



ARES CAPITAL MANAGEMENT III LLC

Form ADV Part 2A Firm Brochure

July 10, 2013

This brochure provides information about the qualifications and business practices of Ares Capital Management III LLC (“ACM III” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at 310-201-4100 or adell@aresmgmt.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about ACM III also is available on the SEC’s website at: www.adviserinfo.sec.gov

Registration with the SEC as an investment adviser does not imply that ACM III or any principals or employees of ACM III possess a particular level of skill or training in the investment advisory or any other business.

2000 Avenue of the Stars | 12th Floor | Los Angeles | California | 90067
www.aresmgmt.com

Item 2 - Material Changes

ACM III has prepared this brochure in connection with its initial registration with the SEC. In the future, this Item will discuss material changes that are made to the brochure since the last brochure or annual update.

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Item 4 - Advisory Business

ACM III is a Delaware limited liability company that was formed in May 2013 and expects to commence operations in August 2013. ACM III is a wholly owned subsidiary of Ares Management LLC ("Ares Management"), a Delaware limited liability company that was initially established in 1997 and became an independent company in 2001. The principal owner of Ares Management is Ares Management Holdings LLC.

ACM III will provide the advisory services described below to its clients, which will primarily consist of separately managed accounts for Korean-based institutional investors. For certain separate accounts, ACM III will form special purpose entities to serve as investment vehicles for investors. ACM III, or an affiliated entity controlled by ACM III, will serve as investment adviser, sub-adviser or manager of each of its clients, including separate or managed accounts. References to ACM III in this brochure include, as the context requires, affiliates through which ACM III provides investment advisory services or that act in any capacity referenced in the previous sentence.

ACM III's investment advisory business is conducted through two business platforms with investment activities managed by dedicated teams in Ares Management's Private Debt and Capital Markets groups. ACM III tailors its advisory services to the specific investment objectives and restrictions of each client that ACM III manages directly or indirectly through its affiliates and generally seeks capital appreciation through a combination of (i) U.S. and European senior secured bank loans and other debt, unsecured debt, high yield bonds, special situations instruments related to companies in bankruptcy or reorganization proceedings, structured credit products, distressed debt and other fixed income and to a lesser extent, equities and derivative instruments and (ii) privately issued senior debt, subordinated debt and other similar debt to European borrowers.

Clients may have investment restrictions that are particular to such client. Investment restrictions may include prohibitions on investing in certain types of assets, restrictions on issuer domiciles, restrictions on price or rating of investments, and limitations on the percentage a particular type of security can comprise of a client's investment portfolio. Clients and prospective clients should refer to the applicable limited partnership agreement, investment management agreement, subscription agreement and other governing documents, as applicable, for each such client (the "Governing Documents") for complete information on the investment objectives, investment restrictions and risks with respect to such client.

ACM III does not participate in any wrap fee programs.

ACM III manages all client account assets on a discretionary basis in accordance with the terms and conditions of each client account's Governing Documents. As of July 3, 2013, ACM III had no assets under management ("AUM").

Item 5 - Fees and Compensation

Compensation and Fee Schedules

ACM III will enter into arrangements for advisory services with investors that are “qualified purchasers” (“Qualified Purchasers”) as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Investment Company Act”) and, as a result, information regarding the fees and compensation payable by such investors is not required to be provided herein.

In certain circumstances, the advisory fees payable to ACM III by clients may be negotiable. Clients and prospective clients should refer to the applicable Governing Documents for complete information on the advisory fees charged by ACM III.

Deduction of Fees; Timing of Payments; Termination

If applicable, the Governing Documents will authorize ACM III to charge and deduct advisory fees directly from the assets of the client account, at the times and in the amounts set forth in such Governing Documents. The ability of ACM III to deduct advisory fees may be negotiable.

Advisory fees for certain of ACM III’s client accounts are generally payable on a quarterly basis and may be payable in advance or in arrears in accordance with the terms of the applicable Governing Documents.

Clients have the right to terminate ACM III’s advisory services in accordance with the terms of the applicable Governing Documents. ACM III’s general policy is to repay any advisory fees paid by a client account managed by ACM III in advance in excess of the pro rata portion earned by ACM III (based on the number of days during the period) through the termination date.

Other Fees and Expenses

In addition to the advisory fees payable to ACM III, client accounts may incur certain charges imposed by third parties, including (but not limited to) any organizational expenses with respect to the account and any related investment vehicles, sales or other taxes, fees or government charges that may be assessed against the client; costs and expenses incurred in investigating, developing, negotiating, structuring, monitoring and holding investments; other expenses related to the purchase, sale, settlement, custody, or transmittal of account assets; commissions, brokerage fees, and similar charges incurred in connection with the purchase or sale of securities (including any merger fees payable to third parties and whether or not any such purchase or sale is consummated); expenses relating to litigation and threatened litigation involving a client account; indemnification obligations and expenses; expenses attributable to normal and extraordinary investment banking, commercial banking, accounting, auditing, appraisal, tax advisory, tax preparation, legal, external consulting, custodial and registration services provided to a client account; premiums for liability insurance; the costs of dissolving a client account managed by ACM III and liquidating its assets; and the costs and expenses for tax and audit services to a client account, including the costs of preparing any financial statements and reports, tax returns and other similar reports.

Please refer to the Governing Documents of a client account for complete information on the expenses payable by such account.

Transaction-Based Compensation

ACM III or its affiliates or supervised persons may receive arrangement fees, origination fees, structuring fees, commitment fees, consent fees, amendment fees, consulting fees, directors' fees, investment banking fees, advisory fees, investment management fees, breakup fees, closing fees, transaction fees financing fees, monitoring fees, syndication fees and agency fees from portfolio investments in which one or more of ACM III's client accounts may invest or propose to invest. These types of arrangements present potential conflicts of interest and may provide ACM III's supervised persons with an incentive to recommend investments based on compensation received rather than the best interests of an ACM III client account. To mitigate potential conflicts, such benefits received by ACM III in connection with its services related to portfolio investments or transactions are generally offset against advisory fees payable to ACM III by the related client account. Please refer to the Governing Documents of the applicable client account for more complete information on additional compensation that may be receivable by ACM III or its affiliates or supervised persons in connection with investments and any offsets against advisory fees.

