Ares Corporate Opportunities Fund IV, L.P.
Annual Report
December 31, 2017

Confidential

ARES CORPORATE OPPORTUNITIES FUND IV, L.P.

December 31, 2017

ACOF Management IV, L.P., as the General Partner of Ares Corporate Opportunities Fund IV, L.P. together with its related alternative investment vehicles[1], "ACOF IV" or the "Fund", is pleased to distribute this Annual Report to Limited Partners for the year ended December 31, 2017. ACOF IV was established with an aggregate of $4.7 billion in committed capital and through March 9, 2018 has distributed an aggregate of $2.502 billion[3] of cash since inception or 53% of fund size to investors.

As of March 9, 2018			
Total Invested Capital:	$3.874 billion	Total Estimated Remaining Value:	$4.305 billion[2]
Total Distributions:	$2.502 billion[3]	Total Value:	$6.807 billion[1,4]

Investment Summary

We are pleased to report that through mid-March 2018, ACOF IV has deployed or committed approximately $4.3 billion[5] since commencing investment activities in November 2012. For the quarter ended December 31, 2017, ACOF IV had a gross IRR of 24% and a gross realized and unrealized multiple of invested capital of 1.8x[6].

Notable 2017 investment activities include the following:

1) In January 2017, ACOF IV closed on a share purchase in Verdad Resources and funded additional growth capital
2) In March 2017, ACOF IV increased its previously announced commitment to Development Capital Resources to $350 million and has funded $36 million through December 2017
3) In June 2017, ACOF IV acquired DevaCurl for $260 million

[1] Related entities as of December 31, 2017 are ACOF IV CWC AIV Unblocked Feeder, L.P., ACOF IV CWC AIV Blocked Feeder, L.P., ACOF IV BB AIV Onshore Feeder, L.P., ACOF IV BB AIV Onshore Feeder II, L.P., ACOF IV BB AIV Offshore Feeder I, L.P., ACOF IV BB AIV Offshore Feeder II, L.P., ACOF IV BB AIV Offshore Feeder III, L.P., ACOF IV BB AIV Offshore Feeder IV, L.P., ACOF IV BB AIV Offshore Feeder V, L.P., and ACOF IV BB AIV Offshore Feeder VI, L.P., AF IV Energy AIV A1-A11, L.P., L.P, AF IV Energy AIV B1, L.P., AF IV Energy Feeder A, L.P., AF IV Energy Feeder B, L.P., AF IV Energy Feeder C, L.P., AF IV Energy Feeder D, L.P., AF IV Energy Feeder E, L.P., AF IV Energy Feeder F, L.P., and AF IV Energy Feeder G, L.P., AF IV Energy G Ltd, AF IV Energy Feeder I, L.P., AF IV Energy Feeder J, L.P., AF IV Energy Feeder K, L.P., AF IV Energy II AIV A1-A12, L.P., AF IV Energy II AIV B1, L.P., ACOF IV Energy III AIV, L.P., ACOF IV Energy III Cayman Feeder I-III, L.P., ACOF IV Energy III Delaware Feeder, L.P., ACOF IV Energy IV AIV, L.P., ACOF IV Energy IV Cayman Feeder I-III, L.P. and ACOF IV Energy IV Delaware Feeder , L.P. Notwithstanding discrete investments made by such related entities, information in this report is presented on an aggregate basis unless otherwise indicated.

[2] Based on aggregate estimated valuation at December 31, 2017, except publicly traded securities which are valued as of March 9, 2018. Includes accrued and unpaid cash interest as of March 9, 2018.

[3] Includes $11.2 million of realized proceeds from investments that were undistributed as of March 9, 2018

[4] Represents realized and unrealized value. Unrealized value is subject to volatility in the marketplace. There can be no assurance that unrealized value will be achieved. Past performance is not indicative of future results.

[5] Includes ACOF IV's unfunded commitments to DCR of $314 million and Verdad of $163 million as of December 31, 2017.

[6] Net IRR at December 31, 2017 of 16% and net MIC of 1.5x. Net numbers are after giving effect to management and incentive fees and other expenses and exclude commitments by the General Partner and Schedule I investors who do not pay management fees. Net IRRs do not take into consideration the timing of contributions and distributions to and from the funds. Net investor IRR since inception through December 31, 2017 is 15%. Net investor IRR is an internal rate of return generally based on aggregate periodic cash flow activities of the limited partners and generally reflects and includes the impact of applicable management fees, performance fees or carried interest as if the investments in existence as of December 31, 2017 were liquidated at the estimated fair values and proceeds distributed accordingly, after the payment of net liabilities. The General Partner and Schedule I investors do not bear management fee or carried interest and are excluded for purposes of calculating the net investor IRR. The Funds may utilize a credit facility during the investment period and for general cash management purposes. Net investor IRRs would be lower had the Fund called capital on a "just in time" basis from investors instead of utilizing the credit facility.

4) In June 2017, ACOF IV and ACOF V, along with another financial sponsor, acquired majority control of Aspen Dental from American Securities for $2.1 billion.
5) In July 2017, ACOF IV sold a minority stake of NVA to OMERS at a total enterprise value of $2,900 million
6) In August 2017, ACOF IV closed the majority sale of ObHG at an enterprise value of $625 million
7) In connection with Clayton William's merger with Noble Energy ("NBL") in Spring 2017, ACOF IV received total cash consideration of $230.6 million and 18.3 million NBL stock for its common stock and warrant holdings and a $242.1 million repayment on the Second Lien Term Loan. Following the transaction, ACOF IV has opportunistically sold its NBL shares in several open market transactions, and contributed its holdings to a bankruptcy remote portfolio holding vehicle, which were pledged as collateral for a $140.4 million loan, the proceeds of which were returned to investors.
8) In February 2018, ACOF IV invested an additional $5.5 million in Halcon in connection with a follow-on offering. Pro forma for these investments, ACOF IV has $179.1 million invested in Halcon and owns 8.7% of the Company's outstanding common shares.

We continue to focus on maintaining our disciplined approach of pursuing high quality companies with strong organic growth prospects and world-class management teams. We believe selectivity will be rewarded in the long term and are therefore working hard to cultivate attractive risk/reward opportunities in traditional or distressed situations where we have a differentiated growth vision for a company.

Market Environment[1]

Credit markets closed out 2017 with subdued performance for the month of December as many participants curtailed activity ahead of the holidays, although improving economic conditions, rising earnings and accommodative monetary policy provided tailwinds for another positive year of spread tightening. The ICE BofAML High Yield Master II Index returned 7.48% for 2017 primarily driven by the CCC portion of the index which returned 10.59% during the year. Consistent CLO issuance throughout 2017 combined with a dearth of bank loan new issuance has kept technical conditions within the asset class vibrant, keeping asset prices close to par; offset in part by repricings. The Credit Suisse Leveraged Loan Index posting a 4.25% return for 2017. European credit indices moved in concert with their U.S. counterparts as a combination of quantitative easing efforts by the European Central Bank ("ECB") and improved risk appetite by investors kept demand for higher yielding assets robust. The ICE BofAML European High Yield Index posted a 6.74% return for 2017 while the Credit Suisse Western European Leveraged Loan Index returned a positive 5.32%. Equity markets, measured by the S&P 500 Index, outperformed most asset classes in 2017 returning 21.83% as enthusiasm around improving economic conditions and corporate tax reform becoming a reality propelled the index to multiple record highs throughout the year.

Bullish investors anticipating fiscal stimulus and pro-business policies from the nascent Trump Administration fueled a risk-on mentality that continued throughout 2017. Over the course of the year, intermittent angst due to unstable oil prices and an erratic new White House proved to be of little concern as volatility, as measured by the CBOE Volatility Index ("VIX"), repeatedly fell to multi-decade lows, and equity and credit markets rallied in concert. Yet, the overarching theme in 2017 was an increasingly strong fundamental macroeconomic environment that continuously buoyed

[1] Compiled from S&P/LCD and other sources. This document contains information sourced from BofA Merrill Lynch, used with permission. BOFA MERRILL LYNCH's GLOBAL RESEARCH DIVISION'S FIXED INCOME PLATFORM IS LICENSING THE ICE BOFAML INDICES AND RELATED DATA "AS IS," MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE ICE BOFAML INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THEIR USE, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND ARES MANAGEMENT, OR ANY OF ITS PRODUCTS OR SERVICES.

asset prices. Following a return to growth in 2016, U.S. corporate earnings continued to demonstrate strength throughout 2017. U.S. corporations, as measured by the S&P 500, reported earnings per share growth of 14.6%, 10.0%, and 7.2% in the first, second and third quarters, respectively—with earnings growth in the fourth quarter estimated to be 11.3%.[1] While GDP growth underwhelmed in Q1'17 at 1.9%, a strong reversal in the second and third quarters resulted in real GDP growth of 3.1% and 3.2%, respectively.[2] Moreover, according to the Federal Open Markets Committee ("FOMC"), GDP estimates for the full year 2017 are 2.1%, up from 1.9% in 2016. A robust labor market in 2017 also contributed to a healthy economy with unemployment decreasing from 4.8% to 4.1%, a 16-year low.[3] Against this economic backdrop, the U.S. Federal Reserve ("Fed") took the opportunity to begin normalizing interest rates after years of accommodative policy. Under Chairwoman Janet Yellen, the Fed raised interest rates in three 0.25% hikes in a well telegraphed performance that kept markets relatively tranquil amidst these moves. The Federal Funds Rate is now set between 1.25% - 1.50% with expectations for another three rate hikes in 2018. Additionally, the Fed initiated a seamless unwinding of its massive $4 trillion balance sheet in September. Despite these monetary machinations, yields on U.S. 10-year Treasury notes remained mostly flat, ending the year at 2.41% versus 2.44% a year prior.[4] A prudent and cautious Fed is largely responsible for this flattening of the yield curve. However, tepid inflation has lingered as an area of concern with core PCE well below the Fed's target of 2.0%. Expectations for inflation remain muted, and thus will likely be a focus for central bankers as the economic environment evolves over the course of 2018.

The year concluded with a historic legislative moment as the Trump Administration garnered its first major victory with "The Tax Cuts and Jobs Act". While the full impact of this reform is unknown, general consensus for businesses surrounding the Bill has been favorable due to the steep decrease in the corporate tax rate (35% to 21%). Economists estimate this could return over $1 trillion to U.S. corporations over the next decade, as well as catalyze a repatriation of cash onshore. From a credit perspective, we believe this will largely be a net positive to companies within the noninvestment grade space. However, the new deductible limit of 30% of EBITDA on interest expense and 80% of net operating loss carry forwards could negatively impact highly levered credits within the lower-tiered segment of the market. Thus far in 2018, markets have applauded the reform and welcomed this long-awaited fiscal stimulus, particularly in light of tightening monetary policy. As a result, equity markets have hit fresh highs and companies have begun raising earnings guidance for 2018. In the near-term these developments should continue to act as a tailwind to capital markets.

At the onset of 2017, looming geopolitical events across Europe haunted an already stagnant economic outlook. However, as the year unfolded, the European narrative was not a story of political upheaval, but rather of surprise growth to the upside. Europe's economy consistently beat expectations throughout 2017, expanding at an estimated 2.4% versus estimates of just 1.7% at the start of the year.[5] This marks the best economic growth in Europe in over a decade, as well as the lowest unemployment rate (8.7%) since January 2009.[6] This robust economic recovery reignited discussions surrounding the ECB's unabated stimulative monetary policy. Following a series of highly anticipated overtures throughout the summer, Mario Draghi, President of the ECB, announced in late October plans to begin tapering the quantitative easing program. Under the proposed guidelines, the ECB will cut bond purchases at a dovish rate of €60 billion per month to €30 billion per month starting in September of 2018. Meanwhile, across the Continent threatening Populist movements failed to materialize, broadly boosting investor sentiment. In the bellwether French election, far-right leader, Marine Le Pen, was defeated in an overwhelming victory for

[1] Source: BofAML US Equity & Quant Strategy, S&P, "First Call"
[2] Department of Commerce: Bureau of Economic Analysis ("BEA"), December 21, 2017
[3] Bureau of Labor and Statistics, January 5, 2018
[4] Bloomberg, January 9, 2018
[5] Financial Times, "Eurozone Manufacturing Sector Grows at Fastest Pace on Record," January 3, 2018.
[6] Eurostat, January 9, 2018.

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centrist Emmanuel Macron. Similarly, centrist candidates notched victories in the Netherlands, Germany, and Italy. Even developments in Britain regarding Brexit surprised to the upside. Theresa May's stinging failure to gain greater control of Parliament in a June referendum hampered her grip over the country. Consequently, negotiations with the E.U. on Brexit arrangements led to the more favored path of a "soft" Brexit rather than a "hard" Brexit, alleviating a concern that shadowed investors since the initial June 2016 decision.

Heading into 2018, the outlook for the Eurozone economy appears to be gaining further momentum. As has been the general trend throughout 2017, final figures for the Purchasing Managers Index ("PMI") in December were 57.5, the highest figure reported since February 2011.[1] In addition, GDP growth estimates indicate an accelerated figure of 0.8% in the fourth quarter of 2017, providing significant tailwinds as we head into the New Year.[2] However, Eurostat reported a decrease in inflation in December from 1.5% to 1.4%. Despite the strong economic growth, weak inflation has persisted in the Eurozone. This will likely be a pivotal piece of the puzzle in 2018 as the ECB begins its tapering program and considers potential interest rate hikes. Nonetheless, after years of stagnant growth, we believe the bright economic landscape in Europe should propel investor confidence into 2018.

The technical environment for loans and high yield bonds was largely influenced by refinancing, record-high institutional demand, and divergent interest from retail investors for the respective asset classes. Within the loan market, $22 billion of new-issue volume came to market in December, the second highest December reading on record by LCD. Total new-issue volume in 2017 was approximately $503 billion, a record based on data from LCD and an increase of 49% relative to 2016. New-issue volume was consistent throughout the year as volume exceeded $100 billion for three out of four quarters during the year. Supply conditions were largely driven by refinancing and dividend recapitalizations, which combined represented 47% of total new-issue volume. Issuers utilizing the loan market were largely of higher credit quality as approximately 95% of the deals tracked by S&P Global Market Intelligence had a credit rating of single-B or higher. In regards to demand, trends from institutional and retail investors began to diverge after a surge of inflows during the first half of 2017. Per S&P, CLO formation exceeded consensus expectations in 2017 as $118 billion of issuance came to market which represents an increase of 63% relative to 2016 and the highest total recorded since 2014. These totals are in spite of a weak start to 2017 which saw $98 million come to market in January, the lowest monthly total on record per LCD. Limited demand from institutional investors in January was offset by strong interest from retail investors during the month and first quarter of 2017 on the heels of the Fed's December 2016 rate hike. Bank Loan mutual funds and ETFs reported a net inflow of $6.7 billion in January and $20 billion during the first half of 2017. While demand steadily evaporated during the year, net outflows were recorded in four of the final six months and culminated with a net outflow of $1.6 billion in December; a net inflow of $14 billion from retail investors was recorded in 2017 by LCD. Similar issuance themes occurred within the high yield market during the year as the relatively higher presence of retail investors influenced demand for the asset class. New-issue volume totaled $328 billion in 2017, an increase of 15% from 2016 and the fourth highest calendar year on record according to J.P. Morgan. Similar to the loan market, refinancing and repricing had a significant impact on supply as 63% of new-issue volume was for these purposes. On a quarterly basis, new-issue volume steadily declined from $99 billion during the first quarter to $73 billion during the fourth quarter; the latter roughly in-line with seasonal averages per J.P. Morgan. New-issue volume skewed towards higher quality bonds during the year as only approximately 10% of volume was CCC-rated. After a positive 2016, demand from retail investors reversed course in 2017 with a net outflow of $20.3 billion being recorded by J.P. Morgan and Lipper. Net outflows were recorded for eight of the twelve months in 2017, culminating with a net outflow of $2.1 billion in December.

[1] IHS Markit, PMI Report, January 4, 2018.
[2] IHS Markit, PMI Report, January 4, 2018.

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Summary

Thank you again for your continued support and partnership. If you have any comments or questions regarding any of our investment activities, or if you would like to receive a copy of the current version of Ares Management LLC's Form ADV Part II, please contact Merritt Hooper (310) 201-4190 in Investor Relations.

Sincerely,

David Kaplan
(310) 201-4164

Bennett Rosenthal
(310) 201-4210

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Exhibit A
Investment Summaries

Certain statements made in this Annual Report that are not historical facts are forward-looking statements regarding future plans, objectives and expected performance of the Fund or its portfolio companies. While such forward-looking statements are based on assumptions that the Fund or the portfolio company (as the case may be) believes are reasonable, they are subject to a wide range of risks and uncertainties and, therefore, there can be no assurance that actual results will not differ from those expressed or implied by such forward-looking statements. Portfolio information contained herein was not necessarily prepared in accordance with disclosure rules promulgated by the Securities and Exchange Commission (the "SEC") designed for public reporting. As such, the presentation of such information herein, whether historical or forward looking, may vary from other publicly reported information by the subject portfolio company and may, in certain instances, constitute material non-public information. Where relevant, recipients are reminded that applicable securities laws restrict transactions in securities when a party is in possession of material non-public information respecting the issuer of such securities. Information respecting prior or past performance is generally presented prior to giving effect to management and incentive fees and deductions for taxes, the application of any of which would reduce the amounts received. Moreover, past performance is not indicative of future results. Further, for those portfolio companies with publicly traded securities or securities otherwise registered with the SEC, reference is made to such companies' publicly available materials as filed with the SEC which materials may be accessed at www.sec.gov. Indicated portfolio investment valuations are pursuant to US Generally Accepted Accounting Practices. It is expected that both private and public portfolio valuations will experience greater periodic volatility and there can of course, be no assurance that such reported valuations will be achieved on ultimate portfolio dispositions or realizations which are also subject to uncertainties as to among other things, timing, financial markets and the general economic environment. Further, we note that private investments often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid and may involve complex tax structures. Moreover, notwithstanding the portfolio performance and activities to date, prior performance is not necessarily indicative and is not a guaranty of future performance.

The information contained herein is confidential information and subject to certain other restrictions. Such information is not intended for public disclosure or distribution, which could result in economic and other damages to the Fund and/or its portfolio companies. By accepting this information, the recipient agrees that it will, and will cause its directors, partners, officers, employees and representatives, to use the information only to monitor its investment interest in the Fund, and for no other purpose, and to not divulge any such information to any other party. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument, including any securities of any of the portfolio companies described herein. Any reproduction of this information, in whole or in part, is prohibited. United States securities laws restrict any person who has material, non-public information about a company from purchasing or selling securities of such company (or any interest therein) and from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities. Investors and recipients agree to comply with such laws.

The unrealized valuation for the investments in the following investment summaries are determined by the General Partner under guidelines established by the partnership agreement which are consistent with U.S. generally accepted accounting principles (specifically Accounting Standards Codification Topic 820 – "Fair Value Measurements and Disclosures," fka FAS 157). Unrealized valuations for publicly traded securities are based on year-end prices obtained by the General Partner from independent pricing services. Unrealized valuations for non-public investments are determined by the General Partner using valuation techniques consistent with the market or income approach to measure fair value and will give consideration to all factors which might reasonably affect the fair value. The Partnership's valuation models generally utilize earnings multiples (based on the historical earnings of the company and/or comparable issuers) and/or discounted cash flows. The General Partner may also consider original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments as well as other liquidity, credit and market risk factors. The General Partner will adjust the models as deemed necessary.

While Ares' valuations of unrealized investments are based on assumptions that Ares believes are reasonable under the circumstances, whether on a cost basis, comparable company analysis, M&A transaction multiple, financial multiple, public market basis or expected realization basis for pending or proposed transactions, all of which approximate fair value, the actual realized valuation on unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of the sale, all of which may differ from the assumptions on which the valuations were determined year-end. Accordingly, the actual realized valuations on these unrealized investments may differ materially from the (assumed) valuations indicated herein.

REF: PE-00052

AMERICAN TIRE DISTRIBUTORS

American Tire Distributors Holdings, Inc. ("ATD")
Initial Investment Date – 2/25/2015
Invested Capital at 12/31/17 – $414.3 million
Estimated Total Value at 12/31/17 – $394.1 million
- Unrealized Valuation – $394.1 million

Investment Thesis

- Stable end market with minimal long-term cycle risk
- Clear market leader in a highly fragmented market with a lack of meaningful threats
- Positioned to take market share as a result of differentiated service offering
- Critical link between tire manufacturers and retailers in an increasingly complex supply chain
- Demonstrated track record of accretive acquisitions and greenfields
- Numerous areas for operational improvements

Investment Description

On February 25, 2015, ACOF IV invested $627 million for a 46.7% stake in ATD. Subsequent to closing, ACOF IV syndicated $213 million of its equity investment to co-investors. Prior to ACOF IV's investment, the company was owned by funds controlled by TPG Capital ("TPG"), which originally purchased the company in 2010. ACOF IV's transaction valued ATD at a total enterprise value of $3,500 million, before a normalized working capital adjustment of $25 million, as well as before fees and expenses. Concurrently with ACOF's investment, ATD issued $855 million of new senior subordinated notes, the proceeds of which were used to repay certain existing indebtedness at the company and fund a dividend to existing shareholders. The company's remaining indebtedness was amended and extended, with the nearest maturity deferred to 2020. Pro forma for the transactions associated with ACOF IV's investment in ATD, ACOF IV (including co-investors) and TPG each own 46.7% of the equity and share control of the company.

Business Description

ATD, founded in 1935 as J.H. Heafner Company, Inc. and headquartered in Huntersville, North Carolina, is the largest tire distributor in North America with ~14% and ~27% share of the U.S. and Canadian replacement tire markets, respectively. ATD is able to provide same or next day service to customers through its network of ~140 distribution centers in North America. ATD also offers the broadest selection of tires in the industry with over 70,000 SKUs across Tier I, II, III and IV tire brands. The company has longstanding relationships with its diverse customer base of independent tire dealers, car dealers, mass merchants and manufacturer owned stores.

Recent Operating Results

For the quarter ended December 31, 2017, ATD generated revenue of $1,497 million, gross profit of $273 million (18.2% margin) and Adjusted EBITDA of $93 million (6.2% margin). Compared to the prior period, revenue grew by 1.9% and Adjusted EBITDA declined by 12.4%. Revenue growth was driven primarily by price initiatives, partially offset by a soft volume environment. The decline in quarterly EBITDA was driven primarily by unfavorable gross profit variance due to pricing actions that resulted in margin compression, as well as unfavorable variance in vehicle expenses due to higher courier usage, partially offset by productivity savings. For Q4 2017, ATD's U.S. P/LT volume declined 2.1%.

In the U.S. passenger and light truck ("P/LT") business, Q4 2017 revenue grew 1.4% to $1,086 million versus $1,070 million in the comparable period in 2016. In the medium truck business, Q4 2017 revenue grew 8.9% to $84 million versus $77 million in the comparable period in 2016, driven by an increase in volume. For the total U.S. business, Q4 2017 revenue grew 0.2% to $1,241 million versus $1,239 million in the comparable period in 2016. Q4 2017 gross profit for the U.S. business decreased 3.4% to $224 million versus $232 million in the prior year, as gross margins contracted by 70 bps.

In the Canadian business ("National Tire Distributors" or "NTD"), Q4 2017 revenue increased 11.3% to $256 million from $230 million in the comparable period in 2016. The increase was driven primarily by currency, sales from the acquisitions in Quebec, higher P/LT pricing and an increase in medium truck ("MT") volume, partially offset by softer P/LT volumes across independent and car dealer channels.

For the LTM period ending 12/31/17, ATD generated revenue of $5,246 million and Adjusted EBITDA of $310 million (5.9% margin). For the LTM period, Management PF Run Rate Adj. EBITDA declined by 0.8% versus the comparable period in 2016, driven primarily by a year-over-year reduction in volumes and vendor bonuses, as well as increased operational expenses due to field productivity issues, partially offset by strategic pricing actions, headcount discipline and reductions in bonus accruals.

Financial Summary

	FYE December 31,		
$ in millions	**2015**	**2016**	**2017**
Revenue	**$5,122.7**	**$5,239.9**	**$5,245.7**
Growth %	*1.8%*	*2.3%*	*0.1%*
Gross Profit	**$911.0**	**$951.0**	**$970.2**
Margin %	*17.8%*	*18.1%*	*18.5%*
Adj. EBITDA	**$292.6**	**$305.6**	**$310.1**
Margin %	*5.7%*	*5.8%*	*5.9%*
(+) Mgmt. Adj.(1)	6.0	--	--
Mgmt. PF Adj. EBITDA	**$298.6**	**$305.6**	**$310.1**
Margin %	*5.8%*	*5.8%*	*5.9%*
(+) Mgmt. Run Rate Adj.(2)	2.9	7.0	--
Mgmt. PF Run Rate Adj. EBITDA	**$301.5**	**$312.6**	**$310.1**

(1) PF for acquisitions of Albert Tire.
(2) Includes run rate benefits from cost savings initiatives and business transformation initiatives.

Capitalization

$ in millions	Maturity	Rate	12/31/2017 $ Amt	LTM Mgmt PF EBITDA
Metric				*$310.1*
Cash			$23	
ABL Revolver ($1.2bn)(1)	4/20/2020	L + 200	$688	2.2x
Senior Secured TL	9/1/2021	L + 425	687	4.4x
Senior Notes	3/1/2022	10.250%	1,040	
Capital Lease / Other			64	
Total Debt			**$2,478**	**8.0x**
Net Debt			2,456	7.9x
Equity Value (At Cost)			1,313	
Total Enterprise Value			**$3,769**	**12.2x**

(1) ABL calculated using average of trailing twelve month actual balances; 12/31/17 balance of $561 million. Average balance is shown pro forma for $120mm of paydown in March 2017 in association with incremental Senior Notes raise.

