subsidiaries of the Company . Mergers of Subsidiaries are within the exclusive authority of the General Partner , subject to Section 7.3.

Section 14.8. *Preferred Shares* . Notwithstanding anything to the contrary, the provisions of Section 14.3 are not applicable to Preferred Shares or the holders of Preferred Shares . Holders of Preferred Shares shall have no voting, approval or consent rights under this Article XIV. Voting, approval and consent rights of holders of Preferred Shares shall be solely as provided for and set forth in Article XVI.

ARTICLE XV
RIGHT TO ACQUIRE LIMITED PARTNER INTERESTS

Section 15.1. *Right to Acquire Limited Partner Interests* .

(a) Notwithstanding any other provision of this Agreement , if at any time (1) less than 10% of the total Limited Partner Interests of any class then Outstanding (other than Special Voting Shares and Preferred Shares) is held by Persons other than the General Partner , the Holdco Members or their respective Affiliates , or (2) the Company is required to register as an investment company under the U.S. Investment Company Act of 1940, the General Partner shall then have the right, which right it may assign and transfer in whole or in part to the Company or any Affiliate of the General Partner , exercisable in its sole discretion , to purchase all, but not less than all, of such Limited Partner Interests of such class then Outstanding held by Persons other than the General Partner and its Affiliates , at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in Section 15.1(b) is mailed and (y) the highest price paid by the General Partner or any of its Affiliates acting in concert with the Company for any such Limited Partner Interest of such class purchased during the 90-day period preceding the date that the notice described in Section 15.1(b) is mailed.

(b) If the General Partner , any Affiliate of the General Partner or the Company elects to exercise the right to purchase Limited Partner Interests granted pursuant to Section 15.1(a) , the General Partner shall deliver to the Transfer Agent notice of such election to purchase (the " *Notice of Election to Purchase* ") and shall cause the Transfer Agent to mail a copy of such Notice of Election to Purchase to the Record Holders of Limited Partner Interests of such class (as of a Record Date selected by the General Partner) at least 10, but not more than 60, days prior to the Purchase Date . Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and circulated in the Borough of Manhattan, New York City. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with Section 15.1(a)) at which Limited Partner Interests will be purchased and state that the General Partner , its Affiliate or the Company , as the case may be, elects to purchase such Limited Partner Interests (in the case of Limited Partner Interests evidenced by Certificates , upon

surrender of Certificates representing such Limited Partner Interests) in exchange for payment at such office or offices of the Transfer Agent as the Transfer Agent may specify or as may be required by any National Securities Exchange on which such Limited Partner Interests are listed or admitted to trading. Any such Notice of Election to Purchase mailed to a Record Holder of Limited Partner Interests at his or her address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given regardless of whether the owner receives such notice. On or prior to the Purchase Date , the General Partner , its Affiliate or the Company , as the case may be, shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate purchase price of all of such Limited Partner Interests to be purchased in accordance with this Section 15.1. If the Notice of Election to Purchase shall have been duly given as aforesaid at least ten days prior to the Purchase Date , and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Limited Partner Interests subject to purchase as provided herein, then from and after the Purchase Date , notwithstanding that any Certificate shall not have been surrendered for purchase, all rights of the holders of such Limited Partner Interests (including any rights pursuant to Articles IV , V, VI and XII) shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 15.1(a)) for Limited Partner Interests therefor, without interest (in the case of Limited Partner Interests evidenced by Certificates , upon surrender to the Transfer Agent of the Certificates representing such Limited Partner Interests) and such Limited Partner Interests shall thereupon be deemed to be transferred to the General Partner , its Affiliate or the Company , as the case may be, on the record books of the Transfer Agent and the Company , and the General Partner or any Affiliate of the General Partner , or the Company , as the case may be, shall be deemed to be the owner of all such Limited Partner Interests from and after the Purchase Date and shall have all rights as the owner of such Limited Partner Interests (including all rights as owner of such Limited Partner Interests pursuant to Articles IV , V, VI and XII).

ARTICLE XVI
TERMS, RIGHTS, POWERS, PREFERENCES AND DUTIES OF PREFERRED SHARES

Section 16.1. *Designation.* The Series A Preferred Shares are hereby designated and created as a series of Preferred Shares . Each Series A Preferred Share shall be identical in all respects to every other Series A Preferred Share . The Series A Preferred Shares are not " Voting Shares " for purposes of this Agreement . As of any date of determination , the Percentage Interest as to any Series A Holder in its capacity as such with respect to Series A Preferred Shares shall be 0% as such term applies to all Limited Partners ; provided that when such term is used to only apply to Series A Holders , " Percentage Interest " shall mean, with respect to any holder of Series A Preferred Shares in its capacity as such as of any date, the ratio (expressed as a percentage) of the number of Series A Preferred Shares held by such holder on such date relative to the aggregate number of Series A Preferred Shares then Outstanding as of such date.

Section 16.2. *Definitions* . The following terms apply only to this Article XVI.

" *Ares Group* " means the Ares Operating Group entities, the direct and indirect parents (including, without limitation, general partners) of the Ares Operating Group entities, or the " *Parent Entities* ," any direct or indirect subsidiaries of the Parent Entities or the Ares Operating

Group entities, the general partner or similar controlling entities of any investment or vehicle that is managed, advised or sponsored by the Ares Group, or an " *Ares Fund* ," and any other entity through which any of the foregoing directly or indirectly conduct its business, but shall exclude any company in which an Ares Fund has an investment.

" *Ares Issuer Group* " means each of Ares Management, L.P.'s direct wholly owned domestic subsidiaries and each of its domestic subsidiaries in the Ares Operating Group and any other entity that, as of the relevant time, is a guarantor to any series of Ares Senior Notes.

" *Ares Senior Notes* " means the 4.000% Senior Notes due 2024 issued by Ares Finance Co. LLC, or similar series of senior unsecured debt securities, in each case guaranteed by the Ares Operating Group entities.

" *Below Investment Grade Rating Event* " means the rating on any series of the Ares Senior Notes (or, if no Ares Senior Notes are outstanding or no Ares Senior Notes are then rated by the applicable Rating Agency, the Company's long-term issuer rating by such Rating Agency) is lowered in respect of a Change of Control and any series of the Ares Senior Notes (or, if no Ares Senior Notes are outstanding or no Ares Senior Notes are then rated by the applicable Rating Agency, the Company's long-term issuer rating by such Rating Agency) is rated below Investment Grade by both Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended until the ratings are announced if during such 60-day period the rating of any series of the Ares Senior Notes (or, if no Ares Senior Notes are outstanding or no Ares Senior Notes are then rated by the applicable Rating Agency, the Company's long-term issuer rating by such Rating Agency) is under publicly announced consideration for possible downgrade by either of the Rating Agencies); provided that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Event hereunder) if a Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the Company in writing at the Company's request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

" *Change of Control* " means the occurrence of the following:

- the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties and assets of the Ares Issuer Group to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act), other than to a Continuing Ares Entity; or

- the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as that term is used in Section

13(d)(3) of the Exchange Act or any successor provision), other than a Continuing Ares Entity, becomes (A) the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act or any successor provision) of a controlling interest in (i) Ares Management, L.P. or (ii) one or more entities that, as of the relevant time, are guarantors to any series of Ares Senior Notes and comprise all or substantially all of the assets of the Ares Issuer Group and (B) entitled to receive a Majority Economic Interest in connection with such transaction.