Item 6 - Performance-Based Fees and Side-by-Side Management

Performance-Based Fees

For certain client accounts, ACM III or its affiliates may be entitled to an incentive or performance based fee as part of its compensation for management services, including in certain situations allocations calculated and charged based on a share of cumulative profits of such accounts. Performance-based fees and allocation arrangements received by ACM III or its related persons may create incentives for ACM III to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

Side-by-Side Management

ACM III may provide concurrent advisory services to clients that are not charged a performance-based fee or allocation by ACM III or its related persons and clients that are charged a performance-based fee or allocation. The potential for ACM III and its related persons to receive greater fees or allocations from performance-based accounts creates potential conflicts of interest with respect to the allocation of investment opportunities, as ACM III may have incentives to direct the best investment ideas to, or to allocate investments in favor of, funds or investment accounts that pay performance fees or special allocations of profits. To mitigate potential conflicts of interest, ACM III's investment allocation policy provides that all investment opportunities will be allocated among its client accounts on a basis that over a period of time is fair and equitable to each client account relative to other clients consistent with any fiduciary duties owed to clients and in an effort to avoid favoring one client over another, taking into account all relevant facts and circumstances, including, but not limited to:

- (i) differences with respect to available capital, size of client, and remaining term of a client account;
- (ii) differences in investment objectives or current investment strategies, such as the current and total return requirements of such account, limitations on exposure to the

- security or type of security in question, diversification limitations, and rating agency ratings;
- (iii) differences in risk profile at the time an opportunity becomes available;
 - (iv) the transaction and other costs of allocating an opportunity among various clients;
 - (v) potential conflicts of interest, including whether a client has an existing investment in the security in question or the issuer of such security;
 - (vi) the nature of the security or the transaction including minimum investment amounts and the source of the opportunity;
 - (vii) current and anticipated market and general economic conditions;
 - (viii) existing positions in an issuer or security; and
 - (ix) prior positions in an issuer or security.

Clients should be aware that the foregoing procedures in certain circumstances may adversely affect the price paid or received by a client account or the size of a position purchased or sold by the client account, including the commission prices, preclude a client account from participating in an investment, or limit the rights that a client account may exercise with respect to an investment.

Allocations within a particular group of client accounts are generally determined by the portfolio managers or senior partners within that group, in good faith and subject to restrictions in the applicable Governing Documents or regulatory restrictions. Allocations of investment opportunities are reviewed periodically by Ares Management's senior partners and portfolio managers to assess the effectiveness of the procedures. ACM III and its principals may co-invest with certain client accounts.

Item 7 - Types of Clients

Types of Clients

ACM III provides investment advisory services to separately managed accounts on behalf of Korean institutional investors. Such investors may include corporations (including insurance companies), endowments, foundations, and pension and profit sharing plan that are based in Korea.

Minimum Investment Requirements

ACM III generally requires a minimum investment of \$100 million for each separately managed account but may waive this minimum in its discretion.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis and Investment Strategies

ACM III's investment philosophy and portfolio construction generally involve deliberate company-specific research and analysis and an assessment of the overall macroeconomic environment and financial markets.

The specific methods of analysis and investment strategies utilized by ACM III for client accounts managed by Ares Management's Capital Markets and Private Debt groups are described below.

Capital Markets Group

The Capital Markets Group ("CMG") manages primarily tradable broadly syndicated senior secured and unsecured loans, mezzanine loans, structured credit, special situation investments, fixed income investments, and, to a lesser extent, equities (including post-reorganization equities and loans including debtor-in-possession loans), derivative instruments (including credit default swaps, interest swaps, currency instruments and other derivative instruments), and other securities and instruments including cash for its client accounts. Its primary focus is on below-investment grade debt instruments.

CMG's objective is to construct portfolios that balance the benefits of diversification, credit quality, defensive industry allocations, current income, principal appreciation, efficient and flexible portfolio financing that meets the needs of its client's accounts.

CMG's fixed income investment process emphasizes due diligence on companies, with a focus on principal protection, investment income, relative value and adherence to portfolio guidelines. The strategy employed by CMG generally emphasizes the importance of the following:

- Credit intensive analysis and ongoing monitoring;
- Control of investment risk; protection of principal; risk/return;
- Long-term value creation;
- Market focused relative value analysis;
- Use of ACM III and its affiliates' extensive network of contacts;
- Broad access to deal flow combined with flexibility in investing in all parts of the capital structure;
- Active portfolio monitoring;
- Investment memoranda and periodic updates; and
- Investment committee presentations and discussion.

Additionally, in analyzing a prospective investment, CMG's research analysts seek information from a wide variety of sources, which may include company management, fixed income and equity analysts, rating agencies, competitors, and other industry sources, including third-party industry experts.

Private Debt Group

The Private Debt Group (“PDG”) primarily invests in first and second lien senior loans and mezzanine debt of middle market and large companies, each of which may include an equity component and, to a lesser extent, in equity securities of such companies.

The investment philosophy and portfolio construction of PDG involve:

- an assessment of the overall macroeconomic environment and financial markets;
- company-specific research and analysis;
- and with respect to each individual company, an emphasis on capital preservation, low volatility and minimization of downside risk.

The foundation of this investment philosophy and portfolio construction is intensive credit investment analysis, a strict investment discipline based on both market technicals and fundamental value-oriented research and a diversification strategy. PDG follows a rigorous investment process based on:

- a comprehensive analysis of issuer creditworthiness, including a quantitative and qualitative assessment of the issuer’s business;
- an evaluation of management;
- an analysis of business strategy and industry trends; and
- an in-depth examination of capital structure, financial results and projections.

PDG seeks to identify those issuers exhibiting superior fundamental risk-reward profiles and strong defensible business franchises while focusing on relative value of the security across the industry as well as for the specific issuer. The process through which PDG makes an investment decision involves extensive research into the target company, its industry, its growth prospects and its ability to withstand adverse conditions. If the senior investment professional responsible for the transaction determines that an investment opportunity should be pursued, PDG will engage in an intensive due diligence process, including legal, accounting, financial and industry due diligence.

Material Risks

Investing involves a risk of loss that investors in accounts managed by ACM III should be prepared to bear. There can be no assurance that any client account managed by ACM III will be able to make and/or realize any particular investment or generate returns. Investors should carefully consider, among other factors, the following material risks involved with ACM III’s investment strategies.