ASPEN DENTAL

Aspen Dental Management, Inc.
Initial Investment Date – April 30, 2015
Invested Capital at 12/31/17 – $95.0 million
Estimated Total Value at 12/31/17 – $235.5 million
- Realized Proceeds – $33.7 million
- Unrealized Valuation – $201.8 million

Investment Thesis

- Opportunity to invest in the largest retail-branded dental service organization ("DSO") in the United States, which is uniquely positioned from competitive perspective as the only DSO targeting the underserved "non-compliant" patients through a de novo model
- Underlying dental services market is stable overall with low-single digit growth; Aspen serves an older population, which allows its patient population growth to slightly outpace overall population growth. Further, since patients primarily pay cash for services, Aspen is insulated from reimbursement risk associated with Medicare or HMO dependent businesses
- DSO's are continuing to gain share from independent practitioners due to their convenience and branding. Currently, DSO's represent ~10% of the dental market, presenting significant whitespace for future growth
- There is significant whitespace for continued de novo growth
- Extremely attractive ROIC from new locations that are typically EBITDA positive within six months of opening
- Unique Practice Ownership Program ("POP") provides select doctors with the ability to purchase an ownership stake in clinics, driving higher retention and a sizable uplift in unit economics vs. non-POP clinics
- 2015 investment in Five Star provides Aspen with an emerging platform in the urgent care space, with significant opportunity to drive growth through improved branding, real estate selection, clinic operations and improved back-office support
- Proven management team with a track record of industry outperformance; new growth initiatives developed by management have potential to provide significant upside

Investment Description

On April 30, 2015, American Securities LLC ("American Securities") completed its acquisition of Aspen Dental Management, Inc. ("Aspen" or the "Company") for a total enterprise value of $1,072 million. As part of the transaction, ACOF IV invested $95 million, acquiring a 16.5% stake in Aspen. The valuation implied a 10.5x multiple off 4/30/15 LTM pro forma EBITDA of $101.8 million. The acquisition was financed by: (i) a $35 million Revolver, a $400 million Term Loan B and $150 million of unsecured senior notes and (ii) $576 million of equity comprised of a $95 million investment by ACOF IV, a $350 million investment by American Securities, a $75 million investment by Leonard Green & Partners and a $56 million investment by management.

On June 28, 2017, ACOF V and Leonard Green & Partners ("LGP") completed the acquisition of majority control of Aspen from American Securities for $2.1 billion, prior to fees and expenses. As part of the transaction, ACOF IV rolled its existing 15% ownership (valued at $198 million). The acquisition was financed by (i) $1,340 million of equity comprised of a $403 million investment by

ACOF V, a $198 million investment by ACOF IV, a $474 million investment by LGP, a $150 million investment by American Securities, a $100 million investment by management, and a $14 million investment by dentists, and (ii) $792 million of rolled debt, comprised of a $618 million Term Loan B, $167 million of Senior Notes, and $8 million of capital leases and mortgage debt. Following the transaction, ACOF IV and ACOF V collectively own 44.9% of Aspen's common equity. The transaction resulted in shared governance between Ares and LGP.

Business Description

Headquartered in Syracuse, NY, Aspen is one of the largest DSO's in the U.S. Since 1999, Aspen has grown organically from a network of 13 to 666 offices at December 31, 2017.

The company provides best-in-class business, operational, marketing and laboratory expertise to its affiliated dentists. This expertise enables Aspen Dentists to grow professionally and develop flourishing practices. This collaborative relationship allows dentists to focus on providing quality dental care. Aspen Dentists serve the dental care needs of historically under-served patients, by focusing on the forty percent of the population with no regular dentist or pattern of dental visits.

Aspen also operates a growing network of urgent care clinics under the Five Star name, of which there were 14 at December 31, 2017. Aspen entered the urgent care space through its acquisition of Five Star Urgent Care in 2016.

Recent Operating Results

Dental revenues were 13.8% higher in Q4 2017 than in Q4 2016, primarily driven by recent vintage outperformance. In Q4 2017, revenues from mature dental offices were 1.9% higher than mature office revenue in Q4 2016. Aspen opened 24 dental de novos in Q4 2017 and 70 dental de novos in FY 2017 compared to 28 dental de novos in Q3 2016 and 64 dental de novos in FY 2016.

Five Star Q4 2017 revenues were 42.1% higher than Q4 2016 revenues. Revenue from the base urgent care business, which includes clinics open in the same period in 2016, grew 21.7% in Q4 2017. The Company opened 5 Five Star clinics in FY 2017 and one Five Star clinic in Q4 2017, bringing the total clinic count to 14.

FY 2017 pro forma EBITDA for Aspen (includes run-rate adjustments for new offices opened within the preceding 36 months) was $157.4 million. FY 2017 pro forma EBITDA for Five Star (includes run-rate adjustments for new offices opened within the preceding 36 months) was $6.5 million. FY 2017 pro forma EBITDA for Aspen and Five Star combined (includes run-rate adjustments for new offices opened within the preceding 36 months) was $163.8 million.

Financial Summary

($mm)	Actual FYE December 2014	2015	2016	2017
Dental Revenue	$780.5	$893.1	$1,049.7	$1,174.1
Annual Growth	*17.5%*	*14.4%*	*17.5%*	*11.9%*
Same-Practice Growth	*2.5%*	*3.8%*	*5.5%*	*0.2%*
Five Star Revenue	$9.9	$14.8	$20.2	$24.8
Total Revenue (PF)	$790.4	$907.9	$1,069.8	$1,198.8
Annual Growth	*18.0%*	*14.9%*	*17.8%*	*12.1%*
Dental EBITDA	$77.9	$93.6	$119.1	$139.7
% Margin	*10.0%*	*10.5%*	*11.3%*	*11.9%*
Five Star EBITDA	$1.9	$2.7	$2.6	$0.2
Total EBITDA	$79.8	$96.3	$121.7	$139.9
Dental PF EBITDA(1)	$96.8	$112.5	$133.7	$157.4
Annual Growth	*6.6%*	*16.2%*	*18.8%*	*17.7%*
Five Star PF EBITDA(2)				$6.5
Combined PF Adj. EBITDA				*$163.8*
Aspen Offices	478	535	598	666
Five Star Offices	*6*	*8*	*9*	*14*

Capitalization

($ in millions)	Maturity	Rate	12/31/2017
Cash [3]			$34.7
Revolver	Apr-20	L + 375	$0.0
Term Loan B	Apr-22	L + 375	612.3
Capital Leases / Other	Varies		7.5
Unsecured Senior Notes	Apr-23	L + 900	165.0
Total Debt			$784.9
Net Debt			*$750.2*
Equity			$1,339.6
Total Capitalization			**$2,124.4**

[3] Includes cash at ADMI and ASP Aspen Holdings.

Ares Management LLC • 2000 Avenue of the Stars • 12th Floor • Los Angeles, CA 90067 • (310) 201-4100

THE AZEK COMPANY

The Azek Company ("Azek") (f.k.a. CPG International)

Initial Investment Date – September 30, 2013
Invested Capital at 12/31/17 – $295.0 million
Estimated Total Value at 12/31/17 – $459.4 million
- ***Unrealized Value – $459.4 million***

Investment Thesis

- Best-in-Class Building Products Platform
  - Premium Low Maintenance Material ("LMM") building products manufacturer, possessing a portfolio of products that remain in the growth phase of the adoption curve
  - Leading market share in each of its established product categories
  - Strong position in the two-step distribution system, with the potential to gain share

- Compelling End Market Dynamics
  - LMM products are expected to continue to penetrate the market driven by their superior value proposition relative to traditional materials (*e.g.*, improved durability, lifespan, ease of installation and overall lifecycle costs)
  - Core product categories are driven by remodel spend, which has historically been less volatile than new construction and has grown faster than its underlying drivers (home values, GDP, and household income)

- Consistent Financial Performance and Strong Momentum
  - Consistent outperformance of peer group in both revenue growth and EBITDA margin
  - Strong track record of driving revenue / earnings growth through product development, evolutionary introductions and strategic acquisitions into adjacent categories
  - Expanded distribution and bundling opportunity and strong pipeline of new and next-generation products

- Experienced and Committed Management Team
  - Strong brand building skillset and high-energy, metrics-driven approach
  - Responsible for building best-in-class margins in building products industry

Investment Description

On August 16, 2013, ACOF IV, Ontario Teachers' Pension Plan ("Teachers'") and management entered into a definitive agreement to acquire Azek for $1,500 million, excluding fees and expenses. The transaction closed on September 30, 2013 with $965 million of debt financing and $605 million of equity. The debt financing consisted of a $125 million ABL ($25 million drawn at close), a $625 million covenant-lite first lien term loan and $315 million in senior notes. ACOF IV, Teachers' and management each contributed $295 million, $295 million, and $15 million towards the equity account, representing ownership stakes of 48.7%, 48.7%, and 2.5%, respectively.

Business Description

Azek is a manufacturer of highly engineered premium low maintenance material ("LMM") building products, designed to replace wood, metal and other traditional materials in a variety of building applications. Azek sells its products into the residential, commercial, and industrial markets under the leading brand names of AZEK, TimberTech, Scranton Products, and Vycom.

The company's core building products include LMM decking, rail, trim, moulding, bathroom partitions, lockers and extruded sheets. The company is comprised of three core operating divisions:

- **Residential Building Products** offers residential deck, rail, trim, moulding, porch and paver products, primarily for the residential repair and remodel market, under the AZEK and TimberTech brands;
- **Scranton Products** provides LMM bathroom partitions and lockers for educational, institutional, retail and industrial applications;
- **Vycom** manufactures a comprehensive line of highly-engineered olefin and PVC extruded sheets for a variety of industrial end markets.

Recent Operating Results

For the first fiscal quarter of 2018, the Company reported revenue of $105.0 million, a decrease of 12.0% over revenue of $119.4 million for the first fiscal quarter of 2017. The revenue decline in the quarter was driven primarily by YoY declines in Trim and Decking revenues as a result of a drawdowns in channel inventory, versus a channel inventory build in the first fiscal quarter of 2017, partially offset by price increases.

Adjusted EBITDA for the first fiscal quarter of 2018 was $21.9 million, a decrease of $0.2 million, or 1.1%, from Adjusted EBITDA of $22.1 million for the first fiscal quarter of 2017. YoY revenue declines of 16.0% and 0.6% in the Building Products and Vycom divisions, respectively, were offset by YoY revenue growth of 6.2% in the Scranton Products division. Adjusted EBITDA was 20.8% of revenue for the first fiscal quarter of 2018, compared to 18.5% for the first fiscal quarter of 2017. Margin improvement was driven by realization of improved scrap rates and manufacturing productivity as a result of recent operational improvements.

For the LTM period ended December 31, 2017, the company reported revenue of $619.1 million, an increase of 0.3% over revenue of $617.2 million in the comparable period in 2016. The increase was driven by a strong synthetic decking market and demand for new Azek products, partially offset by the impact of reductions in channel inventory levels. For the LTM period ended December 31, 2017, Pro Forma Adjusted EBITDA was $148.0 million, a decrease of $1.6 million, or 1.0%, from Adjusted EBITDA of $149.6 million in the comparable period in 2016. For the LTM period ended December 31, 2017, Pro Forma Adjusted EBITDA included a $3.7 million pro forma adjustment for the Company's current run-rate scrap rate, versus a $5.3 million adjustment in the prior quarter; LTM Adjusted EBITDA (before the pro forma run-rate scrap rate adjustment) for the period was $144.3 million. The decline in Pro Forma Adjusted EBITDA was the result of investments in the operations team and processes, investments in the sales and marketing team, and raw material inflation, partially offset by price increases. Management expects to see growth in EBITDA margin going forward as Azek continues to realize productivity gains, partially offset by continued raw material headwinds.

Financial Summary[1] ($ in millions)	FYE 9/30 **2015**	**2016**	**2017**	**LTM 12/31/17**
Revenue	$544.4	$605.8	$633.5	$619.1
Growth %	*(3.2%)*	*11.3%*	*4.6%*	*0.3%*
Gross Profit	$205.4	$238.0	$237.2	$236.5
Margin %	*37.7%*	*39.3%*	*37.4%*	*38.2%*
PF Adjusted EBITDA[2]	$131.2	$149.5	$149.8	$148.0
Margin %	*24.1%*	*24.7%*	*23.6%*	*23.9%*

(1) In 2014, CPG changed its fiscal year end to September to more accurately reflect the entire early buy season in a single fiscal year.

(2) LTM period includes a $3.7 million pro forma adjustment for current run rate scrap rate.

Capitalization ($ in millions)	**Maturity**	**Rate**	**As of 12/31/17**	**LTM (x) EBITDA**
Cash			$23.0	
ABL Revolver ($150mm)	2022	L + 175	$ --	
First Lien Term Loan	2024	L + 375	598.6	
Total First Lien Debt			**$598.6**	**4.0x**
Net First Lien Debt			*$575.6*	*3.9x*
Senior Notes	2021	8.00%	$315.0	
Total Debt			**$913.6**	**6.2x**
Net Debt			*$890.6*	*6.0x*
Common Equity			$605.2	
Total Capitalization (Net)			**$1,495.8**	**10.1x**
Less: PV of Tax Assets [1]			($55.9)	
Adj. Total Capitalization (Net)			**$1,439.9**	**9.7x**

(1) Present value of tax assets at the time of acquisition.

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BLACKBRUSH OIL & GAS

<u>BlackBrush Oil & Gas L.P. ("BlackBrush")</u>
Initial Investment Date – July 30, 2014
Invested Capital at 12/31/17 – $200.0 million
Estimated Total Value at 12/31/17 – $628.6 million
- Realized Proceeds – $365.0 million
- Unrealized Valuation – $263.6 million

<u>Investment Thesis</u>

- Located in one of the country's fastest growing unconventional basins with best-in-class economics
  - Eagle Ford shale play is on the low end of the cost curve (some of the lowest breakeven oil prices) relative to other U.S. and global basins

- Asset diversification across BlackBrush's portfolio provides numerous options for value creation and helps limit downside risk
  - Six different large and contiguous acreage blocks
  - Most acreage blocks have stacked formations, which provide for potential cost savings and optionality to achieve return through the exploitation of multiple pay zones

- ~42,000 net acres of "core acreage" with substantial inventory of development drilling opportunities, where returns will be dependent on operational execution
  - Geologic formations have been proven and acreage blocks have been largely delineated
  - Acreage is in early stages of pad-drilling implementation, which is expected to result in significant cost savings

- ~132,000 net acres of "early-stage acreage" with significant upside opportunity from "cracking-the-code" on multiple pay zones through controlled exploratory drilling where no value is ascribed today
  - Limited capital expenditures are assumed for exploratory drilling that, if successful, would lead to significant outperformance vs. plan

- Partnering with strong regional management team
  - Management has proven ability to develop a full-scale (70+ FTEs) operating platform with significant experience in development drilling (over 1,000 wells drilled, including ~100 horizontal)
  - Operating in South Texas for past 30 years has led to unique knowledge and relationships

- Ares control of balance sheet, capital expenditure budgets, and hedging strategy

Investment Description

On June 11, 2014, Ares Corporate Opportunities Fund IV, L.P. ("ACOF IV" or "Ares") signed a definitive agreement to acquire BlackBrush for $400 million from EIG Management Company, LLC and Tailwater Capital, LLC, on behalf of their respective managed funds. On July 30, 2014, the transaction closed and was funded with $300 million of debt financing, consisting of a $500 million RBL Revolving Credit Facility (undrawn at close, with an initial borrowing base of $150 million) and a $300 million covenant-lite second lien term loan. ACOF IV contributed $200 million of equity at closing to fund the balance of the purchase price, future development drilling program, fees, expenses and customary purchase price adjustments.

Alongside ACOF IV, BlackBrush's management team contributed $24 million of rollover equity from the entity formerly known as TexStar Midstream Services, L.P. ("TexStar"), a midstream services company and BlackBrush's past sister company. Additionally, management and certain members of the Board of Directors contributed $3 million of equity. ACOF IV, management's rollover equity and the individual contributions represent ownership stakes of 88.0%, 10.6%, and 1.4% of the Class A shares, respectively.

In July 2016, BlackBrush completed the sale of a 87.5% stake in its Karnes asset for a total cash consideration of $689 million. The proceeds from the asset sale were used to repay all of the outstanding debt at BlackBrush and to fund a distribution to shareholders. ACOF IV realized $365 million in connection with the asset sale, representing a 1.8x realized gross multiple on total invested capital of $200 million.

In January 2017, BlackBrush closed the sale of its remaining 12.5% non-operating working interest in the Karnes asset for a total cash consideration of $117 million. The proceeds from the asset sale will be used to fund future development of the Company's remaining assets.

Subsequent to the initial sale of its Karnes asset, the Company has leased additional acreage in Karnes County and now has over 3,000 acres.

During 2017, BlackBrush separated its upstream and midstream assets into two separately capitalized businesses, BlackBrush Oil & Gas (upstream) and StarTex (midstream). In October 2017, StarTex raised $40 million of delayed draw term loan from Riverstone to fund system expansion.

Recent Events

During 2017, the Company has also built positions in East Texas (~28,000 net acres) and Louisiana (up to ~30,000 net acres) where management believes the Austin Chalk trend has similar qualities to their existing core Karnes acreage. BlackBrush plans to begin delineating these positions as part of their 2018 development plan.

In January 2018, BlackBrush (upstream) successfully raised a $200 million first lien Term Loan to refinance its existing RBL revolver and second lien bridge loan to provide incremental liquidity to accelerate development of its core Karnes and STS acreage positions. A portion of the proceeds will be used to strategically purchase attractive land positions as well as fund leasing activity, particularly in Louisiana.

Business Description

BlackBrush Oil & Gas, L.P. ("BlackBrush"), founded in 2004, is an independent oil and gas exploration and development company headquartered in San Antonio, Texas with over 70 employees. BlackBrush is operated and partially owned by a seasoned management team, led by its Co-Founder and Chief Executive Officer Scott Martin, with over 30 years of experience identifying, purchasing, developing, operating and selling oil and gas assets in South Texas. BlackBrush currently operates ~125,000 net (~285,000 gross) acres throughout South Texas, one of the country's fastest growing unconventional basins with best-in-class economics, and is active in the Eagle Ford shale and other formations. The company has significantly de-risked the reserve recovery profile of the play and will continue to operate its Proved Developed Producing ("PDP") assets (which generate significant cash flow) while efficiently developing its remaining Proved Undeveloped ("PUD") reserves.

Recent Operating Results

Sales decreased $25 million, or 35.5%, to $45 million for the twelve months ended 2017 from $70 million in 2016. Adjusted EBITDA decreased $19 million to $6 million in 2017 from $24 million in 2016. The decrease in sales was driven by a decreased in total production to 4.2 mboe/d in 2017, which represented a 20% decrease over 2016 production of 5.2 mboe/d. The decrease in production is the result of the sale of the Company's minority working interest in Karnes County in January 2017, which was partly mitigated by an increase in drilling in the last quarter of 2017 on the Company's new Karnes position. BlackBrush expects to continue ramping production on its new Karnes acreage as well as in additional areas as part of its 2018 development program.

BlackBrush Financial Data[1]	**FYE December 31,**		
($ in millions)	**2015A**	**2016A**	**2017A**
Production (mboe/d)	11.3	5.2	4.2
Production Growth		*(53.9%)*	*(19.9%)*
Sales	$201	$70	$45
Sales Growth		*(65.0%)*	*(35.5%)*
Adjusted EBITDA[2][3]	$145	$24	$6
EBITDA Margin	*72.2%*	*33.6%*	*14.1%*
StarTex Financial Data[4]			
Sales			$4
Sales Growth			*NA*
Adjusted EBITDA[3]			$1
EBITDA Margin			*16.4%*

Capitalization

($ in millions)	Maturity	Rate	PF12/31/2017
StarTex Cash			$2
BlackBrush Cash			189
Total Cash			$191
StarTex Term Loan	Dec. 2020	L+875	$36
BBOG First Lien Term Loan	Dec. 2023	L+800	200
Total Debt			**$236**
Net Debt			**$45**

Note:

(1) Not pro forma for the sale of legacy Karnes asset in July 2016 and January 2017

(2) Sales and Adjusted EBITDA include the impact of hedging gains resulting from normal operations and exclude gains associated with the liquidation of excess hedges

(3) Adjusted EBITDA is adjusted for non-cash asset impairment and abandonment charges, non-cash accretion of retirement obligations and other non-recurring expenses

(4) StarTex became a standalone business in 2017, so financials prior to 2017 are not available

Note: mboe/d is defined as thousands of barrels of oil equivalent per day

COORDINATED WOMEN'S CARE

Coordinated Women's Care L.P. ("CWC")

Initial Investment Date – July 31, 2013
Invested Capital at 12/31/17 – $140.9 million
Estimated Total Value at 12/31/17 – $517.7 million

- ***Realized Proceeds – $328.0 million***
- ***Unrealized Value – $189.7 million***

Investment Thesis

- Opportunity to create an integrated women's healthcare platform
  - Platform combines expertise of Ob Hospitalist Group (inpatient care) and UPM (outpatient care)
- Large whitespace opportunity
  - 1,000+ hospitals that are likely candidates for an OB hospitalist program and <40% penetration today
  - Largest physician specialty after primary care with over 40,000 physicians
- Clear market leader
  - Largest provider of OB hospitalist programs to hospitals nationwide
  - Largest OB/GYN physician practice management service in the US
- Compelling value proposition to hospitals, physicians and payers

Investment Description

On July 31, 2013, ACOF IV completed its initial investment of $77.5 million in CWC and expects to make further investments to fund additional purchase of equity and organic growth initiatives.

The initial investment consists of:

- 45.6% common equity interest in OBHG. The Fund contributed approximately $50.6 million of equity to fund the purchase price, working capital adjustment, and fees and expenses.
- 50.0% preferred equity interest in UPM. The Fund contributed approximately $27.0 million of equity to fund the purchase price, working capital adjustment, fees and expenses and a $6.0 million cash infusion to the balance sheet to support future growth initiatives.

On December 23, 2013, ACOF IV completed its follow-on investment of $23.3 million in CWC. Proceeds were used to increase CWC's interest in OBHG to 60.0%. The founders and management own the remaining 40.0%.

Pro Forma for the follow-on investment, ACOF IV has invested a total of $100.8 million in CWC, including $73.9 million in OBHG for 60.0% ownership and $27.0 million in UPM for 50.0% ownership. The implied TEV / Adjusted EBITDA multiple for the $100.8 million investment in CWC is 11.7x CY2013A Adjusted EBITDA of $15.1 million.

On July 2, 2014, Ascension Ventures, a strategic healthcare venture fund, purchased a minority interest in OBHG. Pro Forma for this investment, ACOF IV's ownership in OBHG was reduced to 57.1%.

On September 25, 2015, ACOF IV and Ascension Ventures purchased 363,355 and 36,645 shares, respectively, from an existing shareholder. Pro Forma for this transaction, ACOF IV's ownership in OBHG is now 60.4%.

On June 28, 2016, OBHG closed a recapitalization transaction, whereby it issued a $100 million term loan. The term loan proceeds, along with cash on the balance sheet, were used to fund a dividend of $130.0 million to shareholders ($126.3 million net of transaction fees and expenses). ACOF IV received $76.3 million of gross proceeds from the dividend.

On January 17, 2017, ACOF IV purchased an additional 6,370 shares in UPM from an existing shareholder, and concurrently invested an additional $25 million into the Company to fund future growth of the business. Pro forma for those transactions, ACOF IV's ownership in UPM is now 71.6%.

Pro Forma for the follow-on investments in December 2013, September 2015 and January 2017, ACOF IV has invested a total of $140.9 million in CWC, including $79.6 million in OBHG for 60.4% ownership and $61.3 million in UPM for 71.6% ownership.

On April 3, UPM completed an acquisition of Capital Women's Care, a leading group of 163 OB/GYN physicians in the Mid-Atlantic region for a total consideration of $66 million. Pro forma for the acquisition, Ares owns 64.7% of UPM.

On August 1, ACOF IV closed the majority sale of OBHG to Gryphon Investors at an enterprise value of $625 million prior to fees and expenses. ACOF IV realized proceeds of $248.8 million from this transaction. ACOF IV also rolled $40.4 million of proceeds to retain 12.0% of the common equity account; ACOF IV has one BOD seat.

On December 1, 2017, UPM closed on the acquisition of the existing UPM physicians in Florida, converting the Florida practices from a Management Services Organization (MSO) to a Physician Practice Management (PPM). The Company paid $128 million for $18 million of incremental collections. The acquisition was financed with a $65mm term loan, of which approximately $20 milion remains on the balance sheet to fund future acquisitions.

On December 31, 2017, UPM closed on the acquisition of OBGYN of the Palm Beaches ("Burigo"). Burigo is a 34 physician OBGYN practice in Palm Beach Florida. The purchase price of $15.6 million represents 6.2x Pro Forma EBITDA of $2.5 million.

<u>Business Description</u>

CWC owns interests in two synergistic healthcare companies, OB Hospitalist Group, Inc. ("OBHG") and Unified Physician Management, LLC ("UPM") that together have over 950 affiliated OB/GYN physicians. Both companies have business models that coordinate OB/GYN physicians to deliver better quality care to women at a lower overall cost to the healthcare system. As such, they fit squarely within our investment thesis in healthcare, which is to back growing companies that are expected to gain market share by delivering both quality and value. CWC expects to coordinate the efforts of OBHG and UPM to (i) drive continued growth of each respective business and (ii) to pursue emerging revenue opportunities in population health management.