" *Change of Control Event* " means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

" *Continuing Ares Entity* " means any entity, immediately following any relevant date of determination, (i) that is directly or indirectly controlled by one or more individuals (or the Family Members of such persons) who, as of such date of determination, each have devoted substantially all of his or her business and professional time to the activities of the Ares Issuer Group and/or their subsidiaries or affiliated funds and investment vehicles during the 12-month period immediately preceding such date and (ii) in which any one or more of such individuals (or their Family Members or representatives, including a trustee or trustees) directly or indirectly, singly or as a group, holds the interests that directly or indirectly control a majority of the general partner interests (or other similar interests) in Ares Management, L.P. or any successor entity.

" *Distribution Payment Date* " means March 31, June 30, September 30 and December 31 of each year, commencing September 30, 2016.

"Distribution Period" means the period from and including a Distribution Payment Date to, but excluding, the next Distribution Payment Date, except that the initial Distribution Period commences on and includes June 8, 2016 .

" *Family Member* " means, with respect to any individual, such individual's spouse, domestic partner, parents, parents-in-law, siblings, children, grandchildren and any other natural person who occupies the same principal residence as such individual, and the spouses, domestic partners, descendants and ancestors of each of the foregoing.

" *Fitch* " means Fitch Ratings Inc. or any successor thereto.

" *Investment Grade* " means, with respect to Fitch a rating of BBB- or better (or its equivalent under any successor rating categories of Fitch) and, with respect to S&P, BBB- or better (or its equivalent under any successor rating categories of S&P) (or, in each case, if such Rating Agency ceases to rate a series of the Ares Senior Notes (or, if no Ares Senior Notes are outstanding, ceases to assign a long-term issuer rating to the Company) for reasons outside of the Company's control, the equivalent investment grade credit rating from any Rating Agency selected by the General Partner as a replacement Rating Agency).

" *Junior Shares* " means Common Shares and any other equity securities that the Company may issue in the future ranking, as to the payment of distributions, junior to the Series A Preferred Shares.

“ *Majority Economic Interest* ” means any right or entitlement to receive more than 50% of the equity distributions or partner allocations (whether such right or entitlement results from ownership of partner or other equity interests, securities, instruments or agreements of any kind) made to all holders of partner or other equity interests in the Ares Issuer Group (other than entities within the Ares Issuer Group).

“ *Nonpayment Event* ” has the meaning set forth in Section 16.7(a).

“ *Parity Shares* ” means any Company Securities, including Preferred Shares, that the Company may authorize or issue, the terms of which provide that such securities shall rank equally with the Series A Preferred Shares with respect to payment of distributions and distribution of assets upon a Dissolution Event.

“ *Preferred Directors* ” has the meaning set forth in Section 16.7(a).

“ *Rating Agency* ” means:

- each of Fitch and S&P; and
- if either of Fitch or S&P ceases to rate any series of Ares Senior Notes (or, if no Ares Senior Notes are outstanding, ceases to assign a long-term issuer rating to the Company) or fails to make a rating of any series of Ares Senior Notes (or, if no Ares Senior Notes are outstanding, the long-term issuer rating of the Company) publicly available for reasons outside of the Company’s control, a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) of the Exchange Act selected by the General Partner as a replacement agency for Fitch or S&P, or both, as the case may be.

“ *S&P* ” means Standard & Poor’s Ratings Services, a division of McGraw-Hill Financial, Inc., or any successor thereto.

“ *Series A Distribution Rate* ” means 7.00%.

“ *Series A Holder* ” means a holder of Series A Preferred Shares.

“ *Series A Liquidation Preference* ” means $25.00 per Series A Preferred Share. The Series A Liquidation Preference shall be the “Liquidation Preference” with respect to the Series A Preferred Shares.

“ *Series A Liquidation Value* ” means the sum of the Series A Liquidation Preference and declared and unpaid distributions, if any, to, but excluding, the date of the Dissolution Event on the Series A Preferred Shares.

“ *Series A Preferred Share* ” means a 7.00% Series A Preferred Share having the designations, voting powers, rights and preferences set forth in this Article XVI.

“ *Series A Record Date* ” means, with respect to any Distribution Payment Date, the March 15, June 15, September 15 or December 15, as the case may be, immediately preceding the relevant March 31, June 30, September 30 or December 31 Distribution Payment Date, respectively. These Series A Record Dates shall apply regardless of whether a particular Series A Record Date is a Business Day. The Series A Record Dates shall constitute Record Dates with respect to the Series A Preferred Shares for the purpose of distributions on the Series A Preferred Shares.

“ *Voting Preferred Shares* ” has the meaning set forth in Section 16.7(a).

Section 16.3. *Distributions* .

(a) The Series A Holders shall be entitled to receive with respect to each Series A Preferred Share owned by such holder, when, as and if declared by the Board of Directors , or a duly authorized committee thereof, in its sole discretion out of funds legally available therefor, non-cumulative quarterly cash distributions, on the applicable Distribution Payment Date that corresponds to the Record Date for which the Board of Directors has declared a distribution, if any, at a rate per annum equal to the Series A Distribution Rate (subject to Section 16.6(c) of this Agreement) of the Series A Liquidation Preference . Such distributions shall be non-cumulative. If a Distribution Payment Date is not a Business Day , the related distribution (if declared) shall be paid on the next succeeding Business Day with the same force and effect as though paid on such Distribution Payment Date , without any increase to account for the period from such Distribution Payment Date through the date of actual payment. Distributions payable on the Series A Preferred Shares for any period less than a full Distribution Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months and the actual number of days elapsed in such period. Declared distributions will be payable on the relevant Distribution Payment Date to Series A Holders as they appear on the Company ’s register at the close of business, New York City time, on a Series A Record Date , provided that if the Series A Record Date is not a Business Day , the declared distributions will be payable on the relevant Distribution Payment Date to Series A Holders as they appear on the Company ’s register at the close of business, New York City time on the Business Day immediately preceding such Series A Record Date .