Not all possible risks are described below. Investors in the client accounts are requested to refer to the Governing Documents of the applicable client account for more complete

information on investment strategies employed and the corresponding risks associated with such investment strategies.

Firmwide Risk Factors

Dependence on Key Personnel. The success of a client account will be highly dependent on the expertise and performance of its senior investment professionals. There can be no assurance that these senior investment professionals will continue to be associated with the Firm or any of its affiliates throughout the life of a client account, as they are under no contractual obligation to remain with the Firm or any of their affiliates for all or any portion of the term of a client account. The loss of the services of one or more of these individuals could have a material adverse effect on the performance of a client account.

No Assurance of Investment Return. ACM III cannot provide assurance that it will be able to choose, make or realize investments for a client account in any particular company or portfolio of companies. There can be no assurance that a client account will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the types of companies and transactions described herein. The marketability and value of any such investment will depend upon many factors beyond the control of a client account. The expenses of a client account may exceed its income. An investor in a client account could lose the entire amount of its contributed capital, and therefore an investor should only invest in a client account if the investor can withstand a total loss of its investment.

Uncertainty of Financial Projections. ACM III will evaluate its investment on the basis of financial projections for such portfolio company. Projections are inherently subject to uncertainty and factors beyond the control of ACM III, the particular client account and the portfolio company. The inaccuracy of certain assumptions and general economic conditions, which are unpredictable, can have a material adverse impact on the reliability of such projections. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from such projections.

Credit Risks of Debt Securities. Credit risk refers to the likelihood that an issuer will default in the payment of principal or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument. Securities that are rated by rating agencies are often reviewed and may be subject to downgrade, which generally results in a decline in the market value of such security.

Interest Rate Risk of Debt Securities. Debt securities are subject to interest rate risk because prices of debt securities tend to move in the opposite direction of interest rates. In general, when interest rates rise, the price of a fixed-rate debt instrument will fall and when interest rates fall, the price of a fixed debt instrument will rise. Adjustable-rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset

caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

Market Volatility Risks. Significant and unexpected levels of illiquidity and price volatility for various types of fixed income instruments have occurred since the second half of 2007. A variety of unanticipated political and economic disruptions and changes have adversely affected the capital markets, causing market dislocations and may cause the value of securities, and portfolio or account that owns them, to rise or fall.

Macroeconomic Factors. The performance of the client's investments could be adversely affected by macroeconomic factors, including general economic conditions affecting capital markets and participants therein (such as the obligations on or issuers of the client's investments). Such macroeconomic factors include (i) the economic downturns and uncertainties affecting economies and capital markets worldwide, (ii) continuing military conflicts, incidents of terrorism and domestic unrest occurring outside the United States and other consequences thereof and similar events, (iii) concerns about financial performance, accounting and other issues relating to various companies and (iv) recent and proposed changes to laws and regulations affecting the financial industry, including those related to banking, credit default swaps and other derivatives, mortgage lending, accounting and reporting standards and other exogenous factors in general.

Bankruptcy of Portfolio Companies. There are a number of significant risks inherent in the bankruptcy process, including, for example, the deleterious effects of litigation between the creditors and debtor, the duration of the bankruptcy proceeding and the tangible and other intangible costs to the debtor issuer, including the potential adverse effects on personnel and business relationships and operations. There can be no assurance that these factors can be successfully overcome. First, many events in a bankruptcy are the product of contested matters and adversary proceedings and are beyond the control of the creditors. While creditors are generally given an opportunity to object to significant actions, there can be no assurance that a bankruptcy court in the exercise of its broad powers would not approve actions that would be contrary to the interests of a client account. Second, the effect of a bankruptcy filing on a portfolio company may adversely and permanently affect such portfolio company. The portfolio company may lose its market position and key employees and otherwise become incapable of restructuring itself as a viable entity. If for this, or any other reason, the bankruptcy proceeding is converted to a liquidation, the liquidation value of the portfolio company may not be equal to the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on the investment can be adversely affected by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court and until it ultimately becomes effective. Fourth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. For example, if a proceeding involves protracted or difficult litigation, or turns into a liquidation, substantial assets may be devoted to administrative costs. Fifth, bankruptcy law permits the classification together of "substantially similar" claims in determining the classification of claims in a reorganization. Because the standard for classification is vague, there exists the risk that an account's influence with respect to the class of securities it owns can be lost by increases in the number and amount

of claims in that class or by different classification and treatment. Sixth, in the early stages of the bankruptcy process, it is often difficult to estimate the extent of, or even to identify, any contingent claims that might be made. Seventh, especially in the case of investments made prior to the commencement of bankruptcy proceedings, creditors can lose their ranking and priority if they exercise “domination and control” over a debtor and other creditors can demonstrate that they have been harmed by such actions. This factor may be material if a client account acquired a control position with respect to its portfolio companies. Eighth, certain claims that have priority by law (for example, claims for taxes) may be quite significant.

Investments in Which Client Account Have Different Principal Interest. Client accounts may make investments at different levels of a corporate capital structure including investments in corporate loans and debt securities, preferred equity securities and common equity securities. For example, a CMG client account may invest in debt securities of a portfolio company in which a Private Equity Group fund or account has a controlling or other equity interest. In such cases, the interest of one client account may not always be aligned with the other client account and may pose an actual or potential conflict of interest, as a client account may pursue or enforce rights with respect to an investment, and those activities may have an adverse effect on the client accounts as prices, liquidity, terms of the investments and levels of risk may be negatively impacted by such actions. In addition, it is possible that in a bankruptcy proceeding, a client’s interest may be subordinated or otherwise adversely affected by virtue of such other client accounts’ involvement and actions relating to an investment.

Capital Markets Group Risk Factors

Investment and Trading Risks. The CMG client accounts invest in bonds, loans and other fixed income securities and instruments, including, without limitation, structured credit, second-lien loans, mezzanine debt, unsecured debt and “higher yielding” (and, therefore, generally higher risk) debt securities and instruments. Such securities and instruments will be primarily below “investment grade” or nonrated and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the obligor’s inability to meet timely interest and principal payments. The market prices of such investments are also subject to abrupt and erratic market movements and changes in liquidity and above-average price volatility relative to the historical averages in non-investment grade markets, and the spread between the bid and offered prices of such investments may be greater than those prevailing in other more liquid markets. CMG client accounts may utilize such investment and hedging techniques as short sales, leverage and the use of synthetic instruments (such as credit default swaps, interest rate swaps, other swaps, options on securities, forward contracts and other derivative instruments) which practices can, in certain circumstances, create or magnify adverse impact to the client involved.