OBHG is the largest provider of OB hospitalist programs to hospitals nationwide with an estimated 40%+ market share of outsourced programs. OBHG was formed to address a void in emergency care for pregnant women, as most hospitals rely only on nurses or on-call OB physicians to triage emergencies related to pregnancy. OB hospitalists provide (i) emergency care to pregnant women, (ii) deliveries on behalf of OB physicians who cannot or choose not to make it to the hospital and

(iii) deliveries for unassigned patients (patients without an OB physician).

Based in the Florida market, UPM was founded by two OB/GYN physicians and today, UPM is the largest provider of physician practice management services to OB/GYN physicians in the United States. UPM provides its member physicians with a range of services including: managed care contracting, implementation and support of electronic medical record systems, human resources management, group purchasing of medical supplies, malpractice insurance and the formation and management of specialized ancillary services, such as in-office mammography and clinical research. Over the past several years, UPM has leveraged its physician relationships, strong reputation and compelling value proposition to grow quickly. As a result, the company has grown to a network of over 900 physicians, located in Florida, Georgia, North Carolina, Texas, and Washington.

Recent Operating Results

OBHG

For the quarter ended December 31, 2017, OBHG generated revenue and Adjusted EBITDA of $53.4 million and $9.5 million, respectively. Revenue increased by 17.4% compared to the quarter ended December 31, 2016 while EBITDA increased 15.2% over the same period. Revenue and EBITDA growth were primarily driven by growth in the number of onboarded hospitals.

The company onboarded 6 net hospitals in Q4 2017 and ended with 119 onboarded contracts, representing 17.8% growth in number of onboarded hospitals over Q4 2016.

UPM

For the quarter ended December 31, 2017, UPM generated net revenue and Adjusted EBITDA of $78.2 million and $6.4 million, respectively. Net revenue increased by 790.4% compared to the quarter ended December 31, 2016 while EBITDA increased 414.8% over the same period. Revenue and EBITDA growth was driven primarily by the acquisition of Capital Women's Care in April 2017.

The company ended Q4 2017 with 923 physicians, representing 40.9% growth over Q4 2016.

Financial Data	Fiscal Year Ended December 31st,				
($ in 000s)	2013	2014	2015	2016	2017
OBHG Onboarded Hospitals	54	65	89	101	119
% Growth	*35.0%*	*21.0%*	*36.2%*	*13.5%*	*17.8%*
UPM Physicians	308	527	577	655	923
% Growth	*10.0%*	*71.1%*	*9.5%*	*13.5%*	*40.9%*
Total Revenue					
OBHG	$74,542	$97,065	$130,730	$167,005	$198,460
UPM(1)	10,100	16,075	25,686	33,729	187,170
Total Revenue	**$84,642**	**$113,141**	**$156,416**	**$200,734**	**$385,630**
% Growth - Consolidated	*43.5%*	*33.7%*	*38.2%*	*28.3%*	*92.1%*
% Growth - OBHG	*46.0%*	*30.2%*	*34.7%*	*27.7%*	*18.8%*
% Growth - UPM	*27.9%*	*59.2%*	*59.8%*	*31.3%*	*454.9%*
Adjusted EBITDA					
OBHG(2)	$10,862	$14,895	$19,743	$28,917	$34,743
UPM(3)	4,274	4,784	5,247	4,383	15,100
Total Adj. EBITDA	**$15,136**	**$19,679**	**$24,991**	**$33,300**	**$49,843**
% Margin - Consolidated	*17.9%*	*17.4%*	*16.0%*	*16.6%*	*12.9%*
% Margin - OBHG	*14.6%*	*15.3%*	*15.1%*	*17.3%*	*17.5%*
% Margin - UPM	*42.3%*	*29.8%*	*20.4%*	*13.0%*	*8.1%*

Capitalization	As of
($ in 000s)	12/31/17
OBHG	$22,546
UPM	26,137
Total Cash	**$48,683**
OBHG	$325,770
UPM(5)	103,298
Total Debt	**$429,068**
Equity	
OBHG Common Equity	$40,442
UPM Common Equity(6)	9,339
UPM Preferred Equity(6)	51,000
UPM Transaction Fees	952
Total Ares Equity	**$101,733**
OBHG Common Equity	$7,958
UPM Common Equity(6)	19,630
Total Founders Equity	**$27,588**
OBHG Common Equity	$289,777
Total Gryphon, Ascension and Swain Equity	**$289,777**
Total Equity	419,098
Total Capitalization (Net)	**$799,484**

(1) Represents revenue net of Athenahealth, Inc. fees.
(2) Adjusted for stock-based compensation expenses, board expenses, and other one-time / non-recurring items such as consulting fees and malpractice tail loss expenses.
(3) Adjusted for board expenses, recruiting expenses, and other one-time / non-recurring items such as consulting fees, loss on an asset disposal, and bank charges.
(4) Reflects the annual contribution of LTM starts and contracts that have been onboarding for less than 180 days.
(5) Includes deferred debt liabilities associated with UPM transactions.
(6) Pro forma for the January 2017 purchase of 6,370 share in UPM from an existing shareholder and concurrent investment of $25 million into UPM to fund future growth of the business. Pro forma for these transactions, ACOF IV's ownership in UPM is now 71.6%.

DEVACURL

DevaCurl
Initial Investment Date – June 9, 2017
Invested Capital at 12/31/17 – $205.0 million
Estimated Total Value at 12/31/17 – $205.0 million
- Unrealized Valuation – $205.0 million

Investment Thesis

- Large, underserved, and growing target market
  - Total addressable U.S. market of $4.2 billion or 50 million women between the ages of 18 – 65
  - Curly consumers are underserved; general haircare brands do not properly address their needs
  - Positive demographic tailwinds driven by interracial marriages and population growth of target ethnicities
- Unique brand supported by category authority
  - Brand authenticity focused on curly consumers embracing their identity and individuality through their hair
  - DevaCurl owns the dialogue in the "curly" category measured by quantity and quality of consumer reviews
- Investments in education and marketing will drive brand awareness and further penetration of the category
  - Brand awareness is relatively low (~20%), and conversion and repeat purchase rates outperform other brands
  - Stylist recommendations are the single largest driver of purchase decisions for consumers, and the Company has an exceptional NPS among the informed stylist community
  - Opportunity to grow awareness of brand and educate stylists through continued investment in "curl coaches"
- Track record of product innovation known for efficacy
  - Unique ideation and incubation engine via the Company's New York-based Devachan salon
  - Proven ability to innovate 2 – 3 new product lines per year
  - Opportunity to accelerate product innovation pipeline under our ownership
- Significant momentum across channels with multiple levers for growth
  - Revenue through key channels (Ulta, Sephora, BSG and e-commerce) growing at 20%+ per annum
  - Opportunity to leverage ~1,000 BSG beauty consultants to drive awareness in the professional channel
  - Compounding growth at retail partners through new doors, increased shelf space and productivity / foot
  - Opportunity to expand into international markets, which would significantly increase the addressable market
  - Accelerate direct to consumer e-commerce through DevaCurl.com

Transaction Description

On May 9, 2017, ACOF IV entered into a definitive agreement to acquire Deva Parent Holdings, Inc. ("DevaCurl") for $260 million, excluding fees and expenses. The transaction closed on June 9, 2017 with $265.0 million of contributed equity, of which $60.0 million was designated as bridge financing. The bridge financing consisted of a new $61.2 million Senior Secured Note, which was subsequently repaid on October 31, 2017.

Business Description

Deva Parent Holdings Inc. ("DevaCurl" or "Company") is a high-growth prestige haircare brand focused on the curly hair category. DevaCurl offers a complete line of sulfate, silicone and paraben-free cleansers, conditioners, styling products and treatments specifically formulated for consumers with curly, super curly and wavy hair. As the creator of the No-Poo™ cleanser, DevaCurl is the industry leader and product innovator for the category. DevaCurl has been able to achieve and maintain a high level of brand authenticity and attract a broad, multi-cultural, and digitally-savvy community of "curly girls" by educating consumers and stylists about how to satisfy their hair's unique needs. DevaCurl serves its customers and stylists through professional salon distributors, prestige retail partners, its flagship Devachan salon in New York City, and online at www.devacurl.com.

Recent Events

On October 31, 2017 the Company raised a $65.0 million term loan, in a financing led by Pennant Park (and held 50/50 with Triangle Capital). The term loan matures in October 2023 and has an interest rate of LIBOR + 675 with multiple step downs in rate as the Company delevers over time. Proceeds from the transaction were used to repay the bridge financing, accrued interest, and other transaction expenses. Concurrent with the financing, DevaCurl replaced its ABL facility from JP Morgan, with a $5.0 million cash flow revolver held by its new lender group.

Recent Operating Results

For the twelve months ended, the Company reported revenue of $59.1 million, an increase of 15.3% over revenue of $51.3 million from the twelve months of 2016. The strong top-line growth was driven by 36.4% growth in products in the specialty retail channel and 62.4% growth in products through the Company's e-Commerce channel. Pro forma adjusted EBITDA for the twelve months of 2017 was $13.2 million, a $0.9 million increase from pro forma adjusted EBITDA of $12.3 million for the twelve months of 2016. Pro forma adjusted EBITDA margin was 22.4% for the twelve months ended of 2017, compared to 23.9% for the twelve months ended of 2016.

Since our acquisition of the DevaCurl, we have made substantial investments in people and infrastructure to enable the business to scale and accelerate its growth. We expect to continue to make incremental investments to the team and in capabilities throughout 2018.

Financial Summary

	FYE 12/31			
($ in millions)	**2014**	**2015**	**2016**	**2017**
Revenue	$32.7	$40.0	$51.3	$59.1
% Growth	*15.1%*	*22.3%*	*28.3%*	*15.3%*
Gross Profit	$23.9	$28.5	$35.8	$41.0
% Margin	*73.1%*	*71.3%*	*69.7%*	*69.4%*
Pro Forma Adjusted EBITDA(1)	$5.8	$6.1	$12.3	$13.2
% Margin	*17.7%*	*15.3%*	*23.9%*	*22.4%*

(1) Adjustments include non-recurring fees and expenses, compensation to the founder which will subside post-transaction, and costs associated with its product relabeling initiative in 2016.

Capitalization

($ in millions)	Maturity	Rate	As Of 12/31/2017
Cash			$7.6
Revolving Credit Facility ($5mm)	10/31/2022	L + 675	–
Term Loan	10/31/2023	L + 675	65.0
Total Debt			$65.0
Net Debt			*$57.4*
Equity Value			$205.7
Total Capitalization (Net)			**$263.1**

DEVELOPMENT CAPITAL RESOURCES

Development Capital Resources L.P. ("DCR")

Initial Investment Date – March 22, 2017
Invested Capital at 12/31/17 – $36.0 million
Estimated Total Value at 12/31/17 – $38.5 million
- ***Unrealized Valuation – $38.5 million***

Investment Thesis

- Provide structured development capital to operators in attractive basins with low breakeven oil prices
  - Management has strong local and company-level relationships to effectively source additional development opportunities at attractive returns
- Significant downside protection from development partnership structure
  - Secured interest in assets creates substantial asset-level protections
  - High free cash flow generation and quick payback limits exposure to commodity price fluctuations
- DCR economics will benefit from improved well designs and completion techniques being implemented by operators across the U.S shale plays
- DCR will be able to recycle cash flows from existing projects into new development opportunities to compound equity returns at attractive values
- Existing projects located in the Midland Basin and STACK play, which are two of the best performing and fastest growing unconventional basins
  - The Midland Basin and STACK play have low breakeven oil prices relative to other U.S. and global basins
- Partnering with strong management team
  - Management's relationships have allowed DCR to utilize their relationships to create proprietary opportunities to invest in best-in-class operators

Investment Description

On December 20, 2016, ACOF IV Energy IV L.P., an affiliate of Ares Corporate Opportunities Fund IV, L.P. (collectively "ACOF IV") signed a definitive agreement to commit $295.0 million to DCR, who subsequently entered into a joint development agreement with Endeavor Energy Resources, L.P. ("Endeavor"), the largest private operator in the Permian Basin, to spend up to $295.0 million to develop 45 gross wells in the core of the Midland Basin in Midland and Martin counties (Texas). Under the terms of the agreement, DCR will pay 90% of Endeavor's share of capex in exchange for a 62.5% of working interest in (i.e., share of the cash flows from) each well drilled. After achieving a 10% return on capital invested, DCR's working interest across the 45 wells will revert to 10%. During Q2 2017, DCR funded its initial capital call and plans to fund its remaining capital commitment as needed over the next 12-18 months.

On March 28, 2017, ACOF IV increased its commitment to DCR by $55.0 million bringing its total commitment to $350.0 million (which is inclusive of all capital invested to date). Subsequently, DCR entered into a partnership with Bayou City Energy Management, LLC ("BCE") where it agreed to fund up to $123.0 million into BCE STACK Development, LLC ("BCE STACK") for its share of capital used to develop 80 gross wells in the STACK play in Oklahoma through an existing joint development agreement with Oklahoma Energy Acquisitions, LP ("Alta Mesa"), a large private operator with over 100,000 net acres in the core of the STACK play. Under the terms of the agreement, DCR paid $52.9 million at closing to pay for 75% of BCE STACK's share of capex already spent to develop the first 27 gross wells drilled under the 80 well joint development program (prior to DCR entering into the agreement with BCE). Going forward, DCR will fund 75% of all additional capital needed by BCE STACK to fund its capex commitment to Alta Mesa for the next 8 wells and 35% of all capital needed by BCE STACK to fund its capex commitment to Alta Mesa for the final 45 wells. In return for funding 75% of the capex needed by BCE STACK on the first 35 wells, DCR will receive a 65% working interest in those wells. In return for funding 35% of the capex needed by BCE STACK on the remaining 45 wells, DCR will receive a 30% working interest in those wells. When DCR receives a 15% return on all capital invested into BCE STACK to fund the 80 well program, DCR's interest in the initial 35 wells will revert to a 32.5% (from 65%) and its interest in the subsequent 45 wells will revert to a 15% (from 30%). DCR plans to fund its capital commitment as needed over the next 12 months.

During Q2 2017, ACOF IV invested $17.0 million into DCR to fund an additional 21 wells in BCE STACK and the initial well in its joint development agreement with Endeavor, bringing total invested capital to $72.0 million.

Half of the capital invested to date was invested temporarily with the intent to bridge DCR until it was able to get a revolving credit facility in place.

On June 16, 2017 DCR entered into a revolving credit facility and subsequently drew $36.0 million of debt, the proceeds of which was used to repurchase 3.6 million Class A units from ACOF IV. Pro forma for DCR's repurchase, ACOF IV has a total investment of $36.0 million in DCR for 3.6 million Class A units (100% ownership).

During Q3 2017, DCR drew an additional $20.0 million on its revolving credit facility to fund the completion of 8 partially funded wells in the BCE STACK joint venture and to partially fund 24 wells under in its joint development agreement with Endeavor.

Business Description

DCR is a newly formed operating company focused on providing development capital to upstream oil and gas operators in North America. DCR is headquartered in Houston, Texas and run by CEO Ronnie Scott and EVP, COO Matt Loreman, who collectively have over 50 years of experience identifying and providing capital to develop oil and gas assets in North America. DCR is focused on making non-operated investments in high quality assets and operators. Since its inception, DCR has made structured development capital commitments of over $400 million to operators in the Midland Basin in Texas and the STACK play in Oklahoma, two of the best performing liquids rich unconventional basins, to develop a total of 125 wells over the next two years.

Recent Operating Results

During Q4 2017, DCR drew an additional $76.0 million on its revolving credit facility to drill and complete additional wells in both the Endeavor JDA Program and BCE STACK Development LLC.

Capitalization

($ in millions)	**12/31/17**
Cash	$2.0
Debt	132.0
Net Debt	**$130.0**
Class A Units at Cost	36.0
Total Net Capitalization	**$166.0**

FARROW & BALL

Farrow & Ball
Initial Investment Date – November 26, 2014
Invested Capital at 12/31/17 – $214.1 million
Estimated Total Value at 12/31/17 – $206.4 million[1]
- Unrealized Valuation – $206.4 million

Investment Thesis

- Best in class product offering and brand proposition
  - Product of choice for interior designers and home decorators with high customer advocacy & loyalty
  - F&B premium paint is manufactured with higher levels of pigment & high quality ingredients, delivering exceptional colour depth and unique texture
  - Combination of the above allows F&B to price at the top end of the paint market for price inelastic customer base

- Attractive premium paint market with ongoing "premiumisation" trend
  - Higher growth premium paint segment continues to take share from mass-market paint brands
  - Premium brands command higher pricing and margins
  - F&B has long track record of performance in the premium category

- Well positioned to grow in the UK, US, and France premium paint markets
  - Market leader in the UK premium paint segment with 35% share and high brand awareness through large network of showrooms & stockists in affluent areas of the UK
  - Proven consumer acceptance in France and US, with high brand awareness in the interior design community

- Organic growth potential from new showrooms, like for like growth, and online channel
  - Significant white space to roll out new showrooms in both existing and new catchments
  - Long track record gives confidence for delivery of continued like for like volume and price growth

- Decorative paint market is more resilient than other building products
  - Global decorative paint market is relatively resilient to economic cycles and exhibited stability over the last recession
  - Favorable outlook for disposable income and R&R spend in the UK and US

- Upside opportunities from accelerating plan and new complementary product categories and markets
  - Strategic M&A and / or partnerships to broaden distribution
  - Expand to new categories outside of paint and wallpaper (e.g. fabrics, tiles, curtains, etc.)
  - Expand into new geographic markets

[1] As of December 31, 2017, Farrow and Ball has been valued at £152.8 million, or 1.1x MIC when measured in local currency.

Investment Description

On November 26, 2014, ACOF IV, along with Farrow & Ball's management team, acquired the company for a total purchase price of £275.0 million, excluding fees and expenses and other transaction adjustments. The transaction was funded with approximately £264.4 million of equity, of which £130.0 million was designated as Bridge Financing from ACOF IV, and £13.8 million of management roll-over. On February 13, 2015, the fund received repayment of the £130.0 million ($207 million) Bridge Financing in the amount of $206 million from the proceeds of new third party debt and hedging strategies employed by the fund.

Business Description

Farrow & Ball is a UK based manufacturer and retailer of premium branded paint and wallpaper. Founded in 1946, Farrow & Ball is recognized for manufacturing decorative paint with high colour depth and a unique texture across its 132 colour palette. Farrow & Ball paint is sold through a combination of owned showrooms and independent 3rd party stockists in over 50 countries, with the majority of sales derived from the UK (67% of sales), US (11% of sales), France (8% of sales) and Germany (4% of sales).

Recent Operating Results

Farrow & Ball reported third quarter ending December 31, 2017 revenue of £21.1 million and EBITDA of £5.9 million versus £19.0 million of revenue and £5.4 million of EBITDA in the prior year. On a constant currency basis, the company recorded YoY revenue growth of +6% during the third quarter driven by strong performance in France and North America together with a return to growth in the UK which was largely attributable to very strong ecommerce growth of +31%, despite soft trading in the broader architectural paint category, which served as a drag on other UK channels. For the last twelve months ending December 31, 2017, the company reported revenue of £84.8m (+6% constant currency) and EBITDA of £23.0 million (27% of revenue).

On February 28, 2018, Farrow & Ball announced that the current CEO, Don Henshall, will transition out of the role and will be replaced by Anthony Davey, effective end of April 2018. Anthony most recently served as the CEO of ghd, a leading manufacturer of hair styling products, prior to which he spent over 20 years with P&G in a variety of roles, mostly in their beauty division.

Financial Data (Reported FX)	**FYE March 31,**				**LTM**
(£ in mm)	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**Q3'FY18**
Revenue	£63.4	£69.0	£72.6	£80.8	£84.8
Growth %	*16%*	*9%*	*5%*	*11%*	
Gross Profit	£44.4	£48.6	£52.7	£59.5	£62.2
Margin %	*70%*	*70%*	*73%*	*74%*	*73%*
EBITDA	£18.9	£21.5	£21.7	£23.7 (1)	£23.0 (2)
Margin %	*30%*	*31%*	*30%*	*29%*	*27%*

(1) FY17 EBITDA includes some non-recurring effects; excluding these, EBITDA would be approximately £22.8m (at FY17 exchange rate)

(2) LTM Q3'FY18 EBITDA includes some non-recurring effects; excluding these, EBITDA would be approximately £22.1m

(£ in mm)	Maturity	Rate	12/31/17	ACOF IV Ownership £	ACOF IV Ownership %
Capitalization[1]					
Cash			£15.3		
Revolver (£5m)	2/13/2022	L+275	£0.0		
Unitranche	2/13/2022	L+725	£118.0		
Total Third Party Debt			**£118.0**		
Total Third Party Net Debt			*£102.7*		
Shareholder Loan Notes		11%	£213.0	£183.7	86.2%
Total Debt			**£331.0**		
Net Debt			**£315.6**		
Common Equity			£2.1	£1.5	70.7%
Net Capitalization			**£317.8**		

(1) Loan notes presented accruing yearly PIK interest at 11%, as at 12/31/17.

Note: results stated at reported FX rates.

HALCON RESOURCES

Halcon Resources Corporation ("Halcon")
Initial Investment Date – December 1, 2014
Invested Capital at 12/31/17 – $173.6 million
Estimated Total Value at 12/31/17 – $131.4 million
- Realized Valuation – $33.7 million
- Unrealized Valuation – $97.6 million[1]

HALCÓN RESOURCES

Business Description

Halcon is an independent energy Company focused on the acquisition, production, exploration, and development of onshore liquids-rich oil and natural gas assets in the United States. The Company's assets consist of proved reserves and undeveloped acreage positions in the Delaware Basin in West Texas, which includes 67,000 net surface acres. Given its large acreage position, the Company has an extensive drilling inventory that allows for multiple years of continued production and broad flexibility to deploy drilling capital at attractive rates of return.

Investment Thesis

- Achieve attractive returns from development drilling opportunity across more mature "core" Bakken (North Dakota) acreage
- Significant upside from deploying cash flows into higher growth development areas such as the Delaware Basin
- Best-in-class operations staff with proven ability to achieve industry leading well design and productivity
- Proven management team with decades of experience in value creation through mergers, acquisitions, and divestitures
- Ares board representation increases influence over balance sheet, capital expenditure budgets, and hedging strategy

Investment Description

ACOF IV implemented a distressed-for-control strategy to acquire the following positions in Halcon Resources debt securities from December 2014 through July 2016: (1) $150.2 million face value of the 13.0% Third Lien Notes; (2) $40.8 million face value of the 8.875% Senior Notes; (3) $1.6 million face value of the 9.25% Senior Notes; and (4) $1.5 million face value of the 9.75% Senior Notes. In H1 2016, the Company restructured through a pre-packaged bankruptcy, and upon emerging from bankruptcy, ACOF IV's holdings were converted into 11.1 million shares of common stock of Halcon (~12.2% of the Company), and 255,670 common warrants struck at $14.04/share. In addition, ACOF IV (along with other funds managed by Ares) had the right to nominate three of Halcon's nine directors.

Post the restructuring, Halcon has done a number of things to reposition itself for growth, and in January 2017, the Company raised $400 million through a PIPE offering to partially finance a transformational acquisition to enter the Permian Basin. ACOF IV invested an additional $12.9 million in the PIPE to purchase 1.8 million common share equivalents.

[1] Unrealized Value based on the publicly traded stock price of $7.57 as of December 31, 2017. Excludes ACOF IV's $5.5 million investment in Halcon's February 2018 follow-on equity offering.

In February 2018, the Company raised ~$63 million through a follow-on equity offering to partially finance additional acreage acquisitions in the Permian Basin. ACOF IV invested an additional $5.5 million in the offering to purchase 0.8 million common share equivalents. Pro forma for these investments, ACOF IV has $179.1 million invested in Halcon and owns 8.7% of the Company's outstanding common shares.

Restructuring

By way of background, Halcon retained financial and legal advisors in March 2016 to contemplate a restructuring of its balance sheet due to liquidity issues stemming from the downturn in the oil market that began in the fall of 2014 and its highly levered capital structure with over $290 million of annual interest obligations.

In July 2016, after creditor negotiations led by Ares and other large debt holders, the Company proactively filed voluntary petitions seeking relief under the provisions of chapter 11 of the Bankruptcy Code to effectuate a pre-packaged plan of reorganization. The Company's prepackaged plan of reorganization stipulated the following:

- Second Lien Note Claims would be reinstated and unimpaired
- 13.0% Third Lien Notes would receive 76.5% of the Company's common stock and $33.8 million in cash distributions
- Unsecured Note Claims (consisting of the 8.875%, 9.25%, and 9.75% Senior Unsecured Notes) would receive 15.5% of the Company's common stock, new common warrants to purchase 4.0% of the equity exercisable for a four year period, and $37.6 million in cash distributions
- Convertible Notes would receive 4.0% of the Company's common stock, new common warrants to purchase 1.0% of the equity exercisable for a four year period, and $15.0 million in cash distributions
- Preferred Stock Interests would receive $11.1 million in cash distributions
- Existing shareholders would receive 4.0% of the Company's common stock

The Company's plan of reorganization was confirmed on 9/8/2016, and the Company emerged from bankruptcy on 9/9/2016. The Company currently trades on the New York Stock Exchange (NYSE: HK).

Acquisition of Southern Delaware Basin Assets

On December 9, 2016, the Company entered into an agreement with a private company, pursuant to which Halcon has acquired the rights to purchase up to 15,040 net acres in the Delaware Basin located in Ward and Winkler counties in Texas for $5.0 million. Halcon is currently drilling a commitment well on this prospective acreage and has until June 2017 to exercise its purchase option for $11,000 per acre.

