

ARES DYNAMIC CREDIT ALLOCATION FUND, INC.

Audit Committee Charter

(as of December 27, 2016)

I. Purpose

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Ares Dynamic Credit Allocation Fund, Inc. (the “Fund”) is to assist the Board in its oversight of: (1) the integrity of the Fund’s financial statements; (2) the Fund’s compliance with legal and regulatory requirements; and (3) the retention, qualifications and independence, and performance of any independent registered public accounting firm engaged by the Fund. In addition, the Committee shall prepare an audit committee report for inclusion in the Fund’s annual proxy statement. In particular, the Committee shall oversee:

- the Fund’s accounting and financial reporting processes;
- the audits conducted by the Fund’s independent registered public accounting firm; and
- communications among the independent registered public accounting firm, the officers of the Fund, management of Ares Capital Management II LLC (the “Adviser”) and the Board.

The function of the Committee is oversight. While the Committee has the responsibilities and powers set forth in this charter of the Committee (this “Charter”), it is not the duty of the Committee to plan or conduct audits or to determine that the Fund’s financial statements and disclosures are complete and accurate, fairly present the information shown or are in accordance with generally accepted accounting principles (“GAAP”) and applicable rules and regulations. Nor is it the duty of the Committee to conduct investigations or to assure compliance with any law, regulation or rule of the New York Stock Exchange (the “NYSE”), or the Fund’s Corporate Governance Guidelines or Code of Business Conduct and Ethics. The Fund’s officers, management of the Adviser and the Fund’s third party fund administrator and fund accountant are primarily responsible for maintaining appropriate systems for the Fund’s accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The Fund’s independent public registered accounting firm is primarily responsible for planning and carrying out a proper audit of the Fund’s annual financial statements in accordance with GAAP. The Fund’s independent public registered accounting firm is accountable to the Board and the Committee, as representatives of the Fund’s stockholders.

Each member of the Committee shall be entitled to rely on: (1) the integrity of those persons within and outside the Fund and officers of the Fund and management of the Adviser, and any entity controlling, controlled by or under common control with the Adviser which provides services to the Fund (collectively, the “Adviser Entities”), and any other service provider to the Fund, from which he or she receives information; (2) the accuracy of the financial

and other information provided to the Committee absent actual knowledge to the contrary by the Committee (which shall be reported promptly by the Committee to the Board); and (3) statements made by the officers of the Fund and management of the Adviser, if any, or other third parties as to any information technology, internal audit and other non-audit services provided by the Fund's independent registered public accounting firm.

In fulfilling their responsibilities thereunder, it is recognized that Committee members are not employees of the Fund, the Adviser or any other Adviser Entity and are not, and do not represent themselves to be, accountants or auditors by profession. As such, it is not the duty or the responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures, to determine that the Fund's financial statements are complete and accurate and are in accordance with GAAP, or to set auditor independence standards. In carrying out its responsibilities, the Committee's policies and procedures shall be adapted, as appropriate, to best react to a changing regulatory environment.

II. Membership

The Committee shall consist of no fewer than three directors. Except as may otherwise be permitted by the rules of the NYSE and the Securities and Exchange Commission (the "SEC"), each member of the Committee shall, (1) in the determination of the Board, be an "Independent Director" and (2) be financially literate, as determined by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. For purposes of this Charter, "Independent Directors" are Fund directors who (i) are not "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the Fund; (ii) satisfy the independence and other requirements established by the NYSE relevant to closed-end funds; and (iii) meet the independence requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10A-3(b)(1) under the Exchange Act, including the requirement that they not accept directly or indirectly any consulting, advisory, or other compensatory fee from the Fund or any subsidiary thereof (other than directors' fees received in his or her capacity as a member of the Committee, Board or another committee of the Board of the Fund or such subsidiary). In addition, the Committee shall at all times include at least one member who has accounting or related financial management expertise, as the Board's interprets such qualification in its business judgment.

As a matter of best practices, the Committee will endeavor to have at least one of its members with the requisite qualifications to be designated by the Board as an "audit committee financial expert," as such term is defined by the Sarbanes-Oxley Act of 2002 and rules adopted thereunder from time to time ("ACFE"). The Committee shall consider at least annually whether one or more of its members qualifies to be designated by the Board as an ACFE. Any Committee member who is determined to be an ACFE will not be deemed an "expert" for any purpose, including without limitation for purposes of Section 11 of the Securities Act of 1933, as amended. The designation or identification of a Committee member as an ACFE does not impose on such member any duties, obligations or liability that are greater than the duties, obligations and liability imposed on any other member of the Committee or Board in the absence of such designation or identification. The designation or identification of a Committee member as an ACFE does not affect the duties, obligations or liability of any other member of the Committee or Board.