Prepayment Risks. The frequency at which prepayments (including voluntary prepayments and accelerations due to defaults) occur on bonds and loans will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. The upside potential of an investment prepayable at par may be limited, and unexpected prepayments may disrupt related hedge, resulting in losses.

Use of Swaps. When permitted by its governing documents, a CMG client account may enter into various swap agreements, such as (but not limited to) credit default swaps, cross currency swaps, total return swaps, interest rate swaps and other derivative instruments. Swap agreements are individually negotiated and can be structured to create or hedge exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the client's exposure to, non-U.S. currency values, corporate credit risks, counterparty risk or other factors.

Hedging Transactions. ACM III may at times attempt to hedge portfolio positions of a client. Hedging may limit gains, while not hedging and imperfect hedging may result in losses or may fail to fully mitigate losses intended to be hedged. A CMG client's hedging investment strategies may not achieve the desired results due to implementation lag, other timing factors, portfolio management decision-making, economic or market conditions or other unanticipated factors.

Synthetic and Other Derivative Assets. ACM III may invest in synthetic assets such as credit linked notes and engage in credit default swaps and Loan CDS transactions, in lieu of investing in bonds or loans in "cash" form. Such transactions do not perfectly replicate direct ownership of the referenced or underlying assets, and present additional risks, such as exposure to the creditworthiness of the counterparty and relatively lower liquidity.

All of the reference obligations in respect of such synthetic or derivative assets will generally consist of the types of assets in which the relevant CMG account would otherwise be permitted to invest. These obligations are subject to a number of risks, including prepayment risk, credit risk, liquidity risk, structural risk, legal risk, counterparty risk and interest rate risk, which may be different from those of other types of debt obligations. The performance of a reference obligation may be affected by a variety of factors, including the amount and timing of payments and recoveries on the underlying assets.

Portfolio Risk Factors. The risks of debt instruments include (among others): (a) limited liquidity and secondary market support, (b) the possibility that earnings of the relevant obligor may be insufficient to meet its debt service, (c) the declining creditworthiness and potential for (or actual) insolvency of the relevant obligor of such debt during periods of economic downturn, (d) that the relevant obligor may be a small or mid-size company serving only local or regional interests, (e) decline in the yield or quality of the opportunities for reinvestment or proceeds received from repayments of portfolio positions and (f) if subordinated, subordination to the prior claims of other debt or senior lenders. Debt instruments are generally subject to market value volatility or rating agency downgrades that may not be apparent from historical volatility studies and that could be significant or unpredictable. A continued economic downturn could severely disrupt the market for debt instruments and adversely affect the value of outstanding debt and the ability of the borrowers thereof to repay principal and interest. Moreover, the default history for debt instruments is limited, actual defaults may be greater than indicated by historical data and the timing of defaults may vary significantly from historical observations.

In certain circumstances, the collateral securing debt instruments, if any, might not be sufficient to satisfy the relevant obligor's obligations in the event of nonpayment of scheduled interest or principal, and may be difficult to liquidate on a timely basis. Additionally, a decline in the value

of the collateral could cause the debt to become substantially unsecured, and circumstances could arise (such as in the bankruptcy of a borrower) which could cause the security interest in the debt instrument's collateral to be invalidated. Also, collateral may be subject to restrictions on transfer intended to satisfy securities regulations, which may limit the number of potential purchasers if the issuer intends to liquidate such collateral.

A portfolio may also include unsecured debt instruments. Unsecured debt instruments are subject to the same investment risks generally applicable to debt instruments described above but are subject to additional risk that the assets and cash flow of the relevant obligor may be insufficient to repay the scheduled payments to the lender after giving effect to any secured obligations of the relevant obligor. Unsecured debt instruments will be subject to certain additional risks to the extent that such debt may not be protected and such debt is not secured by collateral or protected by, financial covenants or limitations upon additional indebtedness. Unsecured debt instruments may also be expected to be more illiquid and may be more volatile than senior secured debt instruments for this reason.

Investment in Reorganizations and Restructurings. The CMG client accounts may make investments in companies that are experiencing or are expected to experience severe financial difficulties, including rescue financings in companies undergoing reorganization or restructurings. These severe financial difficulties may never be overcome and may cause such companies to become subject to bankruptcy proceedings. In such situations, a CMG client account's investment may be subject to the risk that a bankruptcy filing may adversely and permanently impact the value of a company and that high administrative costs may impair the value of the company. In addition, such investments could subject a CMG client account to certain additional potential liabilities that may exceed the value of a CMG client account's original investment therein. Furthermore, investments in distressed companies and restructurings may be adversely affected by statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the court's discretionary power to disallow, subordinate or disenfranchise particular claims.

Having a "blocking position" in a security that is subject to a plan of reorganization or restructuring entails significant risks if a CMG client account's evaluation of the anticipated outcome of the investment situation should prove incorrect. In addition, an investment in a company involved in a reorganization proceeding or restructuring entails significant risks and may be adversely impacted if a CMG client account's evaluation of the anticipated outcome of the investment situation should prove inaccurate.

Some of the investments a CMG client account will make may require active monitoring or representation on official and unofficial creditors' committees for a company involved in a reorganization proceeding or restructuring. Accordingly, a CMG client account may seek representation on such committees from time to time if the manager or general partner of such CMG client account, in its discretion, determines that such representation is necessary or advisable to protect or further a CMG client account's interests. Serving on an official or unofficial committee increases the possibility that a CMG client account will be deemed an "insider" or a "fiduciary" of the company it has so assisted and may restrict a CMG client account's trading of its investments in such company and exposes the person serving on the

committee to litigation risks. Should such assistance be provided before a company enters bankruptcy proceedings, the Bankruptcy Court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke a doctrine of “equitable subordination” with respect to any claim or equity interest held by a CMG client account in such company and subordinate any such claim or equity interest in whole or in part to other claims or equity interests in such company. Claims of equitable subordination may also arise outside of the context of a CMG client account’s committee activities. In addition, if representation of a creditors’ committee of a company causes a CMG client account to be deemed an affiliate of the company, the securities of such company held by a CMG client account may become restricted securities, which are not freely tradable. As a CMG client account will indemnify any person serving on a committee on its behalf for claims arising from the breaches of those obligations, indemnification payments could adversely affect the return on a CMG client account’s investment in a portfolio company.