On January 18, 2017, the Company entered into a purchase and sale agreement with Samson Exploration ("Samson") to acquire 20,901 net acres and related assets in the Southern Delaware Basin located in the Pecos and Reeves counties in Texas for a total purchase price of $705.0 million. The transaction closed on February 28, 2017.

Sale of East Texas Assets

On January 24, 2017, Halcon entered into a purchase and sale agreement with a subsidiary of Hawkwood Energy, LLC for the sale of the Company's East Texas Eagle Ford Assets for a total sales price of $500.0 million. The transaction closed March 9, 2017 and has an effective date of January 1, 2017. Proceeds were used to partially fund the Delaware Basin acquisition above and to repay borrowings under the RBL facility.

PIPE Issuance

On January 24, 2017, the Company entered into a private placement of automatically convertible preferred stock with certain accredited investors to sell 55.5 million common share equivalents for $400 million at a price of $7.25 per common share. The net proceeds were used to partially fund the Delaware Basin acquisition above. The PIPE offering represented ~37.0% of outstanding common stock as of December 31, 2016 on an as-converted basis. On April 6, 2017 the automatically convertible preferred stock converted into common shares.

Sale of Bakken Assets

On July 10, 2017, Halcon entered into a purchase and sale agreement with Bruin Williston Holdings, LLC for the sale of the Company's operated Bakken Assets in North Dakota for a total sale price of $1.4 billion. The transaction closed in September 2017 and had an effective date of June 1, 2017. Proceeds from the transaction were used to repay debt and fund Halcon's Delaware Basin development program.

In September 2017, Halcon entered into an agreement to sell its non-operated Bakken Assets in North Dakota for a total sale price of $110 million. The transaction closed in November 2017 and had an effective date of April 1, 2017. Proceeds from the transaction were used to fund Halcon's Delaware Basin development program. Through the divestitures, Halcon completed its transition into a pure-play Delaware Basin focused Company.

Recent Events

On February 6, 2018, Halcon announced the acquisition of 22,617 net acres in Ward County Texas, for approximately $381 million along with other operational updates. Halcon concurrently announced a follow-on equity offering for 8 million common shares, which ultimately priced that evening at $6.90 per share and a $200 million tack-on to its existing 6.75% senior unsecured notes, which was priced on February 7, 2018 at 103, implying a YTW of 6.1%. The net proceeds from the offerings were used to partially fund the acquisitions and its near-term development plan.

Recent Operating Results

Sales decreased $42.2 million, or 10.1%, to $378.0 million in 2017 from $420.2 million in 2016. The decrease in sales was primarily driven by the sale of the Company's Bakken Assets in 2017, partially offset by higher realized prices on oil and natural gas year-over-year. Total production decreased to 27.4 mboe/d 2017, representing a 26.3% decrease over 2016 production of 37.2 mboe/d. The decrease in production in 2017 is the result of the sale of the Company's Bakken Assets in 2017, partially offset by increased drilling activities in the Delaware Basin following its acquisition in 2017. Adjusted EBITDA decreased $323.5 million, or 62.4%, to $195.1 million in 2017 from $518.6 million in 2016. The decrease in adjusted EBITDA was driven by the sale of the Company's Bakken Assets in 2017 and a decrease in realized hedging gains.

Financial Data ($ in millions)	**FYE December, 31** 2015A	2016A	2017A
Production (mboe/d)	41.5	37.2	27.4
Production Growth	*(1.3%)*	*(10.6%)*	*(26.3%)*
Sales	$550.3	$420.2	$378.0
Sales Growth	*(52.1%)*	*(23.6%)*	*(10.1%)*
Adjusted EBITDAX (1)	$688.4	$518.6	$195.1
EBITDAX Margin	*125.1%*	*123.4%*	*51.6%*

Capitalization ($ in millions)	**Maturity**	**Rate**	**PF Dec-17 (2)**
Cash			$303
RBL Revolving Credit Facility	11/01/19	L + 275-375	--
6.75% Senior Notes	02/15/25	6.750%	625
Total Debt			**$625**
Net Debt			*$322*
Market Capitalization (3)			892
Net Capitalization			**$1,214**

Notes:

mboe/d is defined as thousands of barrels of oil equivalent per day.
(1) Includes the impact of realized hedging gains and losses resulting from normal course operations.
(2) Capitalization pro forma for recent transactions per investor presentation issued on February 28, 2018.
(3) Assumes stock price of $5.65 as of 3/1/18.

LONDON SQUARE

London Square
Initial Investment Date – July 22, 2014
Invested Capital at 12/31/17 – $180.3 million
Estimated Total Value at 12/31/17 – $209.9 million[1]
- Unrealized Valuation – $209.9 million

Investment Thesis

- Attractive long-term fundamentals of the London Housing Market
  - Acute structural deficit in London housing supply and rapidly expanding population (fastest growing city in Europe)
  - Demand buoyed by strong international demand for both living and investment (35% of London residents born overseas)
  - Government and Bank of England have been supportive of both supply and demand for new homes

- Opportunity to back team to scale quickly in large, fragmented market
  - Execution of management plan would make London Square a top 5 player in London with market share of ~5%
  - High barriers to entry due to complex planning process and capital intensity versus rest of the UK

- Management team has the skillset to source proprietary opportunities and to become a tier 1 player in London
  - Long-term relationships with Local Authorities, agents, and land owners to secure proprietary pipeline of buying opportunities in the opaque London land market
  - Ability to optimize value through management of complex planning requirements (e.g. change of use) and design / construction period

- Management track record of execution
  - London Square's projects to date completed with attractive economics, with outperformance driven by planning optimization
  - CEO Adam Lawrence has long track record in London as Regional Chairman of Barratt London (second largest homebuilder in London) where he managed >3,000 completions per year

- Attractive land bank and pipeline
  - Impressive range and quality of sites sourced and delivered by management, with good margin prospects
  - Initial purchase price valuation underpinned by land bank value
  - Ability to generate attractive unlevered IRRs in subject-to-planning deals

Investment Description

On July 22, 2014, ACOF IV, in partnership with Ares Real Estate and London Square's management team acquired London Square for an equity purchase price of £110 million. The transaction consideration and associated fees and expenses was funded with approximately £70 million of equity from ACOF IV, approximately £35 million of equity from Ares Real Estate, plus an additional roll-over by management of approximately £8 million. As part of the original transaction,

[1] As of December 31, 2017, London Square has been valued at £155.4 million, or 1.4x MIC when measured in local currency.

ACOF IV and Ares Real Estate had the option to fund an additional £60 million (£40 million to ACOF IV) of additional equity for future growth, which has been fully funded as of March 2016.

Business Description

London Square is an emerging homebuilder focused on the London market, founded in 2010 by CEO Adam Lawrence. The company is focused on developments of 25-400 units at mid-range price points across Greater London. The company currently has a total land bank of 16 properties, comprising ~2,600 units, and a projected gross development value of £1.6 billion.

Recent Operating Results

For the third quarter ending December 31, 2017, London Square reported revenue of £89.5 million and EBITDA of £10.7 million versus £26.1 million of revenue and (£0.6) million of EBITDA for the same period of last year. These results relative to the prior year, reflect the uneven timing of project completions. Due to the United Kingdom's referendum to leave the European Union, management did re-evaluate the pace of deployment of capital in 2016 which pushed the phasing of some projects further out and the ramp in profit is now expected in FY2020-22. London Square is currently in the process of selling homes in eleven projects consisting of 1,386 units, of which 701 have been sold as of December (including 100% of JVs).

Financial Data[1]	**FYE March 31**			**LTM**
(£ in mm)	**FY2015**[3]	**FY2016**	**FY2017**	**12/31/2017**
Home Sales	59	150	243	410
Revenue	£25.8	£95.0	£121.4	£182.7
Growth %	*(46%)*	*268%*	*28%*	
Trading Profit	£4.8	£27.2	£26.3	£40.1
Margin %	*18%*	*29%*	*22%*	*22%*
EBITDA	£20.1	£23.3	£19.9	£26.2
Margin %	*78%*	*25%*	*16%*	*14%*
GAV	£133.2	£202.9	£300.2	£316.3
Growth %	*126%*	*52%*	*48%*	
TBV	£80.9	£137.4	£147.9	£151.5
Growth %	*69%*	*70%*	*8%*	

(£ in mm)	Maturity	Rate	As of 12/31/2017	ACOF IV Ownership £	%
Assets[1]					
Cash			£45.7		
Real Estate Under Development (excl. JVs)			£350.8		
Capitalization					
Revolving Credit Facility	Mar-19	L + 325	£171.7		
Other Debt			£38.9		
Total Third Party Debt			**£210.6**		
Loan Notes[2]		12% PIK	£244.8	£155.5	64%
Total Debt			**£455.3**		
Net Debt			**£409.7**		
Common Equity			£1.0	£0.5	51%
Total Capitalization			**£410.7**		

(1) Financials presented excluding any goodwill-related purchase price adjusments.
(2) Loan notes presented accruing yearly PIK interest at 12% as at 12/31/17.
(3) In Nov-2014, London Square sold its stake in a JV (accounted for under the equity method) realizing a gain on sale of £22m included in EBITDA.

NATIONAL VETERINARY ASSOCIATES

National Veterinary Associates
Initial Investment Date – August 14, 2014
Invested Capital at 12/31/17 – $362.8 million
Estimated Total Value at 12/31/17 – $1,470.3 million
- Unrealized Valuation – $963.9 million
- Realized Proceeds – $506.5 million

Investment Thesis

- Premier Platform for Acquiring Veterinary Hospitals with Significant Whitespace to Continue to Ramp its Acquisition Pace
  - Diversified geographically with 550+ facilities across 40+ states and internationally in Canada, Australia and New Zealand that provides a full range of medical and surgical services
  - Partner of choice for sellers of hospitals due to longstanding history and vet-friendly reputation
  - Significant whitespace to continue acquiring practices; top three consolidators currently represent <5% of the market

- Attractive Industry Fundamentals Will Drive a Large and Growing Market
  - The pet industry is a $55+ billion market that remains recession-resistant
  - Industry shift towards preventive care likely to drive visits, higher standards of care and customer loyalty
  - Low exposure to regulatory, reimbursement, third-party, governmental and malpractice risk

- Strong Financial Performance of Existing Hospital Base
  - Stable, recurring revenue base with ~95% of revenue generated by repeat clients
  - Robust free cash flow driven by negative working capital requirements, low CapEx, and significant tax deductions
  - 99%+ of NVA's hospitals generate positive "4-wall" EBITDA

- Multiple Growth Levers
  - Well-defined approach to driving same-store growth
  - Accretive acquisition opportunities proven by 300+ hospitals acquired since 2008 at an average annual ROIC of 25%
  - New initiatives in their infancy including the rollout of wellness plans and dental programs with future opportunities to expand in boarding and grooming, teleradiology, clinical trials and other ancillary services

- Highly Analytical and Process-Driven Management Team
  - Very structured and organized acquisition diligence, negotiation and integration process
  - Operations team focused on driving value and performance at existing hospitals

Investment Description

On July 14, 2014, ACOF IV entered into a definitive agreement to acquire NVA for $910.0 million, excluding fees and expenses. The transaction closed on August 14, 2014 with $505.0 million of debt financing and $418.9 million of equity. The debt financing consists of a $70.0 million cash flow revolver (unfunded at close), a $345.0 million first lien term loan and a $160.0 million second lien term loan. ACOF IV contributed $320.0 million towards the equity account, representing an ownership stake of 91.6%. Subsequent to closing, the company issued $73.3 million of Shareholder Loans, of which ACOF IV purchased $34.9 million. Proceeds from the Shareholder Loans were used to redeem equity.

On June 13, 2017, ACOF IV signed an agreement to sell a minority stake of NVA to OMERS (the "Minority Sale") at a total enterprise value of $2,900 million, excluding fees and expenses (the "Transaction Value"). The Transaction Value represents 17.4x FY2017 PF Adj. EBITDA of $167 million based on the credit agreement definition and consistent with our internal valuation. Including synergies and adjusting for the maturity ramp of acquired hospitals, this translates into Run Rate EBITDA of $182 million or a 15.9x valuation. In connection with their purchase of the NVA equity stake, OMERS also acquired $14.5 million of NVA HoldCo Notes from ACOF IV and management. The transaction closed on July 20, 2017, resulting in ACOF IV realizing $500.8 million of proceeds or 1.4x invested capital. ACOF IV continues to control NVA with an economic ownership of ~58% on a common ownership basis.

Recent Events

In February 2018, NVA entered into an amendment to its First Lien Credit Agreement that refinanced and extended the maturity of its First Lien Term Loan Facility to February 2025 and lowered the interest rate from L + 300 to L + 275.

On March 20, 2018, NVA issued $500 million of new Senior Notes in order to refinance its Second Lien Term Loan. The Notes have a maturity of 2026 and bear interest at 6.875%. Concurrently, the Company also upsized its revolver to $140 million from $94.5 million.

Recent Operating Results

For the second quarter of fiscal year 2018, the company reported trailing twelve months pro forma revenue of $1,233.0 million and pro forma Adj. EBITDA(1) of $189.8 million. Actual revenue increased 37.1% from $432.4 million in Q2 YTD FY 2017 to $592.7 million in Q2 YTD FY 2018. The increase in revenue was driven by hospital acquisitions and 5.3% day-adjusted same-store sales growth. Q2 YTD FY 2018 EBITDA was $88.2 million, representing a YoY increase of 38.3% over Q1 YTD FY 2017 EBITDA of $63.8 million. The company added 39 new facilities in Q2 YTD FY 2018.

($ in millions)	FYE June 30, 2015	2016	2017E	LTM Q2'18
Revenue	$488.9	$656.7	$945.6	$1,105.8
Growth %	*22.1%*	*34.3%*	*44.0%*	
SSS Growth %	*5.4%*	*5.6%*	*4.9%*	
PF Revenue	$540.7	$787.2	$1,095.7	$1,233.0
Growth %	*24.6%*	*45.6%*	*39.2%*	
PF Adj. EBITDA(1)	$87.9	$126.8	$167.0	$189.8
Margin	*16.3%*	*16.1%*	*15.2%*	*15.4%*
# of Hospitals	*283*	*378*	*502*	*541*

Capitalization	**12/31/17**	**PF Adj. EBITDA x.**
Cash	$63.4	
Revolving Credit Facility ($92.5mm)	$ --	
First Lien Term Loan	939.4	
Second Lien Term Loan	400.0	
Seller Subordinated Notes and Other	22.5	
Total Debt	**$1,361.9**	**7.2x**
Net Debt	*1,298.5*	*6.8x*
Shareholder Loan (ACOF IV owns 32%)	87.7	
Equity Valuation as of Minority Sale	1,556.4	
Net Capitalization	**$2,942.6**	**15.5x**

(1) Pro Forma EBITDA assumes acquisitions occur on July 1st of the fiscal year the hospital is acquired and is per the credit agreement definition, but does not add back Minority Interest expense from JV Hospitals. Beginning in FY18, the EBITDA includes an internal adjustment for pro forma margin improvement in acquired hospitals and a maturity adjustment for newly opened denovos.

NEIMAN MARCUS GROUP

Neiman Marcus Group
Initial Investment Date – October 25, 2013
Invested Capital at 12/31/17 – $400.0 million
Estimated Total Value at 12/31/17 – $78.8 million
- Unrealized Valuation – $78.8 million

Investment Thesis

- World-class asset in an industry with strong long-term fundamentals
  - World's leading luxury retailer with two iconic brands with 100+ year histories
  - ~20% larger (by sales) than the next largest global player and ~45% larger than its largest domestic competitor, Saks Fifth Avenue
  - Largest luxury online business with more than $1 billion of sales and double digit historical growth
  - Industry leading productivity metrics
  - Long-term track record of organic growth (20-year average same store sales growth of 2%-3%)
  - Attractive industry tailwinds (North American luxury goods sector is projected to grow at a 4%-6% CAGR with ~15% growth in online luxury goods)
- Marquee real estate that is extremely difficult to replicate
  - Stores are located in all key domestic "gateway" cities (e.g., New York, Los Angeles, San Francisco, Chicago, Miami, Atlanta, Dallas, and Houston)
  - Mall-based stores are located in the premier shopping centers across the country
  - Bergdorf Goodman has two world-renowned stores located on Fifth Avenue in Manhattan
- Strong relationships with top luxury brands globally
  - Neiman Marcus is an important distribution channel for the world's leading luxury brands
  - Respected by the vendor community for offering a differentiated customer experience and reinforcing their brand image
  - Many of its largest vendors have had relationships with the Company for 25+ years
  - Limited vendor concentration (top ten vendors represent 26% of sales)
- Attractive growth opportunities
  - Drive store productivity growth through targeted capital investments to optimize space allocations toward faster growing categories
  - Accelerate momentum in the online channel by increasing site personalization and growing international sales
  - Leverage investments in systems to provide a true omni-channel experience at all customer touch-points while improving inventory management and planning
  - Increase penetration of private label, proprietary merchandise, and exclusives
- Best-in-class management team
  - Industry-leading executive management team with unique combination of legacy Neiman Marcus talent and new hires from outside the Company
  - Significant management rollover investment highlights commitment to the Company's strategy going forward

Investment Description

ACOF III, ACOF IV, and Canada Pension Plan Investment Board ("CPPIB") acquired Neiman Marcus Group LTD Inc. ("Neiman Marcus") for a purchase price of $6.0 billion (excluding fees and expenses) on October 25, 2013. The purchase price represented a multiple of 9.1x FY13 Adjusted EBITDA of $658 million. The transaction was financed with an $800 million ABL Revolver ($75 million drawn at close to fund working capital), a $2.95 billion First Lien Term Loan, $960 million of Senior Cash Pay Notes, $600 million of Senior PIK Toggle Notes, $125 million of Rollover Debentures, and approximately $1.6 billion of equity. Ares and CPPIB each invested $650 million in the form of common stock, with Ares' portion split ~40/60 between ACOF III and ACOF IV. The remainder of the equity account came from certain co-investors (~$250 million), and rollover equity of ~$30 million from senior management.

In October 2014, The Neiman Marcus Group acquired MyTheresa, a global online luxury retailer based in Munich. Along with the online operations, the company also acquired Theresa, the flagship store in Munich, for a total upfront purchase price of €150 million (excluding fees / expenses and certain purchase price adjustments), and an earnout to be paid at the end of 2015 and 2016. The transaction was funded through a combination of cash and drawings on Neiman Marcus Group's ABL revolver.

Business Description

Neiman Marcus Group LTD Inc. ("Neiman Marcus" or the "Company") is one of the largest luxury, multi-branded, omni-channel retailers in the world with 91 stores across the U.S., including 42 Neiman Marcus stores, two Bergdorf Goodman locations on Fifth Avenue in New York City, 29 Last Call outlet centers, 12 Last Call Studios, and 6 CUSP stores. With a history of over 100 years in retailing, the Neiman Marcus and Bergdorf Goodman brands are recognized as synonymous with fashion, luxury and style. The Company is a leading fashion authority and is a premier retail partner for many of the world's most exclusive designers.

Recent Operating Results

Total revenues increased $41 million, or 3.8%, to $1.120 billion in Q1 FY 2018 from $1.079 billion in Q1 FY 2017. Comparable revenues increased 4.2% for the entire company, while same store sales for the company's online operations increased 14.4% in Q1 FY 2018 compared to the prior year. Publicly Reported Adjusted EBITDA(3) increased 0.5% to $123.5 million in Q1 FY 2018 from $122.9 million in Q1 FY 2017.

In the first quarter of fiscal year 2017, the company launched NMG One, an integrated merchandising and distribution system designed to enable them to purchase, share, manage and sell their inventories across their omni-channel more efficiently. The implementation of NMG One was significant in scale and complexity, and the company experienced various issues with respect to the functionality and capabilities of certain portions of the new system. These issues primarily related to the processing of inventory receipts at their distribution centers, the timely payment of certain merchandise receipts, the transfer of inventories to their stores and the presentation of inventories on their websites. These issues prevented the company from fulfilling certain customer demand in both their stores and websites.

As a result of these implementation issues, the company believes:

- revenues were adversely impacted;
- incremental markdowns have been incurred;
- higher provisions for estimated inventory shrinkage have been required;
- additional incremental costs, primarily for consulting services, have been incurred; and
- significant internal resources have been allocated to address these issues.

Based on available data, management estimates that these issues resulted in unrealized revenues of $28 million or more during the LTM period ending Q1 FY 2018. However, the company believes the full impact of the NMG One implementation issues on their revenues is likely greater because there are a number of ways in which their business has been disrupted that the company cannot directly track or measure.

The company has resolved NMG One and is starting to see improvement in the business, inventory management, and customer satisfaction. The macro environment is still challenging and highly promotional, though the business experienced a positive comp in both stores and online in the quarter as management is able to now focus on driving the company forward.

Q2 FY 2018 has continued the positive trajectory with comparable revenues increasing 6.7%. Lastly, effective February 2018, Geoffroy van Raemdonck was appointed as the new CEO of Neiman Marcus, bringing considerable brand and international experience to the company. Geoffroy most recently served as Group President for EMEA and Global Travel Retail at Ralph Lauren where he led the transformation of all Ralph Lauren brands across full and off-price stores, wholesale and digital. He previously held roles at St. John Knits, Louis Vuitton, L Brands, and Boston Consulting Group.

Financial Data	**Actual FY Ended July,**			**LTM**
($ in millions)	**2015**	**2016**	**2017**	**Q1 FY18**
PF Sales[(1)]	$5,136	$4,949	$4,706	$4,747
PF Sales Growth	*3.8%*	*(3.6%)*	*(4.9%)*	
PF Adjusted EBITDA[(1)(2)]	$683	$565	$462	$446
PF EBITDA Margin	*13.3%*	*11.4%*	*9.8%*	*9.4%*
Publicly Reported Adjusted EBITDA [(3)]	***$711***	***$585***	***$434***	***$434***

Capitalization ($ in millions)	**Maturity**	**Rate**	**Q1 FY18**
Cash			$41
Asset Based Revolving Credit Facility[(5)]	7/25/21	L + 175	$344
Senior Secured Term Loan[(4)]	10/25/20	L + 325	2,803
Senior Secured Debentures	6/1/28	7.125%	125
Senior Cash Pay Notes	10/15/21	8.000%	960
Senior PIK Toggle Notes	10/15/21	8.75%/9.50%	629
Total Debt			**$4,860**
Common Equity (at Cost)			$1,587
Total Capitalization			**$6,447**

Note:

(1) Pro forma sales and EBITDA assume MyTheresa was owned at the beginning of FY2015.

(2) Pro forma Adjusted EBITDA includes adjustments for impairment charges, non-cash stock-based compensation, transaction costs, expenses incurred in connection with strategic growth initiatives, and other non-recurring expenses. Pro Forma Adjusted EBITDA for the FY16 and FY17 period includes an adjustment to reflect a full year of savings from executed organizational and indirect savings actions. FY17 and FY18 EBITDA also includes an adjustment for the estimated loss earnings due to issues incurred in the implementation of NMG One and the pro forma impact from NMG Reset.

(3) Publicly Reported Adjusted EBITDA includes additional adjustments for incremental rent, expenses incurred in connection with openings of new stores / remodels of existing stores, and NMG One expenses, but does not include a run-rate adjustment for executed organizational and indirect savings.

(4) Senior Secured Term Loan has a LIBOR Floor of 1.0%.

(5) Springing maturity 90 days inside TL maturity (July 2020).

NOBLE ENERGY
(F.K.A. CLAYTON WILLIAMS ENERGY)

Noble Energy, Inc. ("Noble")
F.K.A Clayton Williams Energy, Inc. ("Clayton Williams")
Initial Investment Date – March 15, 2016
Invested Capital at 12/31/17 – $266.6 million
Estimated Total Value at 12/31/17 – $1,010.0 million
- Realized Proceeds – $860.2 million
- Unrealized Valuation – $149.8 million

Investment Thesis (for Clayton Williams)

- Located in one of the fastest growing unconventional basins with best-in-class economics
  - Delaware Basin of Permian shale play is on the low end of the cost curve (some of the lowest breakeven oil prices) relative to other U.S. and global basins
- ~73,000 core Delaware Basin net acres with substantial inventory of development drilling opportunities
- Opportunities to meaningfully enhance well results and increase NPV per well through the use of various operational improvements
  - The industry has seen significant increases in well productivity across offset operators
  - Delaware Basin is in the early stages of widespread development and poised to benefit from improved productivity enhancements over time, which can dramatically increase well returns / value
- Geologic formations have been proven and acreage has been largely delineated
- Downside protection from asset coverage, covenants, and debt restrictions
  - Second Lien Term Loan has strict negative covenant package that limits debt incurrence and cash leakage from asset sales and restricted payments
- Equity upside from value of warrants and board seats received as part of the transaction
  - ACOF IV received 10-year warrants issued at closing to purchase 1,608,117 shares struck at $22/share resulting in 6.3% ownership on a fully-diluted basis
  - ACOF IV purchased 5,251,655 shares of common stock from the Company, resulting in pro forma ownership of 26.6% on a fully-diluted basis (32.9% assuming ACOF IV warrants are exercised)
  - Special Voting Preferred Stock and subsequent equity investments allow for the election of 3 of the Company's 7 Directors

Investment Description

On March 4, 2016, ACOF IV and a co-investment vehicle managed by Ares signed a definitive agreement to lend $350.0 million to Clayton Williams in the form of a $350.0 million par value Second Lien Term Loan, 2,251,364 Common Stock Warrants, and 3,500 shares of Special Voting Preferred Stock (the "Ares Financing"). The Second Lien Term Loan has a 12.5% quarterly cash interest rate, with the ability to be paid-in-kind (PIK) at a rate of 15.0% for the first two years at the Company's election. The Common Stock Warrants give Ares and its affiliates the right to purchase up to 2,251,364 shares of the common stock (approximately 18.5% of the Company's shares outstanding or 15.6% on an as converted basis) at a strike price of $22.00 per share for 10 years. The Special Voting Preferred Stock provides Ares and its affiliates the right to elect 2 members of the Company's 7 person Board of Directors for as long as the warrants remain outstanding.