(b) So long as any Series A Preferred Shares are Outstanding , (i) no distribution, whether in cash or property, may be declared or paid or set apart for payment on the Junior Shares for the then-current quarterly Distribution Period (other than distributions paid in Junior Shares or options, warrants or rights to subscribe for or purchase Junior Shares) and (ii) the Company and its Subsidiaries shall not directly or indirectly repurchase, redeem or otherwise acquire for consideration any Junior Shares , unless, in each case, distributions have been declared and paid or declared and set apart for payment on the Series A Preferred Shares for the then-current quarterly Distribution Period , other than, in each case (x) repurchases, redemptions or other acquisitions of Ares Operating Group Units for Common Shares pursuant to the Exchange Agreement or otherwise, (y) grants or vesting of awards under the Company ’s or its Subsidiaries equity incentive plans and (z) repurchases, redemptions or other acquisitions of Junior Shares pursuant to any put or call agreements existing on June 8, 2016 (including any

amendments, modifications or replacements thereof that do not adversely affect the Series A Holders).

(c) The Board of Directors , or a duly authorized committee thereof, may, in its sole discretion , choose to pay distributions on the Series A Preferred Shares without the payment of any distributions on any Junior Shares .

(d) When distributions are not declared and paid (or duly provided for) on any Distribution Payment Date (or , in the case of Parity Shares having distribution payment dates different from the Distribution Payment Dates pertaining to the Series A Preferred Shares , on a distribution payment date falling within the related Distribution Period) in full upon the Series A Preferred Shares or any Parity Shares , all distributions declared upon the Series A Preferred Shares and all such Parity Shares payable on such Distribution Payment Date (or , in the case of Parity Shares having distribution payment dates different from the Distribution Payment Dates , on a distribution payment date falling within the related Distribution Period) shall be declared pro rata so that the respective amounts of such distributions shall bear the same ratio to each other as all declared and unpaid distributions per Share on the Series A Preferred Shares and all accumulated unpaid distributions on all Parity Shares payable on such Distribution Payment Date (or in the case of non-cumulative Parity Shares , unpaid distributions for the then-current Distribution Period (whether or not declared) and in the case of Parity Shares having distribution payment dates different from the Distribution Payment Dates pertaining to the Series A Preferred Shares , on a distribution payment date falling within the related Distribution Period) bear to each other.

(e) No distributions may be declared or paid or set apart for payment on any Series A Preferred Shares if at the same time any arrears exist or default exists in the payment of distributions on any Outstanding Shares ranking, as to the payment of distributions and distribution of assets upon a Dissolution Event , senior to the Series A Preferred Shares , subject to any applicable terms of such Outstanding Shares .

(f) Series A Holders shall not be entitled to any distributions, whether payable in cash or property, other than as provided in this Agreement and shall not be entitled to interest, or any sum in lieu of interest, in respect of any distribution payment, including any such payment which is delayed or foregone.

Section 16.4. *Rank* . The Series A Preferred Shares shall rank, with respect to payment of distributions and distribution of assets upon a Dissolution Event :

(a) junior to all of the Company ’s existing and future indebtedness and any equity securities, including Preferred Shares , that the Company may authorize or issue, the terms of which provide that such securities shall rank senior to the Series A Preferred Shares with respect to payment of distributions and distribution of assets upon a Dissolution Event ;

(b) equally to any Parity Shares ; and

(c) senior to any Junior Shares .

Section 16.5. *Optional Redemption* .

(a) Except as set forth in Section 16.6 , the Series A Preferred Shares shall not be redeemable prior to June 30, 2021. At any time or from time to time on or after June 30, 2021, subject to any limitations that may be imposed by law, the Company may, in the General Partner 's sole discretion , redeem the Series A Preferred Shares , in whole or in part, at a redemption price equal to the Liquidation Preference per Series A Preferred Share plus an amount equal to declared and unpaid distributions, if any, from the Distribution Payment Date immediately preceding the redemption date to, but excluding, the redemption date. If less than all of the Outstanding Series A Preferred Shares are to be redeemed, the General Partner shall select the Series A Preferred Shares to be redeemed from the Outstanding Series A Preferred Shares not previously called for redemption by lot or Pro Rata (as nearly as possible).

(b) In the event the Company shall redeem any or all of the Series A Preferred Shares as aforesaid in Section 16.5(a) of this Agreement , the Company shall give notice of any such redemption to the Series A Holders (which such notice may be delivered prior to June 30, 2021) not more than 60 nor less than 30 days prior to the date fixed for such redemption. Failure to give notice to any Series A Holder shall not affect the validity of the proceedings for the redemption of any Series A Preferred Shares being redeemed.

(c) Notice having been given as herein provided and so long as funds sufficient to pay the redemption price for all of the Series A Preferred Shares called for redemption have been set aside for payment, from and after the redemption date, such Series A Preferred Shares called for redemption shall no longer be deemed Outstanding , and all rights of the Series A Holders thereof shall cease other than the right to receive the redemption price, without interest.

(d) The Series A Holders shall have no right to require redemption of any Series A Preferred Shares .

(e) Without limiting clause (c) of this Section 16.5 , if the Company shall deposit, on or prior to any date fixed for redemption of Series A Preferred Shares (pursuant to notice delivered in accordance with Section 16.5(b)), with any bank or trust company as a trust fund , funds sufficient to redeem the Series A Preferred Shares called for redemption, with irrevocable instructions and authority to such bank or trust company to pay on and after the date fixed for redemption or such earlier date as the General Partner may determine, to the respective Series A Holders , the redemption price thereof, then from and after the date of such deposit (although prior to the date fixed for redemption) such Series A Preferred Shares so called shall be deemed to be redeemed and such deposit shall be deemed to constitute full payment of said Series A Preferred Shares to the holders thereof and from and after the date of such deposit said Series A Preferred Shares shall no longer be deemed to be Outstanding , and the holders thereof shall cease to be holders of Shares with respect to such Series A Preferred Shares , and shall have no rights with respect thereto except only the right to receive from said bank or trust company , on the redemption date or such earlier date as the General Partner may determine, payment of the redemption price of such Series A Preferred Shares without interest.

Section 16.6. *Change of Control Redemption* .

(a) If a Change of Control Event occurs prior to June 30, 2021, within 60 days of the occurrence of such Change of Control Event, the Company may, in the General Partner's sole discretion, redeem the Series A Preferred Shares, in whole but not in part, out of funds legally available therefor, at a redemption price equal to $25.25 per Series A Preferred Share plus an amount equal to any declared and unpaid distributions to, but excluding, the redemption date.