Distressed Securities. A CMG client account may invest in securities, private claims and obligations of domestic and foreign entities which are experiencing significant financial or business difficulties. A CMG client account may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than a CMG client account’s investment. Such investments may also be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and bankruptcy court’s discretionary power to disallow subordinate or disenfranchise particular clauses. The market prices of such instruments are also subject to abrupt and erratic market movements and significant average price volatility, and the spread between the bid and offered prices of such instruments may be greater than normally expected due to a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, all of which may significantly affect the results of a CMG account’s activities. Investments in distressed securities, particularly in connection with reorganizations, often involve litigation generally related to issues involving control and preference among classes, claimants and other related matters. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses that by their nature involve business, financial, market or legal risks.

Illiquidity of Debt Instruments. Debt instruments and interests in debt instruments have significant liquidity risks and market value risks since they are not generally traded in organized exchanges but are traded on an over the counter basis by banks and other institutional investors engaged in loan syndications. In such cases, the primary resale opportunities for such debt instruments are privately negotiated transactions with a limited number of purchasers. This may restrict the ability of a CMG client account to dispose of investments in a timely fashion or at a favorable price. The inability to dispose of a debt instrument position could result in losses to a CMG client account, including the loss of its entire investment. The debt of highly-leveraged companies or companies in default also may be less liquid than other debt. If a CMG client account voluntarily or involuntarily sold its interest in those types of debt securities, it may not receive the full value that was expected.

Highly Leveraged Borrowers. The issuers of debt in which a CMG client account may invest are likely to be highly leveraged. A borrower’s leverage may adversely impact a CMG client account in a number of ways, such as creating a greater possibility of default or bankruptcy of

the borrower. It is also possible that the pledging of collateral (if any) to secure debt could be found to constitute a fraudulent conveyance or preferential transfer which would be nullified or subordinated to the rights of other creditors of the borrower under applicable law. In addition, CMG client accounts may also utilize leverage against the portfolio which will increase the exposure of such CMG client accounts to adverse economic factors such as rising interest rates, portfolio defaults and downturns in the economy or deterioration in the condition of any given portfolio company or its industry. In the event that a CMG account is unable to meet principal and interest payments on its third-party indebtedness, the value of an investor's interest in such CMG account could be significantly reduced or even eliminated.

Special Situations. A CMG client account may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a CMG client account of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a CMG client account may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a CMG client account may invest, there is a potential risk of loss by a CMG client account of its entire investment in such companies. In connection with such transactions (or otherwise), a CMG client account may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price or interest rate receivable with respect to a when-issued security are fixed when a CMG client account enters into the commitment, thus such securities are subject to changes in their market value prior to delivery.

Recent Developments in Credit Markets. Global credit and equity markets have recently experienced, and may continue to experience, significant market events, including decreased liquidity, declining market values, tightening of credit, deleveraging and large scale liquidations of investment portfolios, that have generated significant volatility as compared to historical averages in the below investment grade credit market and illiquidity in worldwide capital markets. As these issues continue to develop, they may affect other markets and types of assets in negative and unforeseen ways. The duration and ultimate effect of such market conditions cannot be predicted. Such conditions could adversely affect the market value of a CMG account's investments, may prevent a CMG account from successfully executing its investment strategy, may cause a CMG account to dispose of investments at a loss, may create additional volatility in the value of the assets held by the CMG account, or negatively impact the performance of the investments held by the CMG account in any of the markets directly or indirectly affected. There can be no assurance that there will not be further deteriorations in the credit markets or that any improvements in the broader markets will have a positive impact on or otherwise mitigate further dislocation in the credit markets.

Foreign Investments. Investing in non-U.S. companies involves certain considerations not usually associated with investing in U.S. companies, including political and economic considerations, such as greater risks of expropriation and nationalization, the potential difficulty of repatriating funds and general social, political and economic instability; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict a CMG client account's investment opportunities. In addition, accounting and financial reporting standards that prevail in foreign countries may not be equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the United States. Regulation of the securities markets in foreign countries may also have a potential adverse effect on investments.

With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, limitations on the removal of funds or other assets of a CMG client account, political or social instability or diplomatic developments that could affect investments in those countries. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, are expected to change independently of each other. In addition, the bankruptcy laws of different countries may differ from those of the U.S., and such differences may expose a CMG client account to additional risk of loss upon the bankruptcy of an issuer located outside of the United States.

Private Debt Group Risk Factors

Highly Competitive Market. The PDG client accounts operate in a highly competitive market for investment opportunities. A number of entities compete with the PDG client accounts to make the types of investments that the PDG client accounts make in middle-market companies. The PDG client accounts compete with business development companies, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, high yield investors, hedge funds, and, to the extent they provide an alternative form of financing, private equity funds. Some of the PDG client accounts' competitors may be substantially larger and have considerably greater financial, technical and marketing resources than the PDG client accounts. Some competitors may have a lower cost of funds and access to funding sources that are not available to the PDG client accounts. In addition, some of the PDG client accounts' competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than the PDG client accounts.

Illiquidity. The lack of liquidity in the PDG client accounts' investments may adversely affect the PDG accounts' business. As PDG client accounts generally make investments in private companies, substantially all of these investments are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for the PDG client accounts to sell such investments if the

need arises. In addition, if a PDG client account is required to liquidate all or a portion of such its portfolio quickly, such PDG client account could realize significantly less than the value at which such account has recorded its investments. In addition, a PDG client account may face other restrictions on such PDG client account's ability to liquidate an investment in a portfolio company to the extent that such PDG account or an affiliated manager of ACM III has material non-public information regarding such portfolio company.