The Ares Financing was funded with (i) $125mm of equity from ACOF IV, (ii) $125mm of asset-level credit facility debt, and (iii) $100mm from a co-investment by an ACOF IV Limited Partner.

Proceeds from the Ares Financing were used by the Company to pay down its existing RBL Revolving Credit Facility and provided for additional liquidity to fund its ongoing corporate needs with approximately $200.0 million of cash on the Company's balance sheet at closing. As part of the Ares Financing, the Company's RBL Revolving Credit Facility was amended to reduce the borrowing base to $100.0 million (undrawn at close), but can be increased to up to $150.0 million provided that certain asset coverage metrics are met in the future.

Subsequent to the Ares Financing, during Q2 2016 ACOF IV invested $16.6 million of additional capital to purchase 1,042,405 shares of Clayton Williams common stock in open market transactions, at an average cost of $15.96/share.

On July 22, 2016, ACOF IV and a co-investment vehicle managed by Ares signed a definitive agreement to purchase 5,051,100 shares of common stock from the Company for $150 million or approximately $29.70/share (the "Ares Equity Purchase"). The Ares Equity Purchase was funded with a $125.0 million investment from ACOV IV and $25.0 million from the co-investment vehicle managed by Ares. The investment closed in Q3 2016. As of March 31, 2017, ACOF IV owned 30.0% of Clayton Williams (34.7% assuming warrants held by ACOF IV are exercised) and has invested $266.6 million total net capital. Together with the co-investment vehicle, Ares controls 34.8% of the Company's common stock (42.3% assuming the warrants held by ACOF IV and the co-investment vehicle are exercised).

In October 2016, Clayton Williams signed a definitive agreement to sell its assets in the Giddings area of East Texas to an undisclosed third party at a $400 million asset valuation. The sale closed in Q4 2016 making Clayton Williams a pure-play Delaware Basin operator.

In January 2017, Clayton Williams entered into a definitive agreement under which Noble Energy agreed to acquire all of the outstanding stock of Clayton Williams Energy for $2.7 billion or $138.97 / share (2.7874 shares of NBL stock and $34.75 of cash per CWEI share). As consideration for the merger, Clayton Williams equity shareholders had the right to elect the form of consideration they wished to receive in cash and NBL equity subject to a pro rata cut back such that the total consideration paid by Noble equaled 75% stock / 25% cash.

The merger closed on April 24, 2017. ACOF IV elected 100% cash consideration for its common stock and warrant holdings, but was cut back as the amount of cash elections by CWEI investors exceeded the amount of cash consideration available. As a result, ACOF IV received approximately $230.6 million of cash and 18.3 million shares of NBL common stock in exchange for its common stock and warrant holdings. Concurrent with the closing of the merger, Noble assumed and repaid all of Clayton Williams' outstanding debt. ACOF IV realized $242.1 million from the repayment of the Second Lien Term Loan.

In Q2 2017, ACOF IV opportunistically sold a portion of its NBL stock holdings in the open market for $22.6 million.

During Q3 2017, ACOF IV opportunistically sold a portion of its NBL stock holdings in the open market for $167.1 million of proceeds and contributed 13.8 million shares of NBL common stock into a bankruptcy remote portfolio holding vehicle, which were pledged as collateral for a $140.4 million loan. $137.5 million of net proceeds (after a reserve for future interest and expenses) have been realized in relation to the margin loan.

In Q4 2017, ACOF IV opportunistically sold a portion of its NBL stock holdings in the open market for $8.4 million.

Together with the proceeds from the Second Lien Term Loan, ACOF IV's total investments in Clayton Williams have realized gross cash proceeds of $852.8 million and have a total value of $1,001.5 million.

Business Description

Noble Energy, founded in 1932, is a leading independent oil and gas exploration and development company headquartered in Houston, Texas with over 2,250 employees. Noble currently operates a diverse portfolio of both U.S. unconventional basins and global conventional offshore basins. The Company's U.S. onshore development is primarily focused on liquids-rich opportunities in the DJ Basin, Delaware Basin, and Eagle Ford Shale. The Company's offshore development is primarily focused on the U.S. Gulf of Mexico, Equatorial Guinea, and the Eastern Mediterranean.

Recent Events

Divestiture of Non-Core DJ Basin Acreage

On November 9, 2017, Noble entered into a definitive agreement with SRC Energy Inc. to divest approximately 30,200 net acres of the Company's non-core DJ Basin acreage for $608 million. The transaction closed in December 2017.

Divestiture of Marcellus Midstream Assets

On December 15, 2017, Noble entered into a definitive agreement with CNX Resources Corporation (NYSE: CNX) to divest the Company's 50% stake in CONE Gathering LLC for $305 million. CONE Gathering LLC owns the general partner of CONE Midstream Partners LP (NYSE: CNNX). Noble is retaining its 21.7 million common limited partner units in CNNX and plans to divest the units over the next few years. The transaction closed in January 2018.

Sell-Down of Tamar Asset

On January 29, 2018, Noble entered into a definitive agreement with Tamar Petroleum Ltd. (TASE: TMPR) to divest a 7.5% working interest in the Tamar field, offshore Israel for cash proceeds of $560 million and 38.5 million shares in TMPR for a total consideration of $800 million when announced. The transaction closed in March 2018.

Share Repurchase Program & Divestiture of Gulf of Mexico Assets

On February 15, 2018, Noble announced that its Board of Directors has authorized a $750 million share repurchase program in connection with entering into a definitive agreement with Fieldwood Energy LLC for $710 million. The transaction is expected to close in Q2 2018.

Execution of Gas Sales Agreements

On February 19, 2018, Noble entered into definitive agreements to sell significant quantities of natural gas from the Leviathan and Tamar fields to Dolphinus Holdings Limited to supply gas in Egypt. These agreements, one for natural gas from Leviathan and one for Tamar, each provide for total contract quantities of 1.15 trillion cubic feet of natural gas over 10 years. The natural gas is anticipated to supply industrial and petrochemical customers as well as future power generation in Egypt. The transaction is expected to close in Q1 2018.

Recent Operating Results

Q4 Highlights

Total revenues increased $191 million, or 18.9%, to $1,201 million in Q4 2017 from $1,010 million in Q4 2016. Adjusted EBITDAX increased $83 million, or 11.8%, to $789 million in Q4 2017 from $706 million in Q4 2016. Total production decreased to 380 mboe/d in Q4 2017, representing a 7.3% decrease over Q4 2016 production of 410 mboe/d. The decrease in production from prior quarters is predominantly the result of the transactions closed in 2017.

Financial Data	**FYE December 31,**			
($ in millions)	**2014A**	**2015A**	**2016A**	**2017A**
Production (mboe/d)	298	355	420	381
Production Growth	*8.8%*	*19.1%*	*18.3%*	*(9.3%)*
Sales	$5,101	$3,183	$3,491	$4,256
Sales Growth	*1.7%*	*(37.6%)*	*9.7%*	*21.9%*
Adjusted EBITDA(1)	$3,324	$2,744	$2,463	$2,648
EBITDA Margin	*65.2%*	*86.2%*	*70.6%*	*62.2%*

Capitalization			
($ in millions)	**Maturity**	**Rate**	**12/31/17**
Cash(2)			$1,540
RBL Revolving Credit Facility	8/27/20	2.27%	$230
Senior Notes	5/1/21 - 8/1/97	3.85% - 8.00%	6,271
Capital Lease and Other Obligations			273
Total Debt			**$6,774**
Net Debt			***5,234***

Notes:

mboe/d is defined as thousands of barrels of oil equivalent per day.
(1) Includes the impact of realized hedging gains and losses resulting from normal course operations.
(2) Pro forma for the divestiture of CONE Gathering LLC and the sell-down of Tamar.

SMART & FINAL

Smart & Final Stores LLC ("Smart & Final")

Initial Investment Date: November 15, 2012
Invested Capital at 12/31/17 – $145.0 million
Estimated Total Value at 12/31/17 – $285.2 million

- ***Realized Proceeds – $96.1 million***
- ***Unrealized Value: $189.0 million***(1)

Investment Thesis

- Favorable dynamics in the California grocery market are expected to continue to drive SSS growth
  - Alternative formats like Smart & Final are gaining share from conventional supermarket formats
- Differentiated food retail concept with significant momentum
  - Everyday low price ("EDLP") strategy equates to a market-basket priced meaningfully below conventional grocers
  - Unique product assortment (larger sizes and club packs), smaller stores (~20,000 sq. ft.) and a convenient shopping experience is attractive to customers as an alternative to larger mass merchant and club competitors, particularly in dense, urban markets
  - Established base of business customers (approximately 32% of sales for S&F banner) provide for a stable base of higher-ticket, higher frequency shoppers
  - Dense footprint in California is challenging for competitors to replicate
- Best-in-class management team with meaningful roll-over investment
- Significant growth opportunities exist through investments in additional Smart & Final Extra! store conversions, new stores, and in-store merchandising opportunities
  - 89 Smart & Final Extra! store conversions and relocations have been completed to date, which have a proven track record and have averaged in excess of 25% cash on cash returns on invested capital
  - Ample opportunity to continue to open stores in existing markets and potential to expand into adjacent markets
- Attractive buy in multiple and free cash flow characteristics
- Proven track record of growth with resilience during historical economic recessions and significant recent momentum
  - Positive same store sales in 26 of last 27 years

Investment Description

On October 9, 2012, ACOF IV and Ares Corporate Opportunities Fund III, L.P. ("ACOF III") signed a definitive agreement to acquire Smart & Final Holdings Corp. for a base purchase price of $975.0 million, prior to fees and expenses. The transaction closed on November 15, 2012 with $730.0 million of funded debt financing and $310.1 million of contributed equity. The debt financing consisted of a $150.0 million ABL revolving credit facility ($10.0 million funded), a $525.0 million first lien term loan, and a $195.0 million second lien term loan. ACOF III, ACOF IV, and Smart & Final management contributed equity of $145.0 million, $145.0 million and $20.1 million, representing ownership stakes of 46.8%, 46.8% and 6.5%, respectively. The implied total transaction value was approximately $1.0 billion (7.6x LTM 10/7/12 Adjusted EBITDA of $132.4 million).

(1) Unrealized Value of $189.0 million based on the publicly traded stock price of $8.55 as of December 31, 2017. As of Friday March 9, 2018, the closing price for the company's Common Stock was $7.15 per share (NYSE:SFS).

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On April 14, 2015, Smart & Final completed its first follow-on offering, pursuant to which 10,900,000 secondary shares of common stock (after giving effect to the underwriters' partial exercise of their option to purchase additional shares) were sold at a price of $18.50 per share. ACOF III and ACOF IV each sold 5,440,619 shares and received net proceeds of $96.1 million. Following the offering, ACOF III and ACOF IV each owned 22,109,381 shares of Smart & Final's common stock (collectively ~60%).

Business Description

Headquartered in Commerce, CA, Smart & Final is a leading warehouse-style, "no membership fee," multiformat retailer serving both households and small businesses with a strong value proposition. Smart & Final operates 308 convenient, non-membership, smaller box, warehouse style stores under three distinct but complementary formats: Smart & Final, Smart & Final Extra! and Cash & Carry. The stores operate in six western U.S. states, with an additional 15 stores operated through a joint-venture in northwest Mexico.

Recent Operating Results

Sales increased 6.7%, to $1,067.9 million in 4Q'17 from $1,000.6 million in 4Q'16. Comparable store sales increased 3.2% in 4Q'17 as compared to a 2.0% decrease in 4Q'16, reflecting a 2.5% increase in comparable store sales for the Smart & Final banner and a 6.2% increase in comparable store sales for the Cash & Carry banner in 4Q'17. Adjusted EBITDA in 4Q'17 increased to $49.1 million from $37.3 million in 4Q'16.

For the full 2017 year, sales increased 5.3%, to $4,570.6 million from $4,341.8 million in 2016. Comparable store sales increased 1.0% in 2017 as compared to a 0.5% decrease in 2016, reflecting a 0.7% increase in comparable store sales for the Smart & Final banner and a 2.4% increase in comparable store sales for the Cash & Carry banner. Adjusted EBITDA in 2017 increased to $184.4 million from $180.3 million in 4Q'16.

Financial Summary

	FYE December 31,		
($ in millions)	**2015[1]**	**2016**	**2017**
Revenue	$3,971	$4,342	$4,571
Total Sales Growth (%)	*12.4%*	*9.3%*	*5.3%*
Same-Store Sales (%)	*4.5%*	*(0.5%)*	*1.0%*
Adj. EBITDA	$193	$180	$184
% Margin	*4.9%*	*4.1%*	*4.0%*

Capitalization

($ in millions)	**Maturity**	**Rate [2]**	**12/31/17**
Cash			$72
ABL Revolver ($150mm)	4/19/2021	L + 150	$81
1st Lien Term Loan	11/15/2022	L + 350	$625
Total Debt			**$706**
Net Debt			$634
Common Equity (Market Cap) [3]			$626
Net Capitalization			**$1,260**

(1) FY'15 consisted of 53 weeks; FY'13, FY'14 and FY'16 consist of 52 weeks.
(2) The first lien term loan has a LIBOR floor of 0.75%.
(3) As of 12/31/17

VALET LIVING

Valet Living
Setting the Standard

Valet Waste Holdings, Inc.
Initial Investment Date – September 24, 2015
Invested Capital at 12/31/17 – $192.5 million
Estimated Total Value at 12/31/17 – $278.4 million
- Unrealized Valuation – $278.4 million

Business Description

Valet Living is a leading national provider of value-added amenity services to the multifamily housing industry. Valet Living provides five nights-per-week doorstep waste and recycling collection for more than 400 management companies and owner groups servicing more than 1,000,000 units across 34 states. The company also offers complementary maintenance services to the multifamily housing industry including nightly maintenance, apartment cleaning, apartment turns and porter services through its Maintenance Plus offering, which launched in 2014.

Investment Thesis

- $1 billion addressable market with growing customer adoption
  - 7 million units in core addressable market with only 1 million units served today (14% penetration), of which Valet Living serves 70%
  - ~45% of penetration opportunity is within existing core South regional markets
- Industry-leading position with strong first-mover advantage
  - Significant barriers to scale and longstanding relationships with national property managers and owner groups
- Value proposition is strong for both property managers and residents
  - NOI-generating opportunity for property owners at a low absolute cost
- Controllable levers to accelerate growth
  - Ability to invest in sales professionals across regions to build awareness and drive penetration
- Opportunity to introduce adjacent services and target similar markets (senior housing and student housing)
- High margins and strong free cash flow generation in asset-lite business model

Investment Description

On August 25, 2015, ACOF IV, Harvest Partners and management entered into a definitive agreement to acquire Valet Waste Holdings, Inc. ("Valet Living") for $450 million, excluding fees and expenses. The transaction closed on September 24, 2015 with $200.0 million of debt financing and $261.1 of contributed equity. The debt financing consisted of a new $30.0 million cash flow revolver and a $200.0 million covenant-lite term loan. ACOF IV, Harvest Partners and management contributed $192.5 million, $63.8 million and $4.8 million towards the equity account, respectively.

Subsequent Events

On January 26, 2018, Valet Living completed the acquisition of VIP Waste for $2.2 million, inclusive of a $0.6 million earnout contingent on certain home retention metrics through the 12-month anniversary of the acquisition. The purchase price represents 6.1x pro forma LTM EBITDA of $0.4 million.

On February 1, 2018, the Company repriced the interest rate spread on its term loan by 75 bps (from L+700 to L+625), reducing its annual interest expense by $1.7 million.

Recent Operating Results

For 4Q 2017, the Company reported revenue of $37.9 million, an increase of 23% over revenue of $30.9 million from 4Q 2016. Adjusted EBITDA for 4Q 2017 was $9.4 million, flat as compared to 4Q 2016. However, 4Q 2016 results were lifted by a reversal of a bonus accrual for the full year. On a like-for-like basis, the Company increased its pre-bonus EBITDA by 19% in 4Q 2017. Adjusted EBITDA growth has lagged top-line growth as the Company has made substantial investments to position the Company to accelerate growth over the next several years. Additionally, outsized growth in the Company's lower margin Turns business has had a mix impact to overall gross profit margins.

For the LTM period ended 12/31/17, the Company reported revenue of $142.0 million and Management Run-Rate EBITDA of $46.5 million.

Financial Summary

	FYE 12/31			
($ in millions)	**2014**	**2015**	**2016**	**2017**
Revenue	$76.5	$92.9	$113.8	$142.0
% Growth	*27.2%*	*21.4%*	*22.5%*	*24.7%*
Gross Profit	$43.5	$51.9	$60.7	$69.5
% Margin	*56.9%*	*55.9%*	*53.3%*	*48.9%*
Adjusted EBITDA	$27.0	$30.1	$33.1	$36.4
% Margin	*35.3%*	*32.3%*	*29.1%*	*25.7%*
Management Run-Rate EBITDA (1)				$46.5
Doorstep Units Serviced	602,046	721,272	858,895	1,044,185
% Growth Y-o-Y	*22.9%*	*19.8%*	*19.1%*	*21.6%*

(1) Management Run-Rate Adj. EBITDA is a calculation that includes run-rate adjustments for new and lost contracts signed within the prior 12 months, the pro forma impact of acquisitions made in the last 12 months and the SG&A investments we have made that will annualize over the next twelve months.

Financial Summary

($ in millions)	**Maturity**	**Rate (2)**	**As of 12/31/17**
Cash			$3.6
$25MM Revolving Credit Facility	Sep-21	L + 700	$0.0
Term Loan	Sep-21	L + 700	220.4
Total Debt			**$220.4**
Net Debt			*$216.7*
Equity Value			$265.4
Total Capitalization (Net)			**$482.1**

VERDAD RESOURCES & CURETON

Verdad Resources Holdings, LLC ("Verdad")

Initial Investment Date – January 4, 2017
Invested Capital at 12/31/17 - $218.3 million [1]
Estimated Total Value at 12/31/17 - $326.3 million
- ***Unrealized Value - $326.3 million***

Cureton Front Range, LLC ("Cureton")

Initial Investment Date – August 17, 2017
Invested Capital at 12/31/17 - $20.7 million [2]
Estimated Total Value at 12/31/17 - $20.7 million
- ***Unrealized Value - $20.7 million***

Business Description

Verdad Resources Holdings, LLC ("Verdad", or "Company"), is a newly formed independent oil and gas exploration and development company focused on the acquisition and development of oil and gas assets in the Denver-Julesburg Basin ("DJ Basin") in Colorado. Verdad is operated and partially owned by a seasoned management team, led by its co-founders Will and Louis Beecherl, with over 30 years of experience identifying, purchasing, developing, operating and selling oil and gas assets in the U.S. Verdad currently operates ~81,000 net acres across two concentrated positions in the DJ Basin, one of the country's core liquids rich unconventional basins. The Company operates 123 horizontal wells and owns an interest in 272 non-operated wells. Management plans to continue to expand its leasehold position in the DJ Basin, while continuing to operate its Proved Developed Producing ("PDP") assets and efficiently developing its remaining Proved Undeveloped ("PUD") reserves.

Cureton Front Range, LLC ("Cureton") is a newly formed midstream joint venture between Cureton Midstream and Verdad focused on gathering and processing natural gas around Verdad's acreage holdings in the DJ Basin. Verdad has dedicated the gas gathering and processing rights on its acreage to Cureton in return for ownership in the venture.

Investment Thesis

- Verdad and Cureton are located in one of the country's fastest growing unconventional basins with best-in-class economics and low breakeven oil prices relative to other U.S. and global basins
- Verdad and Cureton will benefit from improved well designs and completion techniques being implemented in the basin and across U.S. shale plays
  - The DJ Basin has historically trailed other key basins in commercial development and thus has not experienced the full benefit of operational improvements
  - As cost efficiencies continue to be realized, more areas of the basin will become economic and the "core" of the basin should expand
- Verdad is a platform for acquisitions to build scale in the DJ Basin
  - Management has strong local-level relationships to effectively source tack-on acreage acquisitions
  - Verdad has the ability to leverage favorable Colorado Forced-Pooling laws to grow its acreage position and net revenue interests in future wells drilled on existing acreage
- Verdad provides the ability to create a sizable acreage position at reasonable valuations, which should increase as development ramps over time
  - The DJ Basin has not been a core focus area for most independent E&P operators due to

[1] Excludes $130.0 million of bridge financing (through Preferred Units) to Verdad funded in January 2018.
[2] Excludes unfunded commitment of $32.9 million.

its relatively small size with land holdings concentrated between a few public operators

- Attractive acreage buy-ins for Verdad relative to other core U.S. Oil Shale plays makes for competitive full-cycle economics relative to other core basins

- In building a gathering and processing system through Cureton, Verdad is able to ensure reliable services as it develops its acreage and participate in upside from acquired third party acreage dedications
- Partnering with strong regional management teams
  - Verdad management's relationships within the DJ Basin have allowed them to create a meaningful position in a relatively small basin through their ability to source proprietary opportunities
  - Verdad management and founders have rolled a substantial portion of their existing equity holdings and are aligned through their management incentive program
  - Cureton management have co-invested in the deal and also have significant relationships in the DJ Basin, which should help add third party volumes to the system as it is developed over time

Investment Description

On December 14, 2016, ACOF IV Energy III AIV, L.P., an affiliate of Ares Corporate Opportunities Fund IV, L.P. (collectively "ACOF IV" or "Ares") signed a definitive agreement to invest $62.3 million to purchase an interest from existing owners of the initial assets that were contributed into Verdad, and fund an additional $50 million to place cash on Verdad's balance sheet to fund working capital, acquisitions, and general corporate purposes.

On January 4, 2017, ACOF IV closed the purchase of shares from existing owners of Verdad (resulting in approximately 60% ownership) and on January 6, 2017, ACOF IV closed on an incremental $50 million capital infusion into Verdad, resulting in total capital invested in Verdad of $112.3 million for 73.3% ownership. At closing, Verdad had an incremental $150 million commitment from ACOF IV to be called as-needed, which expires on the third anniversary of the initial closing.

In August 2017, ACOF IV made a $53.6 million commitment into a newly created midstream joint venture in the DJ Basin, Cureton, with the existing owners of Verdad. Verdad has dedicated the gas gathering and processing rights on its acreage to Cureton in return for ownership in the venture and will serve as the anchor shipper on the system.

Throughout 2017 ACOF IV invested an additional $126.6 million in permanent equity capital to fund acquisition and development expenditures at Verdad, as well as to fund start-up costs and the initial system build out at Cureton.

In November 2017, ACOF IV upsized its commitment to Verdad to support the acquisition of assets from Carrizo (see below), and in January 2018, provided $130.0 million of bridge financing (called as bridge capital) in the form of 8% quarterly cash pay Preferred Units to fund the acquisition. Verdad anticipates refinancing the Preferred Units by raising third party debt financing in H2 2018; any portion of the Preferred Units that is not refinanced within one year of the investment will be convertible into common equity (which will be called as a permanent investment from LPs in Verdad).

To date, ACOF IV has invested $238.9 million of equity capital in Verdad and Cureton, for 79.9% ownership in Verdad and 38.5% ownership in Cureton. ACOF IV currently has an incremental $162.9 million commitment, of which $130.0 million is bridge financing (through the Preferred Units) to Verdad and $32.9 million will be used to complete the Cureton system buildout over the next 12 months.

Recent Events

On November 20, 2017, Verdad entered into an agreement with Carrizo Oil & Gas, Inc. ("Carrizo" or "NASDAQ: CRZO") to acquire its DJ Basin assets ("Carrizo Transaction") consisting of ~30,600 net acres and net production of ~2.4 MBoe/d (69% oil, 85% liquids) for $140 million in cash, or ~$2,300 / acre (after backing out ~$45 million for PDP and including ~$29 million of value from wells brought online during the sales process). The purchase is subject to contingent payments of up to $15 million in the aggregate based on crude oil prices exceeding certain thresholds over the next three years. The effective date of the transaction is September 1, 2017, and the transaction closed on January 19, 2018.

Verdad Recent Operating Results

During 2017, Verdad turned-to-sales 3 operated wells, which were being completed at the time of ACOF IV's initial investment. Initial production from these wells is in line with expectations. In Q4 2017 Verdad had average net production of ~700 BOE / day. Pro forma for the Carrizo Transaction, net production increased to ~3,300 BOE / day as of March 2018. Verdad Revenue and Adj. EBITDA for 2017 (excluding the Carrizo Transaction) was $9.8 million and $2.0 million, respectively.

Verdad has been active in its leasehold acquisition strategy and has successfully built a scaled position of ~81,000 net acres (up from ~12,000 at the time of ACOF IV's initial involvement) as of March 2018 through tack-on acreage acquisitions. Verdad maintains a robust acquisition pipeline and expects to add additional acreage, but is focused on its development program and ramping production in 2018.

Verdad continues to execute on its development program, completing its 14 gross well drilling program in 2017. In Q4 2017, the Company began completing the wells, all of which should be turned to sales by early 2018.