(b) In the event the Company elects to redeem all of the Series A Preferred Shares as aforesaid in Section 16.6(a) of this Agreement, the Company shall give notice of any such redemption to the Series A Holders at least 30 (and no more than 60) days prior to the date fixed for such redemption.

(c) If (i) a Change of Control Event occurs (whether before, on or after June 30, 2021) and (ii) the Company does not give notice to the Series A Holders prior to the 31st day following the Change of Control Event to redeem all the Outstanding Series A Preferred Shares, the Series A Distribution Rate shall increase by 5.00%, beginning on the 31st day following the consummation of such Change of Control Event.

(d) In connection with any Change of Control and any particular reduction in the rating on a series of the Ares Senior Notes (or, if no Ares Senior Notes are outstanding, a reduction in the Company's long-term issuer rating), the General Partner shall request from the Rating Agencies each such Rating Agency's written confirmation whether such reduction in the rating on each such series of Ares Senior Notes (or, if no Ares Senior Notes are outstanding, the Company's long-term issuer rating) was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of any Below Investment Grade Rating Event).

(e) The Series A Holders shall have no right to require redemption of any Series A Preferred Shares pursuant to this Section 16.6.

Section 16.7. *Voting* .

(a) Notwithstanding any provision in this Agreement to the contrary, and except as set forth in this Section 16.7 , the Series A Preferred Shares shall not have any relative, participating, optional or other voting, consent or approval rights or powers, and the vote, consent or approval of the Series A Holders shall not be required for the taking of any Company action or inaction. If and whenever six quarterly distributions (whether or not consecutive) payable on the Series A Preferred Shares or six quarterly distributions (whether or not consecutive) payable on any series or class of Parity Shares have not been declared and paid (a " *Nonpayment Event* "), the number of directors then constituting the Board of Directors shall automatically be increased by two and the Series A Holders , voting together as a single class with the holders of any other class or series of Parity Shares then Outstanding upon which like voting rights have been conferred and are exercisable (any such other class or series, " *Voting Preferred Shares* "), shall have the right to elect these two additional directors (the " *Preferred*

Directors ") at a meeting of the Series A Holders and the holders of such Voting Preferred Shares called as hereafter provided; provided that the Board of Directors shall at no time include more than two Preferred Directors . When quarterly distributions have been declared and paid on the Series A Preferred Shares for four consecutive Distribution Periods following the Nonpayment Event , then the right of the Series A Holders and the holders of such Voting Preferred Shares to elect such two Preferred Directors shall cease and the terms of office of all Preferred Directors shall forthwith terminate immediately and the number of directors constituting the whole Board of Directors shall automatically be reduced by two. However, the right of the Series A Holders and the holders of the Voting Preferred Shares to elect two additional directors on the Board of Directors of the General Partner shall again vest if and whenever a Nonpayment Event has occurred, as described above.

(b) If a Nonpayment Event or a subsequent Nonpayment Event shall have occurred, the Secretary of the General Partner may, and upon the written request of any holder of Series A Preferred Shares (addressed to the Secretary at the principal office of the Company) shall, call a special meeting of the Series A Holders and holders of the Voting Preferred Shares for the election of the Preferred Directors to be elected by them. The Preferred Directors elected at any such special meeting shall hold office until the next annual meeting or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. The General Partner shall, in its sole discretion , determine a date for a special meeting applying procedures consistent with Article XIII of this Agreement in connection with the expiration of the term of the Preferred Directors . The Series A Holders and holders of the Voting Preferred Shares , voting together as a class, may remove any Preferred Director . If any vacancy shall occur among the Preferred Directors , a successor shall be elected by the Board of Directors , upon the nomination of the then-remaining Preferred Director or the successor of such remaining Preferred Director , to serve until the next special meeting (convened as set forth in the immediately preceding sentence) held in place thereof if such office shall not have previously terminated as above provided. Except to the extent expressly provided otherwise in this Section 16.7 , any such annual or special meeting shall be called and held applying procedures consistent with Article XIII of this Agreement as if references to Limited Partners were references to Series A Holders and holders of Voting Preferred Shares .

(c) Notwithstanding anything to the contrary in Article XIII or Article XIV , but subject to Section 16.7(d) , so long as any Series A Preferred Shares are Outstanding , the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the Series A Holders and holders of the Voting Preferred Shares , at the time Outstanding , voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary:

(i) to amend, alter or repeal any of the provisions of this Article XVI relating to the Series A Preferred Shares or any series of Voting Preferred Shares , whether by merger, consolidation or otherwise, to affect materially and adversely the voting powers, rights or preferences of the Series A Holders or holders of the Voting Preferred Shares ; and

(ii) to authorize, create or increase the authorized amount of, any class or series of Preferred Shares having rights senior to the Series A Preferred Shares with respect to the payment of distributions or amounts upon any Dissolution Event ;

provided, however, that,

(x) in the case of subparagraph (i) above, no such vote of the Series A Holders or the holders of the Voting Preferred Shares, as the case may be, shall be required if in connection with any such amendment, alteration or repeal, by merger, consolidation or otherwise, each Series A Preferred Share and Voting Preferred Share remains Outstanding without the terms thereof being materially and adversely changed in any respect to the holders thereof or is converted into or exchanged for preferred equity securities of the surviving entity having the voting powers, rights and preferences thereof substantially similar to those of such Series A Preferred Shares or the Voting Preferred Shares, as the case may be;

(y) in the case of subparagraph (i) above, if such amendment affects materially and adversely the voting powers, rights and preferences of one or more but not all of the classes or series of Voting Preferred Shares and the Series A Preferred Shares at the time Outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the Shareholders of all such classes or series of Voting Preferred Shares and the Series A Preferred Shares so affected, voting as a single class regardless of class or series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be required in lieu of (or, if such consent is required by law, in addition to) the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of the Voting Preferred Shares and the Series A Holders otherwise entitled to vote as a single class in accordance herewith; and

(z) in the case of subparagraph (i) or (ii) above, no such vote of the Series A Holders or the holders of the Voting Preferred Shares, as the case may be, shall be required if, at or prior to the time when such action is to take effect, provision is made for the redemption of all Series A Preferred Shares or Voting Preferred Shares, as the case may be, at the time Outstanding.

(d) For the purposes of this Section 16.7, neither:

(i) the amendment of provisions of this Agreement so as to authorize or create or issue, or to increase the authorized amount of, any Junior Shares or any Parity Shares; nor

(ii) any merger, consolidation or otherwise, in which (1) the Company is the surviving entity and the Series A Preferred Shares remain Outstanding with the terms thereof materially unchanged in any respect adverse to the holders thereof; or (2) the resulting, surviving or transferee entity is organized under the laws of any state and substitutes or exchanges the Series A Preferred Shares for other preferred equity securities having voting powers, rights and preferences (including with respect to redemption thereof) substantially similar to that of the Series A Preferred Shares under this Agreement (except for changes that do not materially and adversely affect the Series A Preferred Shares considered as a whole)

shall be deemed to materially and adversely affect the voting powers, rights and preferences of the Series A Holders or the holders of the Voting Preferred Shares.