Economic Recessions or Downturns. Economic recessions or downturns could impair the portfolio companies of the PDG client accounts and harm performance. Many of these portfolio companies may be susceptible to economic slowdowns or recessions (including the economic downturn that began in 2007) and may be unable to repay loans during these periods. Therefore, during these periods a PDG client account's non-performing assets may increase and the value of such PDG account's portfolio may decrease if such PDG account is required to write down the values of its investments. Adverse economic conditions may also decrease the value of collateral securing some of a PDG client account's loans and the value of any equity investments. Economic slowdowns or recessions could lead to financial losses in a portfolio and a decrease in revenues, net income and assets.

Investments in Privately Held Middle-Market Companies. The PDG client accounts primarily invest in privately held U.S. middle-market companies. Investments in privately held middle-market companies involve a number of significant risks, including the following:

- these companies may have limited financial resources and may be unable to meet their obligations, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of a PDG client account realizing any guarantees such PDG client account may have obtained in connection with such PDG account investment;
- they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- they typically depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on a PDG client account's portfolio company and, in turn, on such PDG client account;
- they generally have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position; and
- they may have difficulty accessing the capital markets to meet future capital needs.

Debt Investments. A PDG client account's debt investments may be risky and such PDG account could lose all or part of its investment. The debt investments of the PDG are typically not initially rated by any rating agency, but ACM III believes that if such investments were rated, they would be below investment grade (rated lower than "Baa3" by Moody's Investors Service, lower than "BBB-" by Fitch Ratings or lower than "BBB-" by Standard & Poor's Rating

Service). Indebtedness of below investment grade quality is regarded as having predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. Therefore, the PDG client accounts' investments may result in an above average amount of risk and volatility or loss of principal. The PDG accounts also invest in assets other than first and second lien and mezzanine debt investments, including high-yield securities, U.S. government securities, credit derivatives and other structured securities and certain direct equity investments.

These investments entail additional risks that could adversely affect a PDG client account's investment returns.

Investments in Equity Securities. Investments in equity securities, many of which are illiquid with no readily available market, involve a substantial degree of risk. The PDG client accounts may purchase common and other equity securities. Although common stock has historically generated higher average total returns than fixed income securities over the long term, common stock also has experienced significantly more volatility in those returns and in recent years has significantly underperformed relative to fixed income securities. The equity securities a PDG client account acquires may fail to appreciate and may decline in value or become worthless and such PDG client account's ability to recover its investment will depend on such PDG account's portfolio company's success. Investments in equity securities involve a number of significant risks, including:

- any equity investment a PDG client account makes in a portfolio company could be subject to further dilution as a result of the issuance of additional equity interests and to serious risks as a junior security that will be subordinate to all indebtedness (including trade creditors) or senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process;
- to the extent that the portfolio company requires additional capital and is unable to obtain it, a PDG client account may not recover such PDG client account's investment; and
- in some cases, equity securities in which a PDG client account invests will not pay current dividends, and such PDG client account's ability to realize a return on its investment, as well as to recover its investment, will be dependent on the success of the portfolio company.

Even if the portfolio company is successful, such PDG client account's ability to realize the value of its investment may be dependent on the occurrence of a liquidity event, such as a public offering or the sale of the portfolio company. It is likely to take a significant amount of time before a liquidity event occurs or such PDG client account can otherwise sell its investment. In addition, the equity securities such PDG client account receives or invests in may be subject to restrictions on resale during periods in which it could be advantageous to sell them.

There are special risks associated with investing in preferred securities, including:

- preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If a PDG client

account owns a preferred security that is deferring its distributions, such PDG client account may be required to report income for tax purposes before such PDG client account receives such distributions;

- preferred securities are subordinated to debt in terms of priority to income and liquidation payments, and therefore will be subject to greater credit risk than debt;
- preferred securities may be substantially less liquid than many other securities, such as common stock or U.S. government securities; and
- generally, preferred security holders have no voting rights with respect to the issuing company, subject to limited exceptions.

Use of Leverage. PDG portfolios may utilize leverage. Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in a PDG client account. Lenders and holders of senior securities have fixed dollar claims on the assets of an account that are superior to the claims of equity holders. If the value of the assets of an account or client account that utilizes leverage increases, then leveraging would cause the net asset value of such client account to increase more sharply than it would have had it not incurred leverage. Conversely, if the value of the assets of a client account that utilizes leverage decreases, leveraging would cause the net asset value to decline more sharply than it otherwise would have had the client account not incurred leverage. There can be no assurance that a leveraging strategy will be successful.

Lender Liability Claims. There may be circumstances where a PDG client account's debt investments could be subordinated to claims of other creditors or the PDG client accounts could be subject to lender liability claims. If one of a PDG client account's portfolio companies were to go bankrupt, even though such PDG client account may have structured its interest as senior debt, depending on the facts and circumstances, a bankruptcy court might re-characterize such PDG account's debt holding as an equity investment and subordinate all or a portion of such PDG account's claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. For example, a PDG client account could become subject to a lender's liability claim, if, among other things, such PDG client account actually renders significant managerial assistance.

Minority Interests. When a PDG client account is a debt or minority equity investor in a portfolio company, such PDG client account may not be in a position to exert influence on the entity, and stockholders and management of the company may make decisions that could decrease the value of such PDG client account's portfolio holdings.

Leverage. Some of the PDG client account's portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to a PDG client account as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic

conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

Item 9 - Disciplinary Information

Neither ACM III nor any of its management persons has been the subject of any material legal or disciplinary proceedings that are material to a client's evaluation of our business or the integrity of our management.

Item 10 - Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Ares Management has a wholly owned limited broker-dealer subsidiary, Ares Investor Services LLC ("AIS") which filed its initial registration with FINRA on March 14, 2013. Ares Management's Chief Compliance Officer, will be a registered representative of AIS. The registration of such broker-dealer will not result in any relationship or arrangement that is material to ACM III or its clients.

Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors

Neither ACM III nor any of its management persons is registered as a registered futures commission merchant, commodity pool operator ("CPO") or commodity trading advisor. However ACM III intends to file an exemption from registration as a CPO, to the extent required by applicable law.