Capitalization of Verdad Resources Holdings, LLC

($ in millions)	12/31/17	*% Own.*
Cash	$6.4	
RBL Debt	8.0	
Net Debt	$1.6	
Equity Capitalization (at Cost) [(1)]		
ACOF IV Energy III AIV, LP	$218.3	79.9%
Niovest LLC	30.8	11.3%
Mirarmar Verdad Ventures, LLC	16.5	6.1%
Pivotal DJ Basin, LP	7.6	2.8%
Total Class A Equity (at Cost)	**$273.2**	**100.0%**

(1) Excludes bridge financing (through Preferred Units) funded in January 2018.

Capitalization of Cureton Front Range, LLC

($ in millions)	12/31/17 [(1)]	*% Own.*	Cash Commitment	*% Committed*	Total Expected Value [(2)]	*% Own.*
Cash	$13.2					
Debt	0.0					
Net Debt	($13.2)					
Equity Capitalization (at Cost)						
ACOF IV Energy III AIV, LP [(3)]	$20.7	38.5%	$53.6	42.8%	$53.6	38.5%
Verdad Resource Holdings, LLC	9.9	18.5%	11.9	9.5%	25.8	18.5%
TW Cureton Holdco, LLC	20.7	38.5%	53.6	42.8%	53.6	38.5%
Management & Other Co-Investors	2.4	4.5%	6.3	5.0%	6.3	4.5%
Total Class A Equity (at Cost)	**$53.7**	**100.0%**	**$125.3**	**100.0%**	**$139.2**	**100.0%**

(1) Includes Verdad carried interest received in exchange for acreage dedication.
(2) Reflects Verdad carried equity up to full $125mm cash investment.
(3) Represents investment into Cureton and excludes indirect ACOF IV ownership through Verdad.

Exhibit B
Schedule of Investments

See attached schedule of investments for additional information respecting invested capital and estimated valuation for a complete list of the Fund's investments. Invested capital (and corresponding estimated valuation cost) may be adjusted from time to time to reflect certain capitalized costs relating to ongoing investment activities. All portfolio investments are valued in accordance with Section 4.5 of the Fund's Partnership Agreement (the "Agreement"). Further, indicated valuations are before giving effect to any tax obligations arising on investment realizations, whether direct to an investor or resultant from portfolio investments some of which are held through alternative investment vehicles that have independent tax reporting obligations. Although the investment activities of each of the referenced investment partnerships herein are presented in aggregate form, such investment activities are conducted on an uncommingled basis on behalf of each Partnership's respective investors. Lastly, information presented herein respecting invested capital valuation and proceeds received are as of year-end unless otherwise indicated.

Certain stated valuations are based upon public market prices of the portfolio company's securities. Such market prices have experienced and may be expected to continue to experience increased volatility resulting in divergent valuations on a period-to-period basis. While such public market prices may be relevant for certain Partnership valuation purposes, actual realizations will be dependent upon many factors, including the timing and the nature of any specific realization event. As such, indicated valuations are not and should not be viewed as necessarily indicative of actual amounts that may ultimately be realized by the Fund. Further, such amounts may differ from those utilized by third parties based on methodologies different from those employed by the Fund. Any estimated valuations and IRR calculations will be dependent on many factors, including timing of and actual amounts realized on final portfolio investment dispositions. Similarly, neither prior performance nor indications of proceeds received should be extrapolated into assurances or indications of future performance or results. Further, estimated valuations are before giving effect to transaction costs and expenses and management and incentive fees, the effect of which would reduce actual realizations from such valuations.

For additional information, reference is made to specific capital account summary.

Ares Corporate Opportunities Fund IV, L.P.
Schedule of Investments
As of December 31, 2017
(Unaudited)

Company	Description	Ares Corporate Opportunities Fund IV, L.P. Aggregate Invested Capital	Ares Corporate Opportunities Fund IV, L.P. Aggregate Estimated Valuation [1]
Hornet Purchaser, L.P. (American Tire Distributors [11]	Common L.P. Interests	$ 414,297,934	$ 394,122,695
AOT Building Products, L.P. (CPG) [2]	Common L.P. Interests	295,000,000	459,384,019
Ares FB Holdings (Luxembourg) S.à r.l. (Farrow & [3]	Preferred Equity Certificates	214,131,338	206,426,325
Ares LS Holdings, L.P. (London Square) [4]	Common L.P. Interests	180,257,757	209,911,283
Aspen Buyer, LP (Aspen Dental) [8]	Class A Units	95,000,000	201,813,769
BlackBrush Investment Holding, LLC	Class A Units	66,643,994	263,577,333
Noble Energy, Inc.	Common Stock	66,044,727	290,144,620
Halcon Resources Corporation	Common Stock Warrants Common Stock	169,788,091	97,643,512
Coordinated Women's Care, L.P.	Common L.P. Interests	75,743,696	189,711,182
NM Mariposa Holdings, Inc. (Neiman Marcus Grou [5]	Common Stock	400,000,000	78,810,082
NVA Group, L.P. (National Veterinary Associates) [9]	HoldCo Notes Class A Units	238,761,682	963,277,790
Purchased Option and Forward	Derivative	-	9,802,573
Smart & Final Stores, Inc.	Common Stock	116,365,163	189,035,208
Valet Group, L.P. (Valet Living) [10]	Class A Units	192,500,000	278,416,617
Other Debt Securities	Various	11,747,580	6,840,212
Verdad Resources Holdings LLC	Common Stock	238,935,706	346,948,795
Development Capital Resources L.P.	Class A Units	36,000,000	38,518,441
Deva Holdings, Inc.	Common Stock	205,000,000	205,000,000
Other Equity Securities	Common Stock	-	13,415,960
Accrued and Unpaid Net Cash Interest		-	649,586
Total Invested Capital and Unrealized Investments as of 12/31/17:		**$ 3,016,217,668**	**$ 4,443,450,002**
Returned Capital and Realized Investments From Inception Through 12/31/17:		**$ 816,022,414**	**$ 2,492,422,887** [6]
Total Invested Capital and Realized / Unrealized Investments From Inception Through 12/31/17[7]:		**$ 3,832,240,082**	**$ 6,935,872,888**

(1) All portfolio investments are valued in accordance with Section 4.5 of the Partnership Agreement.
(2) The ACOF IV Funds owns 48.7% basic ownership; 43.9% on a fully-diluted basis of AOT Building Products, L.P. which indirectly owns 100% of CPG International I, Inc.
(3) The ACOF IV Funds hold 100% in Ares FB Holdings (Luxembourg) S.à r.l., which in turn holds 70.7% of the equity and 86.2% of the debt of Farrow & Ball Holdings Limited.
(4) The ACOF IV Funds hold a 66.99% interest in Ares LS Holdings, L.P., which in turn wholly owns LSQ Holdings (Luxembourg) Sarl, which in turn owns 77.21% of equity and 93.38% of debt of London Square Developments (Holdings) Limited.
(5) The ACOF IV Funds own 25.7% of Neiman Marcus Group, Inc., which owns 100% of The Neiman Marcus Group LTD, LLC.
(6) Includes $10.8 million realized proceeds that were undistributed as of December 31, 2017.
(7) Total Invested Capital and Realized / Unrealized Investments from Inception through December 31, 2017 reflects gross amounts without giving effect to taxes, management fees, any General Partner's carried interest and other expenses.
(8) The ACOF IV Funds own 14.8% of Aspen Buyer LP which indirectly owns 100% of Aspen Dental Management, Inc.
(9) The ACOF IV Funds hold a 58.1% interest in NVA Group, L.P., which in turn indirectly wholly owns 100% of National Veterinary Associates, Inc.
(10) ACOF IV is invested in Valet Group, L.P., which indirectly owns 100% of Valet Waste Holdings, Inc.
(11) ACOF IV is invested in Hornet Purchaser, L.P., which is invested in ATD Corporation.
(12) The ACOF IV Funds own 100% of Development Capital Resources L.P., which owns 100% of DR I, L.P. and 100% of DR II, L.P.
(13) The ACOF IV Funds own 79.9% of Verdad Resources Holdings LLC.
(14) The ACOF IV Funds own 100% of Deva Parent Holdings Inc.

Additional Disclosures and Compliance Certificates

ACOF MANAGEMENT IV, L.P.
2000 Avenue of the Stars, 12th Floor,
Los Angeles, CA 90067

March 28, 2018

Annual No Plan Assets Certificate

The undersigned, the General Partner of Ares Corporate Opportunities Fund IV, L.P., a Delaware limited partnership (the "Partnership"), hereby certifies to its ERISA Partners pursuant to Section 5.4(e) of the Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of April 19, 2012 (as from time to time amended, the "Partnership Agreement"), based upon representations and covenants that the General Partner has received from the Limited Partners pursuant to the Subscription Agreements or other written documents as to their status under ERISA and the Code, that as of the date hereof, equity participation in the Partnership by "benefit plan investors" (as defined in Section 3(42) of ERISA) is not "significant" within the meaning of the Department of Labor Regulation Section 2510.3-101 relating to the definition of plan assets, and the assets of the Partnership do not constitute Plan Assets. Capitalized terms used in this certificate shall have the same meaning assigned to them in the Partnership Agreement, unless otherwise defined in this certificate.

ACOF MANAGEMENT IV, L.P.

By: ACOF Management IV GP LLC,
its general partner

By: ______________________
Name: Naseem Sagati Aghili
Title: Vice President

confidential
Pmi Finance
CPP
Apr 02, 2018 10:58

ACOF Management IV, L.P.
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067

confidential
Pmi Finance
CPP
Apr 02, 2018 10:58

March 31, 2018

Dear Limited Partners:

The undersigned, ACOF Management IV, L.P., the general partner of Ares Corporate Opportunities Fund IV, L.P. (the "Partnership"), does hereby certify that (i) the audited financial statements provided to each Limited Partner on the date hereof fairly present in all material respects the financial condition of the Partnership as of December 31, 2017 and (ii) to the best of its knowledge during the fiscal year ended December 31, 2017, it has complied, in all material respects, with the material terms of the Amended and Restated Agreement of Limited Partnership of the Partnership dated as of April 19, 2012, as may be amended, supplemented or modified from time to time.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date first above written.

Sincerely,

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Pmi Finance
CPP
Apr 02, 2018 10:58

ACOF MANAGEMENT IV, L.P.
General Partner

By: ACOF Management IV GP LLC,
its general partner

By: ____________________
Name: Christina Oh
Title: Chief Financial Officer

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Limited Partner Opt-Outs
Ares Corporated Opportunities Fund IV, L.P.
As of December 31, 2017

Investment	Entity	Amount
BlackBrush Oil & Gas, L.P.	AlpInvest Partners Primary Fund Investments 2010 C.V.	3,303,191.49
	AlpInvest Partners Primary Fund Investments 2010 II C.V.	340,425.53
	AlpInvest Partners Primary Fund Investments 2011 II C.V.	1,627,659.57
Halcon Resources Corporation		
	AlpInvest Partners Primary Fund Investments 2010 C.V.	2,867,458.29
	AlpInvest Partners Primary Fund Investments 2010 II C.V.	295,519.05
	AlpInvest Partners Primary Fund Investments 2011 II C.V.	1,412,950.46
Undisclosed "Toe-holds"		
	AlpInvest Partners Primary Fund Investments 2010 C.V.	2,507,858.79
	AlpInvest Partners Primary Fund Investments 2010 II C.V.	258,458.88
	AlpInvest Partners Primary Fund Investments 2011 II C.V.	1,235,756.50

ESG Update

ARES

March 2018

Dear ACOF Investor:

We continue to recognize the importance of considering applicable environmental, social and governance (ESG) issues when making investment decisions and during our period of ownership, incorporating relevant risk mitigation or value creation initiatives through engagement and collaboration with our portfolio companies.

In addition, in 2017, we undertook a portfolio-wide survey of certain human resource statistics, some of which are highlighted below.

- **Job Creation**: As of year-end 2016, ACOF's unrealized for-control portfolio companies (PCs) had an aggregated labor force of approximately 100,000 worldwide, representing a 37% increase compared to aggregated employment for the year prior to ACOF's investment in each PC. Over this period, more than half of the PCs grew their respective labor forces by 50+%.

- **Female Executives**: Almost 25% of total executive positions across the ACOF portfolio are held by women with "executives" specifically defined to include C-suite employees (CEO, CFO, COO, President), functional heads (e.g., CMO (Marketing), CSO (Strategy), CHRO (Human Resources), CCO (Compliance), General Counsel) and other heads of divisions/departments/product lines/geographic units.

- **Company Policies:** 100% of PCs have employee manuals advising of employee rights and/or conditions of employment. Over 70% of PCs also have a Code of Ethics, Anti-Bribery/Anti-Corruption and anonymous whistleblower or equivalent policies/provisions.

Individual portfolio company highlights immediately following this overview letter are intended to provide transparency on the depth and breadth of the types of ESG matters we encourage, facilitate or support.

If you have any further questions regarding these activities, please contact me at (310) 432-8716 or czouloumian@aresmgmt.com.

Name: Caroline Zouloumian
Title: Partner/Head of ESG

ACOF Portfolio Company	GICS	Company Description	ESG Summary
America Tire Distributors	25501010: Distributors	Manufacturer and distributor of tires	• ATD is in the process of piloting LED retrofits for one to three of its ~140 warehouse locations. Depending on financing options and other relevant factors, there are approximately 50 locations that have lease terms and paybacks that could be possible candidates for future retrofit. • After a successful pilot with telematics units at one distribution center, ATD has implemented telematic devices on approximately 1,400 leased trucks and plans to continue with implementation on all newly leased units. Results have included decreased speeding (thereby increasing safety) and fuel savings benefits through speed reductions and reduced idle times (due to driver monitoring and increased awareness), resulting in reduced overall emissions.
Aspen Dental Management	35102015: Health Care Services	Dental practice management provider	• Aspen Dental continues to focus on removing barriers to care among underserved populations in "dental health professional shortage areas" (DHPSAs), as designated by the U.S. Department of Health and Human Services. In the five months ending February 2018, the company opened 24 new offices in counties designated as DHPSAs, providing needed access to affordable, quality dental care to residents of these communities. • In addition to improved care access, the new offices are expected to provide economic benefits. According to a study by Syracuse University's Whitman School of Management, each new Aspen Dental practice supports local community growth by contributing over $1.3 million in positive economic impact (or over $30 MM total for the 24 locations) through job creation and capital investment.
Blackbrush Investment Holdings	10102020: Oil & Gas Exploration & Production	Oil and gas exploration and development company	• The company shares office space and works closely with its EHS consulting partner on various operational initiatives as well as the evaluation of new acquisition / leasing opportunities. • The company utilizes pad drilling as part of its development plan, which minimizes surface damage while saving on capital and operating costs through the ability to efficiently deploy and monitor necessary capital and human resources to aid in providing higher safety standards while maximizing financial returns.

ACOF Portfolio Company	GICS	Company Description	ESG Summary
Coordinated Women's Care	35102015: Health Care Services	Women's healthcare service provider	• Ares continues to work closely with Unified Physician Management to recruit key management positions. • OBHG continues to operate 130 active and onboarding hospitalist programs across 30 states to ensure pregnant women can access care regardless of busy OB-GYN schedules while simultaneously achieving a 97% contract renewal rate with its multiple stakeholder groups including physicians, vendors, and payers.
Deva Holdings	30302010: Personal Products	Professional and Prestige Hair care brand focused on the curly hair category	• The company has continued to invest in education through a digital learning platform for stylists and brand ambassadors to support sales staff at retailers and stylists in salons, ultimately improving the customer experience. • Despite being a relatively young company, DevaCurl provides a one-day per year volunteer time off to support employees' charitable and philanthropic goals.
Development Capital Resources	40201040: Specialized Finance	Provider of development capital to upstream oil and gas operators	• Through their development partnerships with Endeavor and Alta Mesa, DCR is leveraging the expertise of each operator's management team and technical staff to drill and complete wells with environmental, health and safety considerations in mind. • Similar to Ares in-house best practices, as DCR evaluates new partnership / financing opportunities, they employ a stringent EHS review which includes internal and third-party reviews of (i) the Federal and relevant state regulatory frameworks of target investments and (ii) targets' EHS compliance, management and best practices.
Farrow & Ball	25201020: Home Furnishings; 25504060: Home Furnishing Retail	Manufacturer and retailer of paints and wallpaper	• F&B continues to set a high standard for a sustainable and innovative home products company. Its water-based paint finishes provide environmental and health benefits due to minimal VOC releases, excellent Indoor Air Quality standards, Toy Safety Standard testing and verification as well as zero animal testing. • Ares has been leading the recruitment and management transition to a new CEO and continues to work closely with the company to recruit additional key management positions, such as the Head of US operations.

ACOF Portfolio Company	GICS	Company Description	ESG Summary
Halcón Resources Corporation	10102020: Oil & Gas Exploration & Production	Oil and gas exploration and development company	• As a new entrant and growing company focused on the Delaware Basin (where Ares has significant experience and existing investment), Halcón Resources has continued to demonstrate a strong commitment to its environmental, health and safety goals as it grows its acreage position and ramps production in the region. • As Halcón's largest shareholder with board representation, Ares is well-positioned to engage with the company on key matters, ESG or otherwise.
London Square	25201030: Homebuilding	Homebuilder focused on the London market	•As a matter of standard business practice, LS employs specialist sustainability advisors to generate the best and most cost-effective Energy and Sustainability Strategy, bespoke to each development. This is required not only for obtaining planning consents but also to ensure that the appropriate system and design is done at the pre-implementation phase of a project, thereby reducing costs. • In addition to its sustainably designed developments, LS contributes to causes around the globe. In January 2018, London Square partnered with AquAid to provide donations to The Africa Trust, a charity devoted to bringing about solutions to poverty in Africa (e.g., pumps to increase access to clean drinking water).
Noble Energy (fka Clayton Williams)	10102020: Oil & Gas Exploration & Production	Oil and gas exploration and development company	• As a large cap global energy company, Noble Energy has an extensive environmental, health and safety program and associated policies. The company also submits climate change and water reports to the CDP, participates in the Investor Environmental Health Network, and has robust ESG information available on its website. • As one of the largest holders of Noble's outstanding stock, Ares is positioned to engage with the company on key matters, ESG or otherwise, should the need arise.

ACOF Portfolio Company	GICS	Company Description	ESG Summary
NVA Holdings	35102020: Health Care Facilities	Owner/operator of veterinary hospitals	• Ares is assisting the company's newly hired Director of Real Property with energy efficiency options, including providing analysis and prioritization suggestions on possible initiatives that, if implemented, would benefit both the environment as well as provide financial savings. • One of the options being explored are LED lighting retrofits that, in addition to reducing energy/maintenance costs and environmental impacts, could provide an improved, "Fear Free" experience for pets through the decrease of potentially bothersome frequencies associated with traditional, non-LED lighting.
Smart & Final	30101040: Hypermarkets & Super Centers	Warehouse-style retailer	• S&F has several energy initiatives slated for 2018 including additional LED sales floor lighting retrofits for 51 stores, cooler/freezer door lighting retrofits for 47 stores and case door additions to 23 stores. • S&F is also targeting a R-22 refrigerant conversion for 50 stores in anticipation of its phase-out by 2020.
The AZEK Company (fka CPG International)	20102010: Building Products	Manufacturer of premium, low-maintenance building materials	• AZEK continues its commitment to sustainable operations and materials. AZEK's containerboard and corrugated packaging cartons are 100% recyclable and made with recycled material fibers, meeting SFI (Sustainable Forestry Initiative) sourcing requirements. • AZEK Building Products are certified by the National Green Building Standard (NGBS). TimberTech decking and AZEK Deck are manufactured with 73% and 36% recycled material. The AZEK Vintage Collection has achieved a Class "A" Flame Spread rating, reducing the risk of spreading fires in communities susceptible to drought.
The Neiman Marcus Group	25504010: Apparel Retail	Global omni-channel luxury retailer	• The company announced the appointment of a new CEO in January 2018. Ares supported the company throughout the recruiting and onboarding process. The retiring CEO will continue to serve on the company’s board of directors. • Over the holidays, 10% of the proceeds from Neiman Marcus’ Love to Give Collection benefitted a variety of youth causes. For example, at the Oak Brook store in Chicago, Neiman Marcus supported children with hearing loss through contributions to Child’s Voice.

ACOF Portfolio Company	GICS	Company Description	ESG Summary
Valet Living (fka Valet Waste)	20201050: Environmental & Facilities Services	Amenity services provider to the multifamily housing industry	• Valet Living is developing and implementing training and career advancement programs to empower a range of employees, including service valets, women, and executives. For example, Valet Living provides tuition support for service valets and professional development courses through Valet U, an online program. • Giving is engrained in Valet Living's culture, as demonstrated by the establishment of the Valet Giving Associate Relief Fund funded by employee donations to support colleagues impacted by Hurricane(s) Harvey and Irma.
Verdad Resources Holdings	10102020: Oil & Gas Exploration & Production	Oil and gas exploration and development company	• The company utilizes pad drilling as part of its development plan, which minimizes surface damage while saving on capital and operating costs through the ability to efficiently deploy and monitor necessary capital and human resources to aid in providing higher safety standards while maximizing financial returns. • Cureton (Verdad's new midstream joint venture in the DJ Basin), has been extensively involved with the local community as it develops its gas gathering and processing system. Pre-investment, internal and third party resources were used to evaluate: (i) environmental and climate change impacts, as well as potential impacts to citizens/landowners and vegetation/wildlife as a result of planned construction, (ii) the applicable Federal, state and local regulatory framework (as well as likely future legislation) to assess permitting and compliance requirements, possible delays and/or increased costs and (iii) the environmental, health and safety compliance track record.

Financials

ARES CORPORATE OPPORTUNITIES FUND IV, L.P.

and Alternative Investment Vehicles

Combined Consolidated Financial Statements
For The Year Ended December 31, 2017
(with report of Independent Auditors)

Ernst & Young LLP
725 South Figueroa St
Los Angeles, CA 90017

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Report of Independent Auditors

To the General Partner of
Ares Corporate Opportunities Fund IV, L.P.

We have audited the accompanying combined consolidated financial statements of Ares Corporate Opportunities Fund IV, L.P. (the "Partnership"), which comprise the combined consolidated statement of assets, liabilities and partners' capital, including the combined consolidated schedule of investments, as of December 31, 2017, and the related combined consolidated statements of operations, changes in partners' capital and cash flows for the year then ended, and the related notes to the combined consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined consolidated financial position of Ares Corporate Opportunities Fund IV, L.P. at December 31, 2017, and the combined consolidated results of its operations, changes in its partners' capital and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined consolidated financial statements as a whole. The accompanying summary of partner's capital accounts is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst + Young LLP

March 22, 2018

ARES CORPORATE OPPORTUNITIES FUND IV, L.P. and Alternative Investment Vehicles

COMBINED CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND PARTNERS' CAPITAL
As of December 31, 2017

ASSETS	
Investments at estimated fair value (original cost $3,016,217,668; adjusted cost $3,020,703,322)	$ 4,432,997,843
Derivatives contracts, at fair value	9,802,573
Cash and cash equivalents	22,144,319
Income tax receivable	9,415,953
Due from investment portfolio companies	1,458,812
Interest receivable	670,302
Other receivable	370,629
Due from affiliates	223,506
Due from Partners	100,000
TOTAL ASSETS	$ 4,477,183,937
LIABILITIES AND PARTNERS' CAPITAL	
LIABILITIES:	
Margin Loan Payable	$ 140,355,000
Credit Facility	30,121,875
Deferred tax liabilities	24,449,535
Due to related parties	1,864,865
Accounts payable and accrued expenses	990,905
Partner capital contributions received in advance	523,806
Interest payable	122,508
TOTAL LIABILITIES	198,428,494
PARTNERS' CAPITAL	4,278,755,443
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 4,477,183,937

See accompanying notes to combined consolidated financial statements.