(e) For purposes of the foregoing provisions of this Section 16.7 of this Agreement, each Series A Holder shall have one vote per Series A Preferred Share, except that when any other series of Preferred Shares shall have the right to vote with the Series A Preferred Shares as a single class on any matter, then the Series A Holders and the holders of such other series of Preferred Shares shall have with respect to such matters one vote per $25.00 of stated liquidation preference.

(f) The General Partner may cause the Company to, from time to time, without notice to or consent of the Series A Holders or holders of other Parity Shares, issue additional Series A Preferred Shares.

Section 16.8. *Liquidation Rights* .

(a) Upon any Dissolution Event, after payment or provision for the liabilities of the Company (including the expenses of such Dissolution Event) and the satisfaction of all claims ranking senior to the Series A Preferred Shares in accordance with Section 12.4 of this Agreement, the Series A Holders shall be entitled to receive out of the assets of the Company or proceeds thereof available for distribution to Shareholders, before any payment or distribution of assets is made in respect of Junior Shares, distributions equal to the Series A Liquidation Value, Pro Rata based on the full respective distributable amounts to which each Series A Holder is entitled pursuant to this Section 16.8(a).

(b) Upon a Dissolution Event, after each Series A Holder receives a payment equal to the Series A Liquidation Value, such Series A Holder shall not be entitled to any further participation in any distribution of assets by the Company.

(c) If the assets of the Company available for distribution upon a Dissolution Event are insufficient to pay in full the aggregate amount payable to the Series A Holders and the holders of all other Outstanding Parity Shares, if any, such assets shall be distributed to the Series A Holders and the holders of such Parity Shares pro rata, based on the full respective distributable amounts to which each such Shareholder is entitled pursuant to this Section 16.8.

(d) Nothing in this Section 16.8 shall be understood to entitle the Series A Holders to be paid any amount upon the occurrence of a Dissolution Event until Shareholders of any classes or series of Shares ranking, as to the distribution of assets upon a Dissolution Event, senior to the Series A Preferred Shares have been paid all amounts to which such classes or series of Shares are entitled.

(e) Neither the sale, conveyance, exchange or transfer, for cash, Shares, securities or other consideration, of all or substantially all of the Company's property or assets nor the consolidation, merger or amalgamation of the Company with or into any other entity or the consolidation, merger or amalgamation of any other entity with or into the Company shall be deemed to be a Dissolution Event, notwithstanding that for other purposes, such as for tax

purposes, such an event may constitute a liquidation, dissolution or winding up. In addition, notwithstanding anything to the contrary in this Section 16.8, no payment will be made to the Series A Holders pursuant to this Section 16.8 (i) upon the voluntary or involuntary liquidation, dissolution or winding up of any of the Company's Subsidiaries or upon any reorganization of the Company into another limited liability entity pursuant to provisions of this Agreement that allow the Company to convert, merge or convey its assets to another limited liability entity with or without Limited Partner approval (including a transaction pursuant to Section 14.3) or (ii) if the Company engages in a reorganization or other transaction in which a successor to the Company issues equity securities to the Series A Holders that have voting powers, rights and preferences that are substantially similar to the voting powers, rights and preferences of the Series A Preferred Shares pursuant to provisions of this Agreement that allow the Company to do so without Limited Partner approval.

Section 16.9. *No Duties to Series A Holders* . Notwithstanding anything to the contrary in this Agreement , to the fullest extent permitted by law , neither the General Partner nor any other Indemnitee shall have any duties or liabilities to the Series A Holders .

ARTICLE XVII
GENERAL PROVISIONS

Section 17.1. *Addresses and Notices* .

(a) Any notice, demand, request, report, document or proxy materials required or permitted to be given or made to a Partner under this Agreement shall be in writing and shall be deemed given or made when delivered in person , when sent by first class United States mail or by other means of written communication to the Partner at the address in Section 17.1(b) , or when made in any other manner, including by press release, if permitted by applicable law.

(b) Any notice, report, payment, distribution or other matter to be given or made to a Partner hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment, distribution or other matter shall be deemed conclusively to have been fully satisfied, when delivered in person or upon sending of such notice, report, payment, distribution or other matter to the Record Holder of such Company Securities at his or her address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Company , regardless of any claim of any Person who may have an interest in such Company Securities by reason of any assignment or otherwise.

(c) Notwithstanding the foregoing, if (i) a Partner shall consent to receiving notices, demands, requests, reports, documents or proxy materials via electronic mail or by the Internet or (ii) the rules of the Commission shall permit any report or proxy materials to be delivered electronically or made available via the Internet, any such notice, demand, request, report or proxy materials shall be deemed given or made when delivered or made available via such mode of delivery.

(d) An affidavit or certificate of making of any notice, demand, request, report, document, proxy material, payment, distribution or other matter in accordance with the

provisions of this Section 17.1 executed by the General Partner , the Transfer Agent , their agents or the mailing organization shall be prima facie evidence of the giving or making of such notice, demand, request, report, document, proxy material, payment, distribution or other matter . If any notice, demand, request, report, document, proxy material, payment, distribution or other matter given or made in accordance with the provisions of this Section 17.1 is returned marked to indicate that it was unable to be delivered, such notice, demand, request, report, documents, proxy materials, payment, distribution or other matter and, if returned by the United States Postal Service (or other physical mail delivery mail service outside the United States of America), any subsequent notices, demands, requests, reports, documents, proxy materials, payments, distributions or other matters shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Company of a change in his or her address) or other delivery if they are available for the Partner at the principal office of the Company for a period of one year from the date of the giving or making of such notice, demand, request, report, document, proxy material, payment, distribution or other matter to the other Partners . Any notice to the Company shall be deemed given if received in writing by the General Partner at the principal office of the Company designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner or other Person if believed by it to be genuine.

Section 17.2. *Further Action.* The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary, appropriate, proper, advisable or incidental to, or in furtherance of, achieving the purposes of this Agreement , as may be determined by the General Partner .

Section 17.3. *Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns. The Indemnitees and their heirs, executors, administrators and successors shall be entitled to receive the benefits of this Agreement .