Relationships with Related Persons

Ares Management, the parent company of ACM III and an SEC-registered adviser, is also the parent company of Ares Capital Management LLC ("ACM"), an SEC-registered investment adviser and the investment manager of Ares Capital Corporation ("ARCC"), a closed-end, non-diversified specialty finance company that is regulated as a business development company under the Investment Company Act. ARCC directly or indirectly also owns 100% of the equity and voting interests of its portfolio company, Ivy Hill Asset Management, L.P. ("Ivy Hill"), an SEC-registered investment adviser. Ares Management is also the parent company of (i) Ares Capital Management II, LLC ("ACM II"), an SEC-registered investment adviser and the investment adviser of Ares Dynamic Credit Allocation Fund, Inc. ("ARDC"; NYSE:ARDC), a non-diversified closed-end management investment company that completed its initial public offering in November 2012, (iii) Ares Management Limited ("AML"), an entity formed in the United Kingdom that is authorized and regulated by the Financial Conduct Authority and (iv) Ares Commercial Real Estate Management LLC ("ACREM"), an SEC-registered investment adviser that was formed in July 2011 and commenced operations in August 2011 and provides advisory services to Ares Commercial Real Estate Corporation ("ACRE"), a specialty finance company that completed its initial public offering of shares of its common stock in April 2012.

ACM III's related parties also include affiliates of Ares Management's that are investment advisers to all of Ares Management's clients and funds and are the general partners and, in many cases, limited partners of such funds.

In the event that an investment opportunity that ACM III evaluates for potential investment by its clients is an eligible investment for more than one client account, it is ACM III's policy that all investment opportunities will, to the extent practicable, be allocated among its clients on a basis that over a period of time is fair and equitable to each client relative to other clients, taking into account all relevant facts and circumstances. See discussion under Item 6 – "*Performance-Based Fees and Side-by-Side Management*" above for more detail on ACM III's allocation policy.

ACM III may recommend to clients the purchase or sale of securities in which it, or principals, officers and employees of it ("Covered Persons") or its related parties has a financial interest. In addition, Covered Persons may engage in personal securities transactions, subject to compliance with the Code (as defined below).

For a general discussion of how we address resulting conflicts of interest, see discussion under Item 11 – "*Code of Ethics*" below.

Selection or Recommendation of Other Advisers

ACM III does not recommend or select other third-party investment advisers for its clients. Except for Ares Management, ACM III's parent, ACM, ACM II, AML, ACREM, each a wholly owned subsidiary of Ares Management, and Ivy Hill, ACM III does not have business relationships with other advisers that create a material conflict of interest.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Statement of Business Ethics and Code of Ethics

Ares Management has adopted an Ethics Policy (the "Code") pursuant to Rule 204A-1 under the Advisers Act that applies to ACM III and sets forth standards of business and fiduciary conduct that ACM III requires of Covered Persons. The Code is reasonably designed to minimize actual or potential conflicts of interest between Covered Persons and the interest of the ACM III, its clients and prevent violation of federal securities laws. The Code includes, among other things, a) policies and procedures regarding personal securities transactions; b) disclosure and reporting obligations of outside business activities, personal securities transactions and holdings; and c) obligations for Covered Persons to report any violations of the Code to the Chief Compliance Officer ("CCO"). Any client or prospective client or investor or prospective investor in a client account managed by ACM III may obtain a copy of the Code upon request.

Participation or Interest in Client Transactions; Personal Trading

The Code provides that no Covered Person may, in breach of any fiduciary duty he or she owes to client accounts advised or managed by ACM III, engage directly or indirectly in any business in a manner detrimental to the client accounts or use confidential information gained by reason

of his or her employment by or affiliation with Ares Management or any of its affiliated entities in a manner detrimental to client accounts. Further, ACM III and its related persons may, for certain client accounts, have indirect beneficial interest in the securities owned by such accounts as general partners of such accounts and will share in any profits and losses generated by such account's investments. The Code requires that before, or at the time that, a Covered Person recommends or authorizes the purchase or sale of a covered security by a client account, he or she must disclose to the CCO: a) any beneficial ownership in such covered security that he or she has or proposes to acquire; b) any interest he or she has or proposes to acquire in any third party account in which such covered security is held; c) any beneficial interest in any other security that may benefit from such proposed purchase, sale or other action; and d) any interest in or relationship with the issuer of such covered security that he or she has or proposes to acquire.

The Code covers personal trading policies and procedures of all Covered Persons and their "covered family members" (as defined in the Code). Under the Code, Covered Persons and their covered family members are permitted to trade in securities for their own accounts so long as they follow the Code, which contains preclearance procedures, reporting requirements and other provisions that restrict trading by Covered Persons. Generally, for all "covered securities" transactions in a Covered Persons or a covered family member account, Covered Persons are required to obtain preclearance approval from the Compliance Department. Covered securities purchased by a Covered Person or a covered family member are generally subject to a minimum holding period. The Code also requires that all covered securities holdings and transaction information in covered securities accounts be disclosed to the Compliance Department. Any transactions in securities or investments that are held by one or more client accounts are generally subject to a blackout period of two business days after any client has traded in any security of that issuer. The Code's personal trading procedures are administered by the Ares Management's Compliance Department.

Other Potential Conflicts

From time to time, subject to the applicable Governing Documents, a client account may engage in cross trades with one or more other client accounts, typically for purposes of rebalancing portfolios, in order to further such participating client account investment programs, or for other reasons consistent with the investment and operating guidelines of such participating client accounts. Neither ACM III nor its affiliates will receive commission or similar fees in connection with such cross trade. Generally, the value of any positions that are cross-traded in this manner will be determined in a manner that is consistent with applicable policies.

ACM III and its related persons may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain collective investment vehicles managed by ACM III in connection with certain "warehousing" transactions, provided that the sale is consistent with ACM III's fiduciary obligations to such collective investment vehicles. Such transactions will be fully disclosed in writing, and the written consent of the appropriate collective investment vehicle (which, in certain circumstances, may be provided by a collective investment vehicle's advisory committee) will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act and all other applicable state and federal securities laws.

ACM III may make investments on its own behalf and on behalf of its affiliates in securities it recommends to client accounts. Any such co-investments or related transactions may raise potential conflicts of interest, particularly if a client account invests in different classes or types of securities in a portfolio company. In such cases, the interest of one client account may not always be aligned with the other fund or client account and may pose an actual or potential conflict of interest, as a client account may pursue or enforce rights with respect to an investment, and those activities may have an adverse effect on the client accounts as prices, liquidity, terms of the investments and levels of risk may be negatively impacted by such actions.