If a Committee member simultaneously serves on the audit committees of more than three public companies, the Board must determine that such simultaneous service would not impair such member's ability to effectively serve on the Committee and the Fund must disclose such determination in its annual proxy statement.

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Governance Committee of the Board to serve in accordance with the Fund's bylaws and at the discretion of the Board and may be removed by the Board at any time. Unless a Chairperson of the Committee (a "Chair") is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

III. Meetings; Rules of Procedure

The Committee shall meet semi-annually, or more frequently as circumstances dictate. Special meetings may be convened as the Committee deems necessary or appropriate. The Committee may ask officers of the Fund, management of the Adviser or others to attend a meeting of the Committee (or to meet with any member of, or advisors to, the Committee) and provide pertinent information as necessary or desirable. The Committee may adopt such procedures as it deems appropriate and necessary to carry out its duties and responsibilities. The Committee shall report regularly to the Board, not less frequently than semi-annually.

Notice of Committee meetings shall be given in the same manner as notice for special meetings of the Board. A majority of the members of the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The act of a majority of the Committee members present at a meeting shall be the act of the Committee.

The Fund shall provide for appropriate funding, as determined by the Committee, for payment of: (1) compensation to any independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund; (2) compensation to any advisers (including independent counsel and compensation consultants) employed by the Committee; and (3) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

IV. Responsibilities and Duties

The Committee shall have the following responsibilities and duties:

1. The Committee shall be directly responsible for the appointment (and recommendation to the Board for selection), compensation, retention and oversight of the work of any independent registered public accounting firm engaged by the Fund for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund. Each such independent registered public accounting firm shall report directly to the Committee.
2. The Committee shall, at least annually, obtain and review a report from the Fund's independent registered public accounting firm describing (a) the firm's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by

governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (c) all relationships between the independent registered public accounting firm and the Fund, including as required by the requirements of Public Company Accounting Oversight Board (“PCAOB”) Rule 3526.

3. The Committee shall, at least annually, review and evaluate the qualifications, performance and independence of the lead partner of the Fund’s independent registered public accounting firm, assure that neither the lead partner nor the concurring partner of the Fund’s independent registered public accounting firm serves, respectively, in that capacity for more than five years (or such other period as may be prescribed by rules and/or regulations of the NYSE, the SEC, the Financial Accounting Standards Board or other similar governing bodies) and present to the Board its conclusions with respect to the independent registered public accounting firm, including with respect to each of the matters set forth in Section IV.2 above and whether the firm should be changed periodically.
4. The Committee shall assist the Board in fulfilling its oversight responsibilities related to the Fund’s systems of internal controls and disclosure controls and procedures.
5. The Committee shall review the Fund’s annual audited and semi-annual unaudited financial statements, including any certification, report or opinion rendered by the Fund’s independent registered public accounting firm, and discuss the same (including the Fund’s disclosures under “Management’s Discussion of Fund Performance” if the Fund chooses to voluntarily include such section in its Form N-CSR) with management and the Fund’s independent registered public accounting firm.
6. The Committee shall discuss the Fund’s earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies (which discussions may be general in nature, such as the types of information to be disclosed and the type of presentation to be made), provided that each earnings release or guidance need not be discussed in advance.
7. The Committee shall meet with the Fund’s the independent registered public accounting firm to consider and review: (i) the arrangements for and the scope of the Fund’s annual audit and any special audits or other special permissible services; (ii) the Fund’s financial statements, and to discuss any matters of concern arising in connection with audits of such financial statements, including any recommended adjustments to such statements or any other results of the audits; (iii) the appropriateness and adequacy of the Fund’s accounting and financial reporting policies, procedures and internal controls and, as appropriate, the internal controls of the Adviser and other service providers to the Fund; (iv) management’s responses to the auditors’ comments relating to those policies, procedures and controls, and to any special steps adopted in light of any material control deficiencies identified by the Fund’s independent public registered accounting firm; and (v) any audit problems or difficulties and management’s response thereto, including any difficulties the auditor encountered in the course of the audit work, any restrictions on the scope of the auditor’s activities or on access to requested

information and any significant disagreements with management (if applicable, such review may also include any accounting adjustments that were noted or proposed by such auditors but were “passed” (including similar adjustments that were passed because individually they were not material), any communications between the independent registered public accounting firm and its national office respecting auditing or accounting issues presented by the engagement, any “management” or “internal control” letter issued, or proposed to be issued, by such auditors to the Fund and all other material written communications between the independent registered public accounting firm and the Fund’s officers and management of the Adviser). The Committee shall obtain assurances from the independent registered public accounting firm that the audit was conducted in a manner consistent with Section 10A of the Exchange Act.