Section 17.4. *Integration.* This Agreement, together with any applicable Supplemental Agreement, constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto. The Limited Partners acknowledge that, notwithstanding any other provision of this Agreement , the General Partner , on its own behalf or on behalf of the Company , without any act, consent or approval of any other Limited Partner or other Person , may enter into Supplemental Agreements or other writings with one or more Limited Partners which have the effect of establishing rights under, or altering or supplementing the terms of, this Agreement . The Limited Partners agree that any rights established, or any terms of this Agreement altered or supplemented, in any such Supplemental Agreement or other writing with one or more Limited Partners shall govern with respect to such Limited Partner (s) notwithstanding any other provision of this Agreement .

Section 17.5. *Creditors.* None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Company .

Section 17.6. *Waiver.* No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 17.7. *Counterparts.* This Agreement may be executed and delivered in counterparts (including by facsimile or electronic transmission), all of which together shall constitute an agreement binding on all the parties hereto , notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or , in the case of a Person acquiring a Limited Partner Interest pursuant to Section 10.1(b) or 10.2(a) , without execution hereof .

Section 17.8. *Applicable Law.* This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware , without regard to the principles of conflicts of law.

Section 17.9. *Forum Selection.* The Company , each Partner , each Record Holder , each other Person who acquires an interest in a Company Security and each other Person who is bound by this Agreement (collectively, the " *Consenting Parties* " and each a " *Consenting Party* ") (i) irrevocably agrees that, unless the General Partner shall otherwise agree in writing, any claims, suits, actions or proceedings arising out of or relating in any way to this Agreement or any Company Interest (including any claims, suits or actions under or to interpret, apply or enforce (A) the provisions of this Agreement , including the validity, scope or enforceability of this Section 17.9 , (B) the duties, obligations or liabilities of the Company to the Limited Partners or the General Partner , or of Limited Partners or the General Partner to the Company , or among Partners , (C) the rights or powers of, or restrictions on, the Company , the Limited Partners or the General Partner , (D) any provision of the Delaware Limited Partnership Act or other similar applicable statutes, (E) any other instrument, document, agreement or certificate contemplated either by any provision of the Delaware Limited Partnership Act relating to the Company or by this Agreement or (F) the federal securities laws of the United States or the securities or antifraud laws of any international, national, state, provincial, territorial, local or other governmental or regulatory authority, including , in each case, the applicable rules and regulations promulgated thereunder (regardless of whether such Disputes (x) sound in contract, tort, fraud or otherwise, (y) are based on common law, statutory, equitable, legal or other grounds, or (z) are derivative or direct claims)) (a " *Dispute* "), shall be exclusively brought in the Court of Chancery of the State of Delaware or , if such court does not have subject matter jurisdiction thereof, any other court located in the State of Delaware with subject matter jurisdiction; (ii) irrevocably submits to the exclusive jurisdiction of such courts in connection with any such claim, suit, action or proceeding ; (iii) irrevocably agrees not to, and waives any right to, assert in any such claim, suit, action or proceeding that (A) it is not personally subject to the jurisdiction of such courts or any other court to which proceedings in such courts may be appealed, (B) such claim, suit, action or proceeding is brought in an inconvenient forum, or (C) the venue of such claim, suit, action or proceeding is improper; (iv) expressly waives any requirement for the posting of a bond by a party bringing such claim, suit, action or proceeding ; (v) consents to process being served in any such claim, suit, action or proceeding by mailing, certified mail, return receipt requested, a copy

thereof to such party at the address in effect for notices hereunder , and agrees that such service shall constitute good and sufficient service of process and notice thereof; provided that nothing in clause (v) hereof shall affect or limit any right to serve process in any other manner permitted by law; and (vi) irrevocably waives any and all right to trial by jury in any such claim, suit, action or proceeding ; (vii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate and (viii) agrees that if a Dispute that would be subject to this Section 17.9 if brought against a Consenting Party is brought against an employee, officer, director, agent or indemnitee of such Consenting Party or its affiliates (other than Disputes brought by the employer or principal of any such employee, officer, director, agent or indemnitee) for alleged actions or omissions of such employee, officer, director, agent or indemnitee undertaken as an employee, officer, director, agent or indemnitee of such Consenting Party or its affiliates, such employee, officer, director, agent or indemnitee shall be entitled to invoke this Section 17.9.

Section 17.10. *Invalidity of Provisions.* If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby. If a provision is held to be invalid as written, then it is the intent of the Persons bound by this Agreement that the court making such a determination interpret such provision as having been modified to the least extent possible to find it to be binding, it being the objective of the Persons bound by this Agreement to give the fullest effect possible to the intent of the words of this Agreement .

Section 17.11. *Consent of Partners* . Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners , such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

Section 17.12. *Facsimile Signatures.* The use of facsimile signatures affixed in the name and on behalf of the Transfer Agent on Certificates , if any, representing Shares is expressly permitted by this Agreement .

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above:

GENERAL PARTNER
Ares Management GP LLC

By: _ /s/ Michael D. Weiner_________________
Name: Michael D. Weiner
Title: Authorized Signatory

LIMITED PARTNERS
All Limited Partners now and hereafter admitted as Limited Partners of the Company, pursuant to powers of attorney now and hereafter executed in favor of, and granted and delivered to the General Partner or without execution hereof pursuant to Section 10.1(b) or 10.2(a).

Ares Management GP LLC

By: _ /s/ Michael D. Weiner_________________
Name: Michael D. Weiner
Title: Authorized Signatory

Exhibit 4.5

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“ **DTC** ”), TO THE PARTNERSHIP OR THE TRANSFER AGENT NAMED ON THE FACE OF THIS CERTIFICATE, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE STATEMENT WITH RESPECT TO SHARES. IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE TRANSFER AGENT NAMED ON THE FACE OF THIS CERTIFICATE SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

Certificate Number 1

Initial Number of Series A

Preferred Shares 11,000,000

CUSIP 04014Y 200
ISIN US04014Y2000

ARES MANAGEMENT, L.P.

7.00% Series A Preferred Shares
(Liquidation Preference as specified below)

ARES MANAGEMENT, L.P., a Delaware limited partnership (the “ **Partnership** ”), hereby certifies that CEDE & CO. (the “ **Holder** ”), is the registered owner of the number shown on Schedule I hereto of fully paid and non-assessable shares of the Partnership’s designated 7.00% Series A Preferred Shares, with a Series A Liquidation Preference of $25.00 per share (the “ **Series A Preferred Shares** ”). The Series A Preferred Shares are transferable on the books and records of the Transfer Agent, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Series A Preferred Shares represented hereby are and shall in all respects be subject to the provisions of the Third Amended and Restated Limited Partnership Agreement of the Partnership dated as of March 1, 2018, and as the same may be further amended from time to time (the “ **Agreement** ”). Capitalized terms used herein but not defined shall have the meaning given them in the Agreement. The Partnership will provide a copy of the Agreement to the Series A Holder without charge upon written request to the Partnership at its principal place of business. In the case of any conflict between this Certificate and the Agreement, the provisions of the Agreement shall control and govern.