Item 12 - Brokerage Practices

Subject to the investment objectives, policies and restrictions of each client account as set forth in the Governing Documents thereof, ACM III has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each client account, including the selection of, and commissions paid to, brokers.

ACM III may originate and engage in privately negotiated transactions directly with borrowers and may not utilize broker-dealers to effect portfolio investments. However, in certain transactions, including but not limited to investments in CMBS and CRE CDO bonds, ACM III may effect transactions through a broker-dealer. In selecting broker-dealers to effect transactions, ACM III seeks to obtain best execution by considering various factors including, but not limited to, price (including the applicable brokerage commission or dealer spread), size of order, timeliness and certainty of execution, liquidity of the securities traded, expertise as it relates to specific securities, counterparty risk and business reputation. While ACM III may seek reasonably competitive trade execution costs, a client account will not necessarily pay the lowest spread or commission available.

From time to time, ACM III may receive client or investor referrals from broker-dealers, which may provide an incentive for ACM III to select or recommend certain broker-dealers for execution services.

Research and Other Soft Dollar Benefits

Section 28(e) of the Securities Exchange Act of 1934 (the “Exchange Act”) provides a safe harbor that permits advisers, when selecting brokers to execute transactions for client accounts, to take into account certain research products and services provided to the adviser by brokers. ACM III does not engage in soft dollar arrangements.

ACM III will not consider, in selecting or recommending broker-dealers, whether it will receive client referrals.

ACM III does not permit clients to direct brokerage.

Trade Aggregation

Under ACM III’s policy respecting aggregation of orders, orders for the same investment, including acquisition and disposition transactions, entered on behalf of more than one client may

be aggregated (i.e., blocked or bunched), subject to the aggregation being in the best interests of all participating clients. The trade order must indicate the amount or percentage of the trade intended to be allocated to each participating client. If the final allocation differs from the initially indicated allocation or is not allocated on a pro rata basis for partially filled orders, except in the case of de minimus changes in the allocations, a written rationale must be provided in the allocation statement. Please refer to “*Item 6. Side –by-Side Management*” for further information regarding ACM III’s allocation policy.

Item 13 - Review of Accounts

Review of Client Accounts

ACM III monitors all portfolio investments on behalf of each client account on an ongoing basis. Investments are reviewed in the context of each client account’s (i) adherence to the investment objectives and guidelines as set forth in its Governing Documents and (ii) investment performance. Subsequent to an investment, each position is monitored on an ongoing basis by at least one investment professional. The monitoring may include ongoing dialogue with a borrower’s management, financing sources, rating agencies, fixed income analysts, competitors, and/or other industry sources. In addition, a client’s investments as well as a client’s overall performance and adherence to its investment mandates and restrictions are monitored on an ongoing basis by senior investment professionals, including portfolio managers in the Capital Markets Group and senior partners in the Private Debt Group, as applicable..

Reports to Clients

ACM III provides reports to client accounts as required by the applicable Governing Documents. Investors in client accounts should refer to the applicable Governing Documents for further information on the reports provided to a particular client account.

The Governing Documents of certain client accounts may require quarterly and annual financial statements to be distributed and ACM III also typically provides written investor letters with respect to the performance of a client account. ACM III distributes K-1 filings to investors, where applicable, and provides certain other reports and analyses to investors and potential investors upon request.

With respect to certain client accounts that are structured as collateralized loan obligations or similarly structured finance vehicles, additional compliance reporting may be provided by the trustee or another third party. Additionally, ACM III may prepare periodic investor letters, portfolio profile summaries and pro forma results to supplement and further clarify any third party reports.

Finally, ACM III may discuss client accounts with clients either in person or telephonically as appropriate.

Item 14 - Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

In connection with investments made by certain of the client accounts, Ares Management or its related persons may receive commitment, structuring, monitoring or other transaction fees from portfolio investments in which one or more of the client accounts may invest or propose to invest. See discussion under Item 5 – “*Transaction-Based Compensation*” above for more detail on the transaction fees received by ACM III.

Third Party Compensation for Client Referrals

None.

Item 15 - Custody

It is ACM III’s general policy to not have physical custody of any client assets. However, ACM III may be deemed to have custody of the assets of certain client accounts it manages because of the authority it or a related party has over such collective investment vehicles or their assets. It is ACM III’s policy generally to cause each client account with assets over which ACM III is deemed to have “custody” to be audited annually and to distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such collective investment vehicle, ACM III will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such client account to all investors promptly after completion of the audit.

In the alternative, where ACM III is deemed to have custody of a client account solely due to its ability to withdraw client funds to pay its advisory fees, ACM III may comply with the custody rules under the Advisers Act by having a reasonable belief that a qualified custodian will send quarterly account statements to each investor or client. ACM III urges all clients and investors to compare the reports they receive from ACM III to the statements they receive from their custodians. Any issues or discrepancies should be communicated to ACM III promptly.

Item 16 - Investment Discretion

Subject to the investment objectives, policies and restrictions of each client account managed by ACM III, as set forth in the Governing Documents of such client account, ACM III has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each such client account, including the selection of, and commissions paid to, broker-dealers.

Item 17 - Voting Client Securities

Client accounts managed by ACM III may infrequently acquire voting securities. In instances where a client account owns equity securities in which it has the right to vote via shareholder

proxy (each a “Voting Security”), ACM III generally retains proxy voting authority with respect to these Voting Securities. Ares Management has adopted and implemented written Proxy Voting Policies and Procedures (“Proxy Voting Procedures”) that are applicable to its affiliates, including ACM III, and are designed to reasonably ensure that ACM III votes proxies in the best interests of its advisory clients for whom ACM III has voting authority.

The Proxy Voting Procedures describe the positions ACM III generally takes in voting proxies on particular issues and require ACM III to keep records with respect to the votes cast.

The Proxy Voting Procedures also provide that, in the event a particular proxy vote would involve a conflict between the interests of ACM III and its affiliates, and those of one or more clients of ACM III, ACM III, if it so elects, may:

- vote in accordance with the recommendations of a disinterested third party;
- refer the voting decision to the client; or
- abstain from voting.

Clients may obtain a copy of Ares Management’s Proxy Voting Procedures or information about how ACM III voted client proxies by contacting Ares Management’s Compliance Department at (310) 201-4100.

Item 18 - Financial Information

Not Applicable.