ARES CORPORATE OPPORTUNITIES FUND IV, L.P. and Alternative Investment Vehicles

COMBINED CONSOLIDATED SCHEDULE OF INVESTMENTS
As of December 31, 2017

Investment {1}		Industry	Par Value / Shares	Original Cost	Adjusted Cost	Fair Value
Debt Securities (0.8%)*						
NVA Group, L.P. (National Veterinary Associates) HoldCo Notes	{4}, {11}	Animal Health	24,428,863	$ 22,144,631	$ 26,335,057	$ 27,058,891
Other Debt Securities	{3}, {4}	Various	16,258,533	11,747,580	12,042,808	6,840,212
Total Debt Securities				$ 33,892,211	$ 38,377,865	$ 33,899,103
Equity Securities (102.8%)*						
AOT Building Products, L.P. (CPG) Common L.P. Interests	{4}, {6}	Manufacturing	295,000	295,000,000	295,000,000	459,384,019
Ares FB Holdings (Luxembourg) S.à r.l. (Farrow & Ball) Preferred Equity Certificates	{5}, {9}	Retail	1,501,556	214,131,338	214,131,338	206,426,325
Ares LS Holdings, L.P. (London Square) Common L.P. Interests	{5}, {8}	Real Estate	67	180,257,757	180,257,757	209,911,283
Aspen Buyer, LP (Aspen Dental) Class A Units	{4}, {10}	Healthcare	1,979,759	95,000,000	95,000,000	201,813,769
BlackBrush Investment Holding, LLC Class A Units	{4}	Oil and Gas	200,000	66,643,994	66,643,994	263,577,333
Coordinated Women's Care, L.P. Common L.P. Interests	{4}	Healthcare	1,033,361	75,743,696	75,743,696	189,711,182
Deva Holdings, Inc. Common Stock	{4}, {16}	Healthcare	205,000	205,000,000	205,000,000	205,000,000
Development Capital Resources L.P. Class A Units	{4}, {14}	Oil and Gas	3,600,000	36,000,000	36,000,000	38,518,441
Halcon Resources Corporation Common Stock	{2}	Oil and Gas	12,874,767	169,592,111	169,592,111	97,461,986
Halcon Resources Corporation Common Stock Warrants	{2}	Oil and Gas	255,670	195,980	195,980	181,526
Hornet Purchaser, L.P. (American Tire Distributors) Common L.P. Interests	{4}, {13}	Retail	245,573,165	414,297,934	414,297,934	394,122,695
NM Mariposa Holdings, Inc. (Neiman Marcus Group) Common Stock	{4}, {7}	Retail	400,000	400,000,000	400,000,000	78,810,082
Noble Energy, Inc. Common Stock	{2}	Oil and Gas	9,956,919	66,044,727	66,044,727	290,144,620
NVA Parent, Inc. (National Veterinary Associates) Class A Units	{4}, {11}	Animal Health	21,661,705	216,617,051	216,617,051	936,218,899
Smart & Final Stores, Inc. Common Stock	{2}	Grocery	22,109,381	116,365,163	116,365,163	189,035,208
Valet Group, L.P. (Valet Living) Class A Units	{4}, {12}	Waste Management	19,250,000	192,500,000	192,500,000	278,416,617
Verdad Resources Holdings LLC Common Stock	{4}, {15}	Oil and Gas	238,936	238,935,706	238,935,706	346,948,795
Other Equity Securities Common Stock	{2}	Metals and Mining	1,717,572,671	-	-	13,415,960
Total Equity Securities				$ 2,982,325,457	$ 2,982,325,457	$ 4,399,098,740
Total Investments				$ 3,016,217,668	$ 3,020,703,322	$ 4,432,997,843
Derivative Contracts (0.2%)*			Notional Value			
Purchased Option and Forward Foreign Currency	{3}	Retail and Real Estate	122,000,000	-	-	9,802,573
Total Derivative Contracts				$ -	$ -	$ 9,802,573

{1} Securities are United States securities, unless specifically disclosed.
{2} Level 1 Security (see note 3).
{3} Level 2 Security (see note 3).
{4} Level 3 Security (see note 3).
{5} Level 3, U.K. Security.
{6} The ACOF IV Funds owns 48.7% basic ownership; 43.9% on a fully-diluted basis of AOT Building Products, L.P. which indirectly owns 100% of CPG International I, Inc.
{7} The ACOF IV Funds own 25.7% of Neiman Marcus Group, Inc., which owns 100% of The Neiman Marcus Group LTD, LLC.
{8} The ACOF IV Funds hold a 66.99% interest in Ares LS Holdings, L.P., which in turn wholly owns LSQ Holdings (Luxembourg) Sarl, which in turn owns 77.21% of equity and 93.38% of debt of London Square Developments (Holdings) Limited.
{9} The ACOF IV Funds hold 100% of Ares FB Holdings (Luxembourg) S.a.r.l., which in turn holds 70.7% of the equity and 86.2% of the debt of Farrow & Ball Holdings Limited.
{10} The ACOF IV Funds own 14.8% of Aspen Buyer LP which indirectly owns 100% of Aspen Dental Management, Inc.
{11} The ACOF IV Funds hold a 58.1% interest in NVA Group, L.P., which in turn indirectly wholly owns 100% of National Veterinary Associates, Inc.
{12} ACOF IV is invested in Valet Group, L.P., which indirectly owns 100% of Valet Living, LLC.
{13} ACOF IV is invested in Hornet Purchaser, L.P., which is invested in ATD Corporation.
{14} The ACOF IV Funds own 100% of Development Capital Resources L.P., which owns 100% of DR I, L.P. and 100% of DR II, L.P.
{15} The ACOF IV Funds own 79.9% of Verdad Resources Holdings LLC.
{16} The ACOF IV Funds own 100% of Deva Parent Holdings Inc.

**Percentages are based on Partners' Capital as of December 31, 2017.*

See accompanying notes to combined consolidated financial statements.

ARES CORPORATE OPPORTUNITIES FUND IV, L.P. and Alternative Investment Vehicles

COMBINED CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2017

INVESTMENT INCOME:	
Dividends	$ 35,156,634
Interest	26,271,100
Other income	657,326
Total investment income	62,085,060
EXPENSES:	
Management fee, net of director, monitoring and special fees	21,453,865
Interest expense	4,836,128
Professional fees and other operating expenses	14,747,254
Total expenses	41,037,247
NET INVESTMENT INCOME / (LOSS) BEFORE TAX BENEFIT	21,047,813
INCOME TAX BENEFIT / (PROVISION)	(28,315,170)
NET INVESTMENT INCOME / (LOSS) AFTER TAX BENEFIT / (PROVISION)	(7,267,357)
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:	
Net realized gain / (loss) on investments and foreign currency	1,015,639,680
Net change in unrealized appreciation of investments	18,763,133
Net change in unrealized gain / (loss) on derivative contracts	(13,196,600)
Net realized and unrealized gain / (loss) on investments and foreign currency	1,021,206,213
NET INCREASE / (DECREASE) IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	$ 1,013,938,856

See accompanying notes to combined consolidated financial statements.

ARES CORPORATE OPPORTUNITIES FUND IV, L.P. and Alternative Investment Vehicles

COMBINED CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' CAPITAL
For the Year Ended December 31, 2017

	Schedule I Partners				
	General Partner Investment	General Partner Carried Interest	Limited Partners	Limited Partners	Total
Balance at January 1, 2017	$ 37,379,754	$ 235,854,914	$ 153,028,512	$ 4,055,148,861	$ 4,481,412,041
Contributions [1]	4,911,678	-	20,106,419	587,652,187	612,670,284
Distributions [1]	(15,298,701)	(223,477,730)	(62,626,571)	(1,527,862,736)	(1,829,265,738)
Net increase/ (decrease) in partners' capital resulting from operations	8,895,357	-	36,364,967	968,678,532	1,013,938,856
Carried interest allocation	-	202,846,151	-	(202,846,151)	-
Balance at December 31, 2017	$ 35,888,088	$ 215,223,335	$ 146,873,327	$ 3,880,770,693	$ 4,278,755,443

(1) The Contributions/Distributions above include a January 2017 reinvestment of proceeds resulting in a deemed contribution to Coordinated Women's Care, L.P. – Series UPM and a deemed distribution from Coordinated Women's Care, L.P. – Series OB in the total amount of $34,339,390. The Contributions/Distributions also include deemed contribution/distribution for a follow-on investment in Other Debt Securities in the total amount of $1,134,000.

See accompanying notes to combined consolidated financial statements.

ARES CORPORATE OPPORTUNITIES FUND IV, L.P. and Alternative Investment Vehicles

COMBINED CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

OPERATING ACTIVITIES:	
Net increase / (decrease) in partners' capital resulting from operations	$ 1,013,938,856
Adjustments to reconcile net increase / (decrease) in partners' capital resulting from operations to net cash provided by/ (used in) operating activities:	
Noncash interest income	(1,767,722)
Accretion of discounts on investments	(1,107,602)
Proceeds from sales/redemptions of investments	1,684,983,106
Purchases of investments	(548,965,048)
Net realized loss / (gain) on investments	(1,015,639,680)
Net change in unrealized appreciation/ (depreciation) of investments	(18,763,133)
Net change in unrealized gain / (loss) on derivative contracts	13,196,600
Income tax receivable	(6,803,585)
Due from investment portfolio companies	(251,126)
Interest receivable	9,697,012
Other receivable	(367,629)
Due from affiliates	(130,898)
Due from Partners	(100,000)
Other assets	87,933
Change in deferred taxes	35,118,755
Due to related parties	1,692,976
Accounts payable and accrued expenses	(2,316,352)
Interest payable	(20,750)
Tax payable	(80,898)
Net cash provided by / (used in) operating activities	1,162,400,815
FINANCING ACTIVITIES:	
Contributions	577,153,783
Distributions	(1,793,792,348)
Borrowings from Credit Facility	208,072,036
Borrowing from Margin Loan	140,355,000
Change in partner capital contributions received in advance	(1,705,611)
Repayment of Credit Facility	(179,950,161)
Repayment of Non-Recourse Loans	(165,000,000)
Net cash provided by / (used in) financing activities	(1,214,867,301)
NET INCREASE / (DECREASE) IN CASH	(52,466,486)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	74,610,805
CASH AND CASH EQUIVALENTS END OF YEAR	$ 22,144,319

Supplemental disclosure of cash flow information:	
Deemed Contribution/Distribution during the year	$ 35,473,390
Cash paid during the year for Non-Recourse Loans interest	$ 844,683

See accompanying notes to combined consolidated financial statements.

1. GENERAL

Ares Corporate Opportunities Fund IV, L.P. ("ACOF IV") is a Delaware limited partnership, which was formed on February 22, 2012. The initial closing of ACOF IV was held on April 19, 2012, with the final closing held on August 15, 2012, and ACOF IV commenced initial operations on November 5, 2012. ACOF IV will terminate on November 15, 2022, unless earlier terminated or extended for up to two consecutive one-year periods, as provided in the Agreement (as defined below).

ACOF IV, ACOF Management IV, L.P., a Delaware limited partnership (the "General Partner") and certain limited partners (the "Limited Partners" and together with the General Partner, the "Partners") are party to a limited partnership agreement dated April 19, 2012 (as amended, the "Agreement"). These footnotes contain references to and summary descriptions of various provisions of the Agreement, capitalized terms used but not defined herein shall have the meanings given such terms in the Agreement. Summary descriptions and brief references are by their nature imprecise and incomplete. Any description of any provision of the Agreement contained herein is qualified in its entirety by reference to the Agreement.

The investment objective of ACOF IV is to achieve long-term capital appreciation through equity and equity-related investments providing control or influential minority equity positions and through investments in debt or other securities providing equity-like returns.

Limited Partners participate in certain investments on a parallel and pro-rata basis through entities formed as Alternative Investment Vehicles ("AIVs") of ACOF IV, which together with ACOF IV are referenced as the "ACOF IV Funds." AIVs facilitate participation by certain Limited Partners. Each of the AIVs has entered into a limited partnership agreement (the "AIV Agreements") between their respective general partners and limited partners as identified below:

(i) ACOF CWC AIV, L.P. is a Delaware series limited partnership comprising of two series, Series-UPM and Series-OB (collectively, "CWC AIV"), formed on August 14, 2013 and which commenced operations on August 23, 2013. CWC AIV will terminate on November 15, 2022, unless earlier terminated or extended for up to two consecutive one-year periods in accordance with the AIV limited partnership agreement between the General Partner and the Limited Partners dated August 23, 2013.

The purpose of the CWC AIV is to make, hold, manage and dispose of a Portfolio Investment in Coordinated Women's Care, L.P., a Delaware series limited partnership, which may constitute an ECI/UBTI Investment in part. The combined consolidated financial statements include the accounts of the CWC AIV and its affiliates, ACOF IV CWC AIV Unblocked Feeder, L.P., ACOF IV CWC AIV Blocked Feeder, L.P. and ACOF IV CWC AIV Blocker, Inc., and CWC GP LLC.

(ii) ACOF IV TO AIV, L.P. ("TO AIV") is a Delaware limited partnership, formed on August 14, 2013 and which commenced operations on November 15, 2013. TO AIV has been liquidated as of March 31, 2017.

The purpose of TO AIV was to make, hold, manage and dispose of a Portfolio Investment in True Company LLC, which may constitute an ECI/UBTI Investment. The combined consolidated financial statements previously included the accounts of TO AIV and its affiliates, ACOF IV TO AIV Onshore Feeder, L.P., ACOF IV TO AIV Onshore Feeder II, L.P., ACOF IV TO AIV Offshore Feeder I, L.P., ACOF IV TO AIV Offshore Feeder II, L.P., ACOF IV TO AIV Offshore Feeder III, L.P., ACOF IV TO AIV Offshore Feeder IV, L.P., ACOF IV TO AIV Offshore Feeder V, L.P., ACOF IV TO Onshore Blocker, Inc., and ACOF IV TO AIV Splitter, LLC.

(iii) ACOF IV BB AIV, L.P. ("BB AIV") is a Delaware limited partnership, formed on June 6, 2014 and which commenced operations on July 8, 2014. BB AIV will terminate on November 15, 2022, unless earlier terminated or extended for up to two consecutive one-year periods in accordance with the AIV limited partnership agreement between the General Partner and the Limited Partners dated July 8, 2014.

The purpose of BB AIV is to make, hold, manage and dispose of a Portfolio Investment in BlackBrush Investment Holdings, LLC, which may constitute an ECI/UBTI Investment. The combined consolidated financial statements include the accounts of BB AIV and its affiliates, ACOF IV BB AIV Onshore Feeder, L.P., ACOF IV BB AIV Onshore Feeder II, L.P., ACOF IV BB AIV Offshore Feeder I, L.P., ACOF IV BB AIV Offshore Feeder II, L.P., ACOF IV BB AIV Offshore Feeder III, L.P., ACOF IV BB AIV Offshore Feeder IV, L.P., ACOF IV BB AIV Offshore Feeder V, L.P., ACOF IV BB AIV Offshore Feeder VI, L.P., ACOF IV BB Onshore Blocker IV, Inc., ACOF IV BB Onshore Blocker V, Inc., ACOF IV BB Onshore Blocker VI, Inc., ACOF IV BB Onshore Blocker VII, Inc., ACOF IV BB Onshore Blocker VIII, Inc., ACOF IV BB Onshore Blocker IX, Inc., ACOF IV BB Onshore Blocker X, Inc., and ACOF IV BB AIV Splitter, LLC.

On July 22, 2016, in connection with an asset disposition and distribution from BlackBrush Investment Holdings, LLC, three entities that had previously been included in the consolidated financial statements, ACOF IV BB Onshore Blocker, Inc., ACOF IV BB Onshore Blocker II, Inc., and ACOF IV BB Onshore Blocker III, Inc., were redeemed from the investment and liquidated.

(iv) AF IV Cayman AIV, LP. ("Cayman AIV") is a Cayman Islands Partnership, formed on October 19, 2015 and which commenced operations on November 24, 2015. The Cayman AIV will terminate on November 15, 2022, unless earlier terminated or extended for up to two consecutive one-year periods in accordance with the respective AIV limited partnership agreement between the AF IV Cayman AIV GP, L.P., a Cayman Islands exempted limited partnership ("Cayman GP"), and the Limited Partners dated October 19, 2015. Cayman AIV has been liquidated as of December 21, 2017.

The purpose of the Cayman AIV is to make, hold, manage and dispose of certain Portfolio Investments that may constitute an ECI/UBTI Investment or implicate other considerations. The combined consolidated financial statements include the accounts of the Cayman AIV and its wholly owned subsidiary AF IV Cayman Holdings B, Ltd.

(v) AF IV Energy AIV A1, L.P., AF IV Energy AIV A2, L.P., AF IV Energy AIV A3, L.P., AF IV Energy AIV A4, L.P., AF IV Energy AIV A5, L.P., AF IV Energy AIV A6, L.P., AF IV Energy AIV A7, L.P., and AF IV Energy AIV B1, L.P., (collectively, "Energy AIVs") are Delaware limited partnerships, formed on February 25, 2016 and commenced operations on March 15, 2016. The Energy AIVs will terminate on November 15, 2022, unless earlier terminated or extended for up to two consecutive one-year periods in accordance with the respective AIV limited partnership agreement between AF IV Energy AIV GP, L.P., a limited partnership ("Energy GP") formed February 25, 2016. Additional Delaware limited partnerships were formed on July 21, 2016 and commenced operations on August 29, 2016. These are AF IV Energy AIV A9, L.P., AF IV Energy AIV A10, L.P., and AF IV Energy AIV A11, L.P. (from August 29, 2016, also included in "Energy AIVs"). As with the earlier-formed Energy AIVs, in accordance with the respective AIV limited partnership agreement between the Energy GP and the Limited Partners dated August 26, 2016, these additional Energy AIVs will terminate on November 15, 2022, unless earlier terminated or extended for up to two consecutive one-year periods.

The purpose of the Energy AIVs is to make, hold, manage, and dispose of a Portfolio Investment in Clayton Williams Energy, Inc., which may constitute an ECI/UBTI Investment. The combined consolidated financial statements include the accounts of the Energy AIVs and their affiliates and subsidiaries, AF IV Energy Feeder A, L.P., AF IV Energy Feeder B, L.P., AF IV Energy Feeder C, L.P., AF IV Energy Feeder D, L.P., AF IV Energy Feeder E, L.P., AF IV Energy Feeder F, L.P., AF IV Energy Feeder G, L.P., AF IV Energy G Ltd, AF IV Energy Feeder I, L.P., AF IV Energy Feeder J, L.P., AF IV Energy Feeder K, L.P., AF IV Energy Holdings, L.P., AF IV Energy GP, Ltd., AF IV Energy Sub, L.P., and AF IV Energy L.P.

(vi) AF IV Energy II AIV A1, L.P., AF IV Energy II AIV A2, L.P., AF IV Energy II AIV A3, L.P., AF IV Energy II AIV A4, L.P., AF IV Energy II AIV A5, L.P., AF IV Energy II AIV A6, L.P., AF IV Energy II AIV A7, L.P., AF IV Energy II AIV A8, L.P., AF IV Energy II AIV A9, L.P., AF IV Energy II AIV A10, L.P., AF IV Energy II AIV A11, L.P., AF IV Energy II AIV A12, L.P., and AF IV Energy II AIV B1, L.P. (collectively, "Energy II AIVs") are Delaware limited partnerships, formed on July 4, 2016 and commenced operations on September 8, 2016. The Energy II AIVs will terminate on November 15, 2022, unless earlier terminated or extended for up to two consecutive one-year periods in accordance with the respective AIV limited partnership agreement between Energy GP and the Limited Partners dated July 26, 2016.

The purpose of the Energy II AIVs is to make, hold, manage, and dispose of a Portfolio Investment in Halcón Resources Corporation, which may constitute an ECI Investment. On September 9, 2016, certain debt in Halcón Resources Corporation held by the Energy II AIVs converted into common stock and warrants pursuant to confirmation of a plan of reorganization under Chapter 11 of the U.S. Bankruptcy Code.

(vii) ACOF IV Energy III AIV, L.P. ("Energy III AIV") is a Delaware limited partnership, formed on November 23, 2016 and commenced operations on January 4, 2017. The Energy III AIV will terminate on November 15, 2022, unless earlier terminated or extended for up to two consecutive one-year periods in accordance with the respective AIV limited partnership agreement between the General Partner and the Limited Partners dated January 4, 2017.

The purpose of the Energy III AIV is the make, hold, manage, and dispose of a Portfolio Investment in Verdad Resources Holdings LLC, which may constitute an ECI/UBTI Investment. The combined consolidated financial statements include the accounts of the Energy III AIV and its affiliates, ACOF IV Energy III Delaware Feeder, L.P., ACOF IV Energy III Cayman Feeder I, L.P., ACOF IV Energy III Cayman Feeder II, L.P., ACOF IV Energy III Cayman Feeder III, L.P., ACOF IV Energy III Holdings A, Inc., ACOF IV Energy III Holdings B, Inc., ACOF IV Energy III Holdings C, Inc., ACOF IV Energy III Holdings D, Inc., ACOF IV Energy III Holdings E, Inc., and ACOF IV Energy III Splitter, LLC.

(viii) ACOF IV Energy IV AIV, L.P. ("Energy IV AIV") is a Delaware limited partnership, formed on December 19, 2016 and commenced operations on December 20, 2016. The Energy IV AIV will terminate on November 15, 2022, unless earlier terminated or extended for up to two consecutive one-year periods in accordance with the respective AIV limited partnership agreement between the General Partner and the Limited Partners dated December 20, 2016.

The purpose of the Energy IV AIV is the make, hold, manage, and dispose of a Portfolio Investment in Development Capital Resources L.P., which may constitute an ECI/UBTI Investment. The combined consolidated financial statements include the accounts of the Energy IV AIV and its affiliates and subsidiary, ACOF IV Energy IV Delaware Feeder, L.P., ACOF IV Energy IV Cayman Feeder I, L.P., ACOF IV Energy IV Cayman Feeder II, L.P., ACOF IV Energy IV Cayman Feeder III, L.P., ACOF IV Energy IV Holdings A, Inc., ACOF IV Energy IV Holdings B, Inc., ACOF IV Energy IV Holdings C, Inc., ACOF IV Energy IV Holdings D, Inc., ACOF IV Energy IV Holdings E, Inc., ACOF IV Energy IV Holdings F, Inc., ACOF IV Energy IV Holdings G, Inc., ACOF IV Energy IV Splitter, LLC and DCR GP LLC.

The total capital commitments to the ACOF IV Funds are $4,700,000,000. As of December 31, 2017, the total unpaid capital obligation was $1,186,027,903. The unpaid capital obligation is calculated in accordance with the Agreement as capital commitments, less gross capital contributions, plus recallable distributions, and less the amount the Schedule I Partner would have contributed for Management Fees. Therefore the Partners have made net contributions of $3,515,106,097 based on total capital commitments less unpaid capital obligations, which represents 74.79% of total capital commitments. As of December 31, 2017, the Partners (excluding Schedule I Limited Partners and the General Partner) have made actual contributions of $4,505,890,747.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying combined consolidated financial statements are presented on a combined consolidated basis; accordingly they reflect the combined and consolidated accounts of the ACOF IV Funds and have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("U.S. GAAP"). Combined consolidated financial statements have been presented as the ACOF IV Funds are under common management of the General Partner, and the General Partner has deemed that such presentation would provide more meaningful information to the Partners. All intercompany transactions and accounts have been eliminated in combination and consolidation. The combined consolidated financial statements reflect all adjustments and reclassifications which, in the opinion of management, are necessary for the fair presentation of the results of operations and financial condition for the periods presented.

Investment Company
The General Partner has determined that the ACOF IV Funds meet the definition of investment companies under U.S. GAAP. Therefore, the ACOF IV Funds follow the accounting and reporting guidance of investment companies, including accounting for investments at their estimated fair value.

Use of Estimates in the Preparation of Financial Statements
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of actual and contingent assets and liabilities at the date of the financial statements and the reported amounts of income or loss and expenses during the reporting period. Actual results could differ from those estimates and such differences could be material. Significant estimates include the valuation of investments.

Investments
Investments made by the ACOF IV Funds, by their nature, are generally considered to be long-term investments and are not intended to be liquidated on a short-term basis. Investments are stated at fair value as determined by the General Partner under guidelines established by the Agreement which are consistent with U.S. GAAP. Valuations do not reflect taxes or other expenses that might be incurred upon disposition.

Fair Value of Financial Instruments
The ACOF IV Funds' financial instruments are reported at their fair values (see note 3).

Cash and Cash Equivalents
Cash and cash equivalents consist principally of short term investments that are readily convertible into cash and cash equivalents and have original maturities of three months or less. The ACOF IV Funds place its cash with financial institutions, and, at certain times, cash held in such accounts may exceed the Federal Deposit Insurance Corporation insured limit.

Foreign Currency
Amounts denominated in foreign currencies are translated into U.S. dollars, the functional currency of the fund, on the following basis: (i) investments and other assets and liabilities denominated in foreign currencies

are translated into U.S. dollars based upon currency exchange rates effective on the date of valuation;(ii) purchases and sales of investments and income and expense items denominated in foreign currencies are translated into U.S. dollars based upon currency exchange rates prevailing on transaction dates.

The ACOF IV Funds do not isolate that portion of the results of operations resulting from the changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of securities held. Such fluctuations are included within the net realized and unrealized gain/ (loss) on investments in the Combined Consolidated Statement of Operations. Reported net realized gain / (loss) on foreign currency arises from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of income and expense items recorded on the ACOF IV Funds' books and the U.S. dollar equivalent of the amounts actually received or paid.

Discounts and Premiums
Discounts and premiums on securities purchased are accreted / amortized over the life of the respective security using the effective yield method. The adjusted cost of investments represents the original cost adjusted for payment-in-kind ("PIK") interest and the accretion of discounts and amortization of premiums.

Interest and Dividend Income
Dividend income is recognized on the ex-dividend date. Interest income is recorded on an accrual basis to the extent that such amounts are expected to be collected, and adjusted for accretion of discounts and amortization of premiums. The ACOF IV Funds may have investments that contain PIK provisions. The PIK interest, computed at the contractual rate specified, is added to the principal balance and adjusted cost of the investments and recorded as interest income.

Investment Transactions, Related Investment Income and Expenses
Investment transactions are accounted for on the trade date or closing date. Interest income, adjusted for amortization of premiums and accretion of discounts on investments, is earned from settlement date and is recorded on the accrual basis. Realized gains and losses are reported on the specific identification method. Expenses are recorded on the accrual basis as incurred.

Expenses
The ACOF IV Funds bear their own expenses, including, but not limited to, the expenses of the ACOF IV Funds, as well as certain fees and expenses of the General Partner including, but not limited to, incorporation and Manager (as defined in Note 5) expenses. To the extent that any expenses relate to the operations of the ACOF IV Funds and one or more other funds or accounts managed by the General Partner or any of its affiliates, the General Partner will attempt to allocate such expenses based on a good faith determination of the relative benefits of such expenses to all such funds and accounts benefiting from such expenses. The ACOF IV Funds have engaged certain individual third party strategic advisors such as Operating Advisors, industry consultants and deal-by-deal consultants (collectively, the "Advisors"), who are not affiliates of the General Partner, Manager or ACOF IV Funds, to perform consulting services with respect to the ACOF IV Funds' investment activities and provide the ACOF IV Funds and portfolio companies with insight, sector-specific expertise, operational oversight or other experience. Fees paid to or received by Advisors by the ACOF IV Funds or portfolio companies do not reduce or offset management fees to the General Partner or Manager. For the year ended December 31, 2017, the ACOF IV Funds incurred expenses related to the Advisors of $874,087 which are included in Professional fees and other operating expenses in the Combined Consolidated Statement of Operations.