Reference is hereby made to the provisions of the Series A Preferred Shares set forth on the reverse hereof and in the Agreement, which provisions shall for all purposes have the same effect as if set forth at this place.

Upon receipt of this executed certificate, the Series A Holder is bound by the Agreement and is entitled to the benefits thereunder.

Unless the Transfer Agent has properly countersigned, these Series A Preferred Shares shall not be entitled to any benefit under the Agreement or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, this certificate has been executed on behalf of the Partnership by its General Partner this 1 st of March, 2018.

ARES MANAGEMENT, L.P.

BY: Ares Management GP LLC, its general partner

By: /s/ Michael D. Weiner

Name: Michael D. Weiner

Title: Authorized Signatory

COUNTERSIGNATURE

These are Series A Preferred Shares referred to in the within-mentioned Agreement.

Dated: March 1, 2018

American Stock Transfer & Trust Company, LLC, as Transfer Agent

By: /s/ Michael Legregin

Name: Michael Legregin
Title: Senior Vice President

REVERSE OF CERTIFICATE FOR SERIES A PREFERRED SHARES

Non-cumulative distributions on each Series A Preferred Share shall be payable at the applicable rate provided in the Agreement.

The Partnership shall furnish without charge to each Series A Holder who so requests a summary of the authority of the Board of Directors of the General Partner to determine variations for future series within a class of Shares and the designations, limitations, preferences and relative, participating, optional or other special rights of each class or series of capital issued by the Partnership and the qualifications, limitations or restrictions of such preferences and/or rights.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers the Series A Preferred Shares evidenced hereby to:

(Insert assignee's social security or taxpayer identification number, if any)

(Insert address and zip code of assignee)

and irrevocably appoints:

as agent to transfer the Series A Preferred Shares evidenced hereby on the books of the Transfer Agent. The agent may substitute another to act for him or her.

Date:

Signature:

(Sign exactly as your name appears on the other side of this Certificate)

Signature Guarantee:

(Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Transfer Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program (" **STAMP** ") or such other "signature guarantee program" as may be determined by the Transfer Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

SCHEDULE I

ARES MANAGEMENT, L.P.

Global Series A Preferred Share
7.00% Series A Preferred Share

Certificate Number:

The number of Series A Preferred Shares initially represented by this global Series A Preferred Share shall be 11,000,000. Thereafter the Transfer Agent shall note changes in the number of Series A Preferred Shares evidenced by this global Series A Preferred Share in the table set forth below:

Date of Exchange	Amount of Decrease in Number of Shares Represented by this Global Series A Preferred Share	Amount of Increase in Number of Shares Represented by this Global Series A Preferred Share	Number of Shares Represented by this Global Series A Preferred Share following Decrease or Increase	Signature of Authorized Officer of Transfer Agent

Significant Subs 12.31.2017

Entity	Jurisdiction
Ares Holdings Inc.	DE
Ares Offshore Holdings, Ltd.	Cayman Islands
Ares AI Holdings, L.P.	DE
Ares Holdco LLC	DE
AOF Holdco LLC	DE
AI Holdco LLC	DE
Ares Holdings L.P.	DE
Ares Offshore Holdings L.P.	Cayman Islands
Ares Investments L.P.	DE
Ares Investment Holdings LLC	DE
Ares Investments Intermediate Holdings, Ltd.	Cayman Islands
Ares Insurance Partners, Ltd.	Cayman Islands
Ares Management Holdings L.P.	DE
Ares Finance Co. LLC	Delaware
Ares Management Worldwide Holdings LLC	DE
Ares AMWH Holdings, Inc.	DE
Ares Master Employee Co-Invest 2015 GP LLC	DE
Ares Management, Inc.	DE
Apollo Real Estate Management GP V, LLC	DE
Ares US Real Estate Opportunity Management GP VI, LLC	Delaware
Ares US Real Estate Opportunity Management VI, L.P.	Delaware
Ares Management LLC	DE
Ares Operations LLC	DE
Ares Capital Management LLC	DE
Ares Capital Management II LLC	DE
Ares Capital Management III LLC	DE
Ares Management Limited	England and Wales
Ares Management UK Limited	England and Wales
AM Services AUS Pty Ltd	Australia
Ares Administrative Services (DIFC) Limited	United Arab Emirates
Ares EIF Management, LLC	DE
Ares Real Estate Acquisition SPV LLC	DE
Ares Real Estate Investment Holdings	Cayman Islands
Ares Real Estate Management Holdings, LLC	DE
Ares CLO Management LLC	DE
Ares CLO Management II LLC	DE
Ares CLO Management Holdings Ltd.	Cayman Islands
Ares Life Holdings LLC	DE
Ares Investor Services LLC	DE

ACOF Operating Manager III LLC	DE
ACOF Management III GP LLC	DE
ACOF Management III, L.P.	DE
ACOF Operating Manager IV, LLC	DE
ACOF Management IV GP LLC	DE
ACOF Management IV, L.P.	DE
ACOF IV ATD Co-Invest Management, LLC	Delaware
ACOF IV UPM Series 2 GP LLC	DE
ACOF IV UPM Series 2 GP, L.P.	DE
AF IV Energy AIV GP, L.P.	DE
AF IV Energy Sub GP LLC	DE
ACOF Investment Management LLC	DE
ACOF Management V GP LLC	DE
ACOF Management V, L.P.	DE
AF V Energy I AIV GP, L.P.	DE
Ares Asia Management Ltd.	Cayman Islands
Ares Asia Management (HK), Limited	Hong Kong
Ares Investment Advisors (Shanghai) Co. Ltd.	China
EIF US Power II, LLC	DE
EIF Calypso GP, LLC	DE
EIF Channelview GP, LLC	Delaware
EIF US Power III, LLC	DE
EIF US Power IV, LLC	DE
EIF Oregon GP, LLC	Delaware
AEIF Linden GP, LLC	Delaware
Ares EIF Management V LLC	DE
Ares EIF Management V L.P.	DE
ASSF Management IV, L.P.	DE
ASSF Management IV GP LLC	DE
ASSF Operating Manager IV, L.P.	DE
Ares Debt Holdings GP LLC	DE
Ares Fund IV Debt Holdings GP, L.P.	DE
ACE II GP, LLC	DE
Ares Capital Euro GP II, L.P.	Cayman Islands
ACE III GP LLC	DE
ACE III Managing Member Limited	Scotland
ACE III GP (Scotland) LLP	Scotland
ACE III Second Member Limited	Scotland
ACE III GP (Cayman) LP	Cayman Islands
Ares CSF Operating Manager III LLC	DE