8. The Committee, with input from the officers of the Fund and management of the Adviser, shall discuss and review guidelines and policies with respect to risk assessment and risk management, including the Fund’s major financial risk exposures and the steps management has taken to monitor and control such exposures.
9. The Committee shall meet separately, periodically, with management of the Adviser, appropriate personnel responsible for the internal audit function, if any, and the Fund’s independent registered public accounting firm.
10. The Committee shall ensure that the Adviser and its affiliates (and, if the Fund were to hire its own employees, the Fund) have set clear hiring policies for employees or former employees of the Fund’s independent registered public accounting firm.
11. The Committee shall review and discuss, including with the Fund’s independent registered public accounting firm: (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Fund’s selection or application of accounting principles, and major issues as to the adequacy of the Fund’s internal controls, including any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the Fund’s independent registered public accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Fund’s financial statements.
12. The Committee shall establish and review periodically procedures for (a) the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal accounting controls or auditing matters, and (b) the confidential, anonymous submission by employees of the Fund, or employees of the Adviser or its affiliates, of concerns regarding questionable accounting or auditing matters.
13. The Committee shall report regularly to the Board on its activities, as appropriate. In connection therewith, the Committee shall review with the full Board any issues that arise with respect to the quality or integrity of the Fund’s financial statements, the

Fund's compliance with legal or regulatory requirements, or the performance and independence of the Fund's independent auditors.

14. To the extent permitted under applicable laws, regulations and NYSE rules, the Committee may form and delegate authority to sub-committees or to any other Independent Director or committee comprised entirely of Independent Directors, in each case, to the extent the Committee deems necessary or appropriate. The Committee may consult with or obtain input from management of the Adviser, but, except as expressly provided herein, shall not delegate any of its responsibilities to management.
15. Other than as prohibited by SEC, NYSE or other applicable rules and regulations, the Committee may designate any member of the Committee to execute documents on its behalf as the Committee deems necessary or appropriate to carry out its responsibilities hereunder.
16. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for its approval. The Committee also shall, at least annually, conduct a performance evaluation.
17. The Committee shall, to the extent required by any applicable legal or regulatory requirement, pre-approve all auditing services and permitted non-audit services provided to the Fund by its independent registered public accounting firm. The Committee shall also pre-approve any permitted non-audit services provided by the Fund's independent registered public accounting firm to the Adviser or any Adviser Entities that provide ongoing services to the Fund that relate directly to the operations and financial reporting of the Fund (the "Related Services"). To the extent permitted by applicable laws, regulations and NYSE rules, the Committee may delegate pre-approval of audit and non-audit services to one or more members of the Committee. Such member(s) must then report to the full Committee at its next scheduled meeting if such member(s) pre-approved any audit or permitted non-audit services. The Committee may adopt policies and procedures for required pre-approvals.
18. The Committee shall have the authority to engage independent counsel, accounting, compensation consultants and other advisors, as the Committee determines necessary or appropriate to carry out its duties and responsibilities. The Committee shall have the sole authority to approve all fees and terms of engagement of such advisors. The Committee shall have the power to conduct or authorize investigations into any matter within the Committee's scope of responsibilities.
19. The Committee shall review and approve all related-party transactions required to be disclosed according to SEC Regulation S-K, Item 404, and discuss with management the business rationale for the transactions and whether appropriate disclosures have been made.

V. General

The Committee may diverge from the specific activities outlined throughout this Charter, as appropriate, if circumstances or regulatory requirements change. In addition to these

activities, the Committee may perform such other functions as necessary or appropriate under applicable laws, regulations, NYSE rules, the Fund's charter and bylaws, and the resolutions and other directives of the Board, each as in effect from time to time. This Charter may be amended from time to time by the Board.

This Charter may be made available on the Fund's website and to any stockholder who otherwise requests a copy.