Ares CSF Management III, L.P.	Cayman Islands
Ares CSF III Investment Management LLC	DE
ACF GP, LLC	DE
Ares Commercial Finance GP LP	DE
ACF Management Investment, LLC	DE
Ares Commercial Finance Management LP	DE
Ares Centre Street GP, Inc.	DE
Ares Centre Street Management, L.P.	DE
Ares CCF GP LLC	DE
Ares CCF GP Limited	Cayman Islands
Ares CCF GP, L.P.	Cayman Islands
Ares ECSF II GP LLC	DE
Ares ECSF II (B) GP, L.P.	Cayman Islands
Ares ECSF III (A) GP LLC	DE
Ares ECSF III (A) GP, L.P.	Cayman Islands
Ares Management UK (GP) Ltd.	Scotland
Ares UK CSF Limited	England and Wales
Ares CSF LLP	Scotland
Ares UK CSF GP, L.P.	Scotland
Ares Private Account Management I, L.P.	DE
Ares Private Account Management I GP, LLC	DE
Ares CSF Management I GP LLC	DE
Ares CSF Management I, L.P.	Cayman Islands
Ares CSF Operating Manager I, LLC	DE
Ares Enhanced Credit Opportunities Investment Management II, LLC	DE
Ares ICOF II Management, LLC	DE
Ares ICOF Management II GP LLC	DE
Ares ICOF II GP, LLC	DE
Ares ICOF II Capital Investors GP LLC	DE
Ares CLO GP XXVI, LLC	DE
Ares CLO Management XXVI, L.P.	DE
Ares Management Consolidated Holdings, LLC	DE
Ares CLO Management XXXI, L.P.	DE
Ares CLO Management Intermediate Holdings Ltd.	Cayman Islands
Ares CLO Management Direct Holdings LLC	DE
Ares Commercial Real Estate Management LLC	DE
Ares CA Real Estate Corporation	DE
Ares Commercial Real Estate Servicer LLC	DE
Ares European Real Estate Management GP III, LLC	DE
Ares European Real Estate Management III, L.P.	DE

Ares European Real Estate Advisors GP IV, LLC	DE
Ares European Real Estate Advisors GP IV, L.P.	DE
AREG-MA Co-Invest Incentive GP, LLC	DE
AREG Star and Garter Co-Invest Advisors GP, LLC	DE
Ares US Real Estate VII Management, LLC	DE
Ares US Real Estate VII Advisors, L.P.	DE
APResco LLC	DE
Ares Sponsor Inc.	DE
AREA Sponsor Holdings LLC	DE
Ares US Real Estate VIII Management, LLC	DE
Ares US Real Estate VIII Capital Advisors, LLC	DE
Ares US Real Estate VIII Advisors, L.P.	DE
Ares US Real Estate VIII Management Holdings, LLC	DE
Ares US Real Estate IX Capital Advisors, LLC	DE
Ares US Real Estate IX Advisors, L.P.	DE
Ares VEF VIII Co-Investors, LLC	DE
AC US Fund VIII Blocker Manager LLC	DE
GAM US Fund VIII Blocker Manager LLC	DE
AGF US Fund VIII Blocker Manager LLC	DE
HRL US Fund VIII Blocker GP LLC	DE
AREA European Property Enhancement Management, LLC	DE
AREA European Property Enhancement Advisors GP, LLC	DE
AREA-EPEP Incentive, LLC	DE
Ares AREG EPEP Incentive Holdings LLC	DE
Ares RE Management Consolidated Holdings, LLC	DE
AREG-T Manager III, L.P.	DE
AREG-T Advisors GP III LLC	DE
AREG-T Advisors III L.P.	DE
AEPEP II N GP, L.P.	DE
AEPEP GP II, LLC	**DE**
AEPEP (Cayman) GP II, L.P.	**Cayman Islands**
AEPEP (Scotland) Manager II Limited	**Scotland**
AEPEP (Scotland) II Limited	**Scotland**
AEPEP (Scotland) GP II, L.L.P.	**Scotland**
AEPEP II (Asset Manager) Limited	**England & Wales**
Ares US Real Estate Dev and Redev Capital Advisors II, LLC	**DE**
Ares US Real Estate Development and Redevelopment Advisors II, L.P.	**DE**
Ares CIP US Real Estate Opportunity Advisors, L.P.	**DE**
AREG Aurora Co-Invest Incentive LLC	**DE**

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1)	Registration Statement (Form S-8 No. 333-195627) pertaining to Ares Management, L.P. 2014 Equity Incentive Plan,
(2)	Registration Statement (Form S-8 No. 333-202901) pertaining to Ares Management, L.P. 2014 Equity Incentive Plan,
(3)	Registration Statement (Form S-8 No. 333-218063) pertaining to Ares Management, L.P. 2014 Equity Incentive Plan,
(4)	Registration Statement (Form S-3/A No. 333-211068) of Ares Management, L.P.,
(5)	Registration Statement (Form S-3ASR No. 333-211239) of Ares Management, L.P.,
(6)	Registration Statement (Form S-3ASR No. 333-216251) of Ares Management, L.P.

of our reports dated March 1, 2018 , with respect to the consolidated financial statements of Ares Management, L.P. and the effectiveness of internal control over financial reporting of Ares Management, L.P. included in this Annual Report (Form 10-K) for the year ended December 31, 2017 .

/s/ Ernst & Young LLP

Los Angeles, California
March 1, 2018

Exhibit 31.1

Certification of Chief Executive Officer
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d- 14(a)

I, Michael J Arougheti, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ares Management, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2018

/s/ Michael J Arougheti

Name:	Michael J Arougheti
Title:	*Co-Founder, Chief Executive Officer & President (Principal Executive Officer)*

Exhibit 31.2

Certification of Chief Financial Officer
of Periodic Report Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

I, Michael R. McFerran, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ares Management, L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2018

/s/ Michael R. McFerran

Name:	Michael R. McFerran
Title:	*Chief Financial Officer and Chief Operating Officer (Principal Financial and Accounting Officer)*

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to
18 U.S.C. Section 1350

In connection with the Annual Report on Form 10-K of Ares Management, L.P. (the "Company") for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael J Arougheti, as Chief Executive Officer of the Company, and Michael R. McFerran, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2018

/s/ Michael J Arougheti

Name:	Michael J Arougheti
Title:	*Co-Founder, Chief Executive Officer & President (Principal Executive Officer)*

/s/ Michael R. McFerran

Name:	Michael R. McFerran
Title:	*Chief Financial Officer and Chief Operating Officer (Principal Financial and Accounting Officer)*

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ares Management, L.P and will be retained by Ares Management, L.P. and furnished to the Securities and Exchange Commission or its staff upon request.