Derivative Instruments
In accordance with *ASC 815 Derivatives and Hedging*, the ACOF IV Funds recognizes all derivatives as an asset or liability in the Combined Consolidated Statement of Assets, Liabilities and Partners' Capital and measures them at fair value.

3. INVESTMENT VALUATION

Fair Value Measurements
The ACOF IV Funds follow the provisions of *ASC 820 Fair Value Measurements and Disclosures*, which among other matters, requires enhanced disclosures about investments that are measured and reported at fair value. This standard defines fair value and establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value and expands disclosures about assets and liabilities measured at fair value. *ASC 820 Fair Value Measurements and Disclosures* defines "fair value" as the amount for which an investment could be sold in an orderly transaction between market participants at the measurement date in the principal or most advantageous market of the investment. The hierarchal disclosure framework establishes a three-tier hierarchy to maximize the use of observable data and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk; for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or the risk inherent in the inputs to the valuation technique.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – Quoted unadjusted prices in active markets for identical assets or liabilities that the ACOF IV Funds have the ability to access.
- Level 2 Quoted prices in markets that are not active or which all significant inputs are observable either directly or indirectly.
- Level 3 – Inputs that are unobservable and significant to the overall fair value measurement.

The General Partner utilizes market or dealer quotations to the extent available to measure fair value; for any securities, if market or dealer quotations are not readily available, or if the General Partner determines that a quotation of a security does not represent fair value, then the security is fair valued as determined in good faith by the Investment Manager utilizing an internal model.

<u>Market and Dealer Quotations:</u>

The General Partner obtains prices from independent pricing services which generally utilize broker quotes and may use various other pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data. The General Partner is responsible for all inputs and assumptions related to the pricing of securities. The General Partner has internal controls in place that support its reliance on information received from third-party pricing sources. As part of its internal controls, the General Partner obtains, reviews and tests information to corroborate prices received from third-party pricing sources. A description of the quoted prices utilized to measure fair value by major category of assets follows.

Debt securities and derivative contracts: The fair value of debt securities, including bank loans and corporate debt, and derivative contracts is generally estimated based on quoted market prices from independent pricing services, or if the pricing services are unable to provide prices, a quote directly from a dealer. If more than one broker quote supports the quoted price, the securities will be classified as Level 2; if the quoted price is supported by only a single broker quote or the pricing service utilizes a pricing model, the securities will be classified as Level 3.

Equity and equity related securities: Securities traded on a national securities exchange are valued at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified in Level 1 of the fair value hierarchy. Securities that trade in markets that are not considered to be active, are generally valued based on quoted market prices from independent pricing services, or if the pricing services are unable to provide prices, a quote directly from a dealer. If more than one broker quote supports the quoted price, the securities will be classified as Level 2; if the quoted price is supported by only a single broker quote or the pricing service utilizes a pricing model, the securities will be classified as Level 3.

<u>Internally Valued Securities:</u>

If the General Partner utilizes an internal model, these securities will be classified as Level 3.

The ACOF IV Funds' portfolio investments (other than as described below in the following paragraph) are typically valued using two different valuation techniques. The first valuation technique is an analysis of the enterprise value ("EV") of the portfolio company. Enterprise value means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The methods for determining EV include multiple analysis and discounted cash flow analysis. For the multiple analysis, appropriate multiples are applied to the portfolio company's relevant valuation driver, which may include EBITDA (generally defined as net income before net interest expense, income tax expense, depreciation and amortization), revenue, or industry specific metrics. The discounted cash flow analysis is performed by discounting expected cash flows of the portfolio company to determine a present value using estimated discount rates (typically a weighted average cost of capital based on costs of debt and equity consistent with current market conditions). The EV analysis is performed to determine the value of equity investments, the value of debt investments in portfolio companies where the ACOF IV Funds have control or could gain control through an option or warrant security, and to determine if there is credit impairment for debt investments. If debt investments are credit impaired, an EV analysis may be used to value such debt investments; however, in addition to the methods outlined above, other methods such as a liquidation or wind-down analysis may be utilized to estimate enterprise value.

The second valuation technique is a yield analysis, which is typically performed for non-credit impaired debt investments in portfolio companies where the ACOF IV Funds do not own a controlling equity position. To determine fair value using a yield analysis, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the yield analysis, the ACOF IV Funds consider the current contractual interest rate, the maturity and other terms of the investment relative to risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the enterprise value of the portfolio company. As debt investments held by the ACOF IV Funds are substantially illiquid with no active transaction market, the General Partner depends on primary market data, including newly funded transactions, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

In addition to the techniques outlined above, the General Partner may employ other valuation techniques as appropriate. Specifically, when an event such as a purchase transaction, public offering, restructuring, or subsequent equity sale occurs, the ACOF IV Funds consider the pricing indicated by the event in its valuation.

The following table summarizes the valuation of the ACOF IV Funds' investments by the fair value hierarchy levels as of December 31, 2017:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in securities				
Debt securities	$ -	$ 5,183,727	$ 28,715,376	$ 33,899,103
Equity securities	590,239,300	-	3,808,859,440	4,399,098,740
Total investments in securities	**$ 590,239,300**	**$ 5,183,727**	**$ 3,837,574,816**	**$ 4,432,997,843**
Derivatives contracts, at fair value				
Purchase option and forward	$ -	$ 9,802,573	$ -	$ 9,802,573
Total Derivatives contracts, at fair value	**$ -**	**$ 9,802,573**	**$ -**	**$ 9,802,573**

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining value:

For the Year Ended December 31, 2017:

	Debt Securities	**Equity Securities**	**Total**
Balance as of January 1, 2017	$ 359,486,911	$ 3,030,805,412	$ 3,390,292,323
Purchases[1]	1,634,892	514,275,096	515,909,988
Sales[2]	(374,446,761)	(762,788,285)	(1,137,235,046)
Accrued discounts/premiums	738,551	-	738,551
Realized gain/loss and change in unrealized appreciation/(depreciation)	41,301,783	1,026,567,217	1,067,869,000
Balance as of December 31, 2017	$ 28,715,376	$ 3,808,859,440	$ 3,837,574,816
Net change in unrealized appreciation/ (depreciation) from investments still held as of December 31, 2017	$ (2,191,807)	$ 617,740,739	$ 615,548,932

[1] Purchases include paid-in-kind interest and securities received from restructures.
[2] Sales include paid-in-kind interest, principal redemptions and securities disposed of from restructures.

The ACOF IV Funds recognize transfers between the levels as of the beginning of the period. During the year ended December 31, 2017, there were no transfers between levels.

The following table summarizes the quantitative inputs and assumptions used for Investments, at fair value categorized as Level 3 in the fair value hierarchy as of December 31, 2017:

		Fair value	Valuation techniques	Significant Unobservable Inputs	Range	Weighted Average
Investments in securities						
Debt securities	$	28,715,376	Recent Transaction Price [1]	N/A	N/A	N/A
Equity securities	$	1,745,163,425	Market Approach (Comparable companies)	EBITDA Multiple	4.6x - 14.0x	11.6x
		78,810,082	Market Approach (Comparable companies), Discounted Cash Flow	EBITDA Multiple, Weighted avg cost of capital,10.5%	10.5x	10.5x
		209,911,283	Market approach (Comparable companies), Proceeds	EBITDA Multiple	1.3x	1.3x
		649,044,569	Other,Net asset value approach ,Sum of the parts, Discounted Cash Flow	Undeveloped acreage, weighted avg cost of capital, 10.0%-17.5%, 15%	$200-$1,350	$200-$1,350
		1,125,930,081	Recent Transaction Price [1]	N/A	N/A	N/A
	$	3,808,859,440				

[1] Recent transaction price consists of securities purchased or restructured during the year. The General Partner has determined that there has been no change to the valuation based on the underlying assumptions used at the closing of such transactions.

Level 3 Valuation Process

The valuation process for the ACOF IV Funds' investments, including Level 3 investments, includes a quarterly review and approval process by members of senior management and investment professionals, appointed by the General Partner. The valuation process for Level 3 investments further includes internal reviews by senior investment professionals, as well as a review by an independent valuation party, at least annually for all investments, to corroborate the values determined by the General Partner.

Changes in market yields or discount rates, each in isolation, may change the fair value of certain of the investments. Generally, an increase in market yields or discount rates may result in a decrease in the fair value of certain of the investments.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the investments may fluctuate from period to period. Additionally, the fair value of the investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that the ACOF V Funds may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If the ACOF V Funds were required to liquidate a portfolio investment in a forced or liquidation sale, it could realize significantly less than the value at which the ACOF V Funds have recorded it.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected in the values currently assigned.

Derivative Financial Instruments
The ACOF IV Funds recognizes all of its derivative instruments at fair value as an asset or liability in the Combined Consolidated Statement of Assets, Liabilities and Partners' Capital. The changes in the fair value are included in the Combined Consolidated Statement of Operations. The ACOF IV Funds are exposed to certain risks relating to its ongoing operations; the primary risks managed by using derivative instruments are interest rate risk and credit risk. Additionally, the ACOF IV Funds hold a derivative instrument for investment purposes. As of December 31, 2017, the ACOF IV Funds hold a purchase option and forward meeting the definition of derivative instruments.

Qualitative Disclosures of Derivative Financial Instruments
Following is a description of the derivative instrument utilized by the ACOF IV Funds during the reporting period, including the primary underlying risk exposure related to each instrument type.

Options: An option is a contract giving its owner the right, but not the obligation, to buy (call) or sell (put) a specified item at a fixed price (exercise or strike price) during a specified period or on a specified date. Put and call options purchased are accounted for in the same manner as portfolio securities. The cost basis of securities acquired through the exercise of call options is increased by premiums paid. The proceeds from securities sold through the exercise of put options are decreased by the premiums paid. The risk associated with purchasing an option is that the ACOF IV Funds pays a premium whether or not the option is exercised. Additionally, the ACOF IV Funds bears the risk of loss of premium and any change in fair value should the counterparty not perform under the contract.

The premium and the amount paid on the effecting closing purchase transactions, including brokerage commissions, is also treated as a realized gain, or if the premium is less than the amount paid for the closing purchase transactions, as a realized loss. If a written call or put option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the ACOF IV Funds have realized a gain or loss. In writing options, the ACOF IV Funds bear the market risk of unfavorable change in the price of the security underlying the written option. The risk involved in writing an option is that if the option was exercised, the underlying security may be purchased or sold by the ACOF IV Funds at a disadvantageous price.

Forward exchange contracts: The ACOF IV Funds may enter into forward exchange contracts to hedge against foreign currency exchange rate risk on its non-U.S. dollar denominated investment securities or to facilitate settlement of foreign denominated portfolio transactions. When entering into a forward exchange contract, the ACOF IV Funds agree to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. Forward exchange contracts involve elements of market risk in excess of the amounts reflected in the Combined Consolidated Statement of Assets, Liabilities and Partners' Capital. The ACOF IV Funds bear the risk of an unfavorable change in the foreign exchange rate underlying the forward exchange contracts. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

The contracts are marked-to-market based upon foreign exchange rates and the change in value, if any, is recorded as a net change in unrealized appreciation/(depreciation) on derivative contracts in the Combined Consolidated Statement of Operations. When a forward exchange contract is extinguished, through either delivery or offset by entering into another forward exchange contract, the ACOF IV Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value of the contract at the time it was extinguished.

The forward exchange contracts outstanding as of period end and the amounts of net realized gain/(loss) and net change in unrealized appreciation/(depreciation) on forward exchange contracts during the period, as disclosed in the Combined Consolidated Schedule of Investments, serve as indicators of the volume of derivative activity for the partnership.

Quantitative Disclosures of Derivative Financial Instruments

The following tables provide the location and amounts of derivative fair values in the Combined Consolidated Statement of Assets, Liabilities and Partners' Capital and derivative contracts gains and losses in the Combined Consolidated Statement of Operations for the year ended December 31, 2017.

As of December 31, 2017:

Contract Type	Average Notional/ Contractual Amounts [a]	Net Realized Gain/(Loss)	Net Change in Unrealized Appreciation/ (Depreciation)
Purchase Option & Forward Foreign Currency	122,000,000	$ 9,802,573	$ (13,196,600)
Total Derivatives		**$ 9,802,573**	**$ (13,196,600)**

[a] The notional/contractual amounts represent average quarterly absolute value notional amounts for those periods during which the derivative contracts were held.

4. DISTRIBUTIONS AND ALLOCATION OF PARTNERSHIP NET INCOME OR LOSS

Profits and losses of the ACOF IV Funds are allocated to each Partner's capital account in accordance with each Partner's economic interest as determined by the General Partner. In accordance with the Agreement, the General Partner is required to maintain a separate capital account for each Partner.

For any distributions as a result of the disposition of investments or collection of dividends, interest and other ordinary income from portfolio investments, the distribution is made in accordance with Section 4.2 of the Agreement. In accordance with Section 4.2, the Schedule I Partners will first receive an allocation of the total distribution amount based on their respective share of capital contribution to such investments. The balance remaining from the distribution will be allocated to the Limited Partners other than the Schedule I Partners ("Distribution Limited Partners") for their respective share of capital contribution to such investments in the following order: (i) capital contribution to such investment; (ii) realized and unrealized losses in respect of other portfolio investments; (iii) organizational and operating expenses; (iv) management fee expense (see Note 5); (v) among all Distribution Limited Partners until all Distribution Limited Partners in the aggregate have received a rate of return equal to 8% per annum, compounded annually; (vi) 80% to the General Partner and 20% to Distribution Limited Partners which represents profits until the General Partner has received cumulative amounts equal to 20% of the cumulative amounts distributed pursuant to sections (v) and (vi) above; and (vii) 80% among the Distribution Limited Partners and 20% to the General Partner. Profits allocated to the General Partner under the sections (vi) and (vii) are referred to as a 'carried interest' allocation.

Calculating and allocating the General Partner's carried interest on unrealized investments is determined on an aggregate basis as if all portfolio investments are held directly by the ACOF IV Funds. Per section 4.2(e), the General Partner has discretion to forego part or all of any distribution. The General Partner may, at its sole discretion, make distributions of cash and/or marketable securities to the Partners to provide them with funds to pay applicable Federal, state, and local income tax liabilities attributable to partnership income. Additionally, the Agreement contains a provision which allows the ACOF IV Funds to recover all or a portion of the carried interest payments previously distributed to the General Partner to the extent that at the time of the wind up of the ACOF IV Funds the cumulative carried interest distributions exceed the amount allowable under the distribution terms of the Agreement. As of December 31, 2017, based on the results of operations since inception and the financial position of the ACOF IV Funds, no such amounts would be due from the General Partner upon the wind up of the ACOF IV Funds.

5. RELATED PARTY TRANSACTIONS

The General Partner has designated ACOF Operating Manager IV, LLC as manager (the "Manager") of the ACOF IV Funds. The ACOF IV Funds are obligated to pay the Manager an annual management fee on behalf of the ACOF IV Funds, payable quarterly in advance, equal to 1.50% per annum of the total capital commitments of the Limited Partners other than the Schedule I Partners in the ACOF IV Funds, less reductions for certain fees received directly by the Manager from the portfolio companies ("director, monitoring, and special fees"), net of unreimbursed transaction expenses. The annual management fee is reduced to 0.75% per annum of aggregated invested capital (as provided in the Agreement) for each quarterly period upon the earlier to occur: the expiration date of the ACOF IV Funds, the date a Competing Entity (as provided in the Agreement) first receives or begins to accrue management fees, or an event of dissolution. On March 3, 2017, Ares Corporate Opportunities Fund V, L.P. commenced operations and began accruing management fees. As a result, beginning March 3, 2017, ACOF IV's annual management fee was reduced to 0.75% of aggregated invested capital in accordance with the Agreement.

For the year ended December 31, 2017, the ACOF IV Funds incurred $21,453,865 in management fees, net of $8,998,276 of director and special fees received by the Manager.

Due to related parties balance is between the ACOF IV Funds and Ares Management LLC, the parent company of the Manager, for professional fees and travel related expenses paid on behalf of the ACOF Funds. For the year ended December 31, 2017, the ACOF Funds reimbursed Ares Management LLC $3,115,924 which is included in professional fees and other operating expenses in the Combined Consolidated Statement of Operations, to the extent not reimbursable by Portfolio Companies. For the year ended December 31, 2017, the Portfolio Companies reimbursed the ACOF IV Funds $1,572,034 for specific Portfolio Company related expenses.

6. INDEBTEDNESS

In December 2016, the ACOF IV Funds amended their existing credit facility with a financial institution (the "Lender") in which the Lender agreed to make loans up to $50,000,000 to the ACOF IV Funds under a revolving credit facility (the "Credit Facility"). Furthermore, the Lender will consider an increase on an accordion basis, of up to $150,000,000 upon request. The ACOF IV Funds may select either a Reference Rate Loan or a LIBOR Rate Loan. The interest rate on any outstanding LIBOR Rate Loan amount is equal to the LIBOR Rate plus 1.50%. The Credit Facility matures on December 7, 2018. In addition, the ACOF IV Funds also pay an unused commitment fee, quarterly in arrears, at a rate of 0.30% per annum.

On March 16, 2017, upon the request of the ACOF IV Funds, the Lenders reduced the accordion feature of the Credit Facility $150,000,000 to $50,000,000.

As of December 31, 2017, the ACOF IV Funds' outstanding balances on the Credit Facility (included in the line item Credit Facility on the Combined Consolidated Statement of Assets, Liabilities and Partners' Capital) is as follows:

Description	*Principal Outstanding*	*Undrawn Commitment*	*Interest Rate*	*Stated Maturity*
Credit Facility	$30,121,875	$19,878,125	LIBOR + 1.50%	January 2, 2018

For the year ended December 31, 2017, the ACOF IV Funds borrowed $208,072,036 and subsequently paid down $179,950,161. The unused commitment fee incurred for the year ended December 31, 2017 was $86,307, which is included in interest expense in the Combined Consolidated Statement of Operations. For the year ended December 31, 2017, the ACOF IV Funds incurred interest expense under the Credit Facility of $982,861.

In February 2016, AF IV Cayman Holdings B Ltd. ("AF IV"), a special purpose vehicle formed to hold certain debt investments in an issuer ("Debt Investments"), entered into a credit agreement with a financial institution ("Second Lender") in which the Second Lender agreed to extend credit to AF IV in the form of a term loan in an aggregate principal amount of $40,000,000 ("AF IV Loan"), which is non-recourse to the ACOF IV Funds other than AF IV and is secured by the Debt Investments.

Under the terms of the AF IV Loan, AF IV may select either a Base Rate Loan or a LIBOR Rate Loan. The interest rate on any outstanding LIBOR Rate Loan amount is equal to the LIBOR Rate for the applicable Interest Period plus the Applicable Margin. The interest rate on any outstanding Base Rate Loan is equal to the Base Rate plus the Applicable Margin. The maturity date for the AF IV Loan is August 31, 2020. On September 26, 2017 the AF IV Loan was repaid in connection with the realization of the related Debt Investments. For the year ended December 31, 2017, AF IV incurred interest expense under the AF IV Loan of $812,663.

In June 2016, AF IV Energy, L.P. ("AF Energy"), which was formed to hold the second lien term loan investment in Clayton Williams Energy, Inc. ("CWEI"), entered into a term loan in an aggregate principal amount of $125,000,000 ("CW Loan" and together with AF IV Loan "Non-Recourse Loans"), maturing March 2017. The CW Loan was repaid on April 24, 2017 in connection with the partial realization of the ACOF IV Funds' investment in CWEI. For the year ended December 31, 2017, AF Energy incurred interest expense under the CW Loan of $1,124,363.

Pursuant to the Margin Loan Agreement dated July 28, 2017 among AF IV Energy Sub, L.P. (a wholly owned bankruptcy remote subsidiary of Energy AIVs, "Energy Sub") and UBS AG, London Branch ("UBS"), Energy Sub pledged all of its common stock in Noble Energy, Inc. as collateral for a $140,355,000 term loan maturing July 28, 2018 ("Margin Loan"). Interest rate for the applicable Interest Period on the Margin Loan is equal to the LIBOR Rate plus 1.75%.

7. INCOME TAXES

A substantial portion of the ACOF IV Funds' earnings flows through to owners of the ACOF IV Funds without being subject to entity level income taxes. Consequently, a significant portion of the ACOF IV Funds' earnings reflect no provision for income taxes except those for domestic and local income taxes incurred at the entity level. A portion of the ACOF IV Funds' operations is held through ACOF IV CWC Blocker, Inc. ("CWC Blocker"), ACOF IV BB Onshore Blocker [I-X], Inc. ("BB Blockers") ACOF IV Energy III Holdings [A-E], Inc. ("Verdad Holdings"), and ACOF IV Energy IV Holdings [A-G], Inc.("DCR Holdings"), all of which are treated as corporations for U.S. tax purposes. As U.S. corporations, CWC Blocker, BB Blockers', Verdad Holdings, and DCR Holdings' income are subject to U.S. federal, state and local income taxes. A provision for corporate level income taxes imposed on CWC Blocker, BB Blockers' and Verdad Holdings' earnings is included in the ACOF IV Funds' Combined Consolidated Statement of Operations. The ACOF IV Funds recorded a $28,315,170 income tax provision for the year ended December 31, 2017.

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

On December 22, 2017 the Tax Cuts and Jobs Act ("the Act") was enacted into law creating significant and material updates to the Internal Revenue Code. The most significant change is a decrease of the corporate tax rate from 35% to 21%, although other changes are included in the new law and will continue to be analyzed. The reduction in the corporate tax rate is effective for tax years beginning on or after January 1, 2018. The Company estimated the tax effects of the Act in its fourth quarter tax provision in accordance with its understanding of the changes and guidance available as of the date of this filing. The result was a $13,479,100 income tax benefit in the fourth quarter of 2017, the period of enactment of the new tax law. The provisional amount relates to the remeasurement of certain deferred tax assets and liabilities based on the new rates they are expected to reverse at.

The SEC issued Staff Accounting Bulletin ("SAB") 118 on December 22, 2017 to address the application of US GAAP in regards to the change in tax law for registrants that do not have all of the necessary information available to analyze and calculate the accounting for all of the tax effects of the Act. Under SAB 118, the Company determined that approximately $13,479,100 of deferred tax benefit should be recorded as a result of the remeasurement of certain deferred tax assets and liabilities that are impacted by the reduction in the US federal tax rate at December 31, 2017. The Company will require additional work for a more detailed analysis on the tax effects of all aspects of the Act. Any subsequent adjustments to these amounts will be recorded to tax expense in the quarter that the required analysis is complete.

The provision for income taxes consists of the following for the year ended December 31, 2017:

		2017
Current:		
	U.S. federal income tax	6,797,388
	State and local income tax	(2,826)
		6,794,562
Deferred:		
	U.S. federal income tax	(31,324,876)
	State and local income tax	(3,784,856)
		(35,109,732)
Total:		
	U.S. federal income tax	(24,527,488)
	State and local income tax	(3,787,682)
Income tax (provision)/benefit		(28,315,170)

The income tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities were as follows as of December 31, 2017:

	2017
Deferred tax assets (liabilities):	
Net Operating Loss	3,740,630
Investment in partnerships	-
Other, net	23,223
Total gross deferred tax assets (liabilities)	3,763,853
Valuation allowance	(3,614,147)
Total deferred tax assets (liabilities)	149,706
Deferred tax assets (liabilities):	
Investment in partnerships	(24,599,240)
Other, net	-
Total deferred tax assets (liabilities)	(24,599,240)
Net deferred tax assets (liabilities)	(24,449,535)

In assessing the realizability of deferred tax assets, ACOF IV considers whether it is probable that some or all of the deferred tax assets will not be realized. In determining whether the deferred taxes are realizable, ACOF IV considers the period of expiration of the tax asset, historical and projected taxable income, and tax liabilities for the tax jurisdiction in which the tax asset is located. Valuation allowances are provided to reduce the amounts of deferred tax assets to an amount that is more likely than not to be realized based on an assessment of positive and negative evidence, including estimates of future taxable income necessary to realize future deductible amounts.

ACOF IV analyzes its tax filing positions in all U.S. federal, state and local tax jurisdictions where it is required to file income tax returns for all open tax years (2013 to 2017). Pursuant to FASB accounting guidance, ACOF IV recognized the tax benefit from uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the position. The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. The amount of unrecognized tax benefits ("UTBs") is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. ACOF IV recognizes both accrued interest and penalties, where appropriate, related to UTBs in general, administrative and other expenses.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties under GAAP. ACOF IV reviews its tax positions quarterly and adjusts its tax balances as new information becomes available.

As of December 31, 2017, ACOF IV had no significant uncertain tax positions.

ACOF IV files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, ACOF IV is subject to examination by federal, state and local tax regulators. With limited exceptions, ACOF IV is no longer subject to income tax audits by taxing authorities for any years before 2013. Although the outcome of tax audits is always uncertain, ACOF IV does not believe the outcome of any future audit will have a material adverse effect on its combined financial statements.

8. MARKET AND OTHER RISK FACTOR

Due to the nature of the ACOF IV Funds' strategy, the ACOF IV Funds' portfolio consists of investments having significant market and credit risk. As a result, the ACOF IV Funds are subject to market and other risk factors, including, but not limited to the following:

Market Risk
The market price of investments may significantly fluctuate during the period of investment. Investments may decline in value due to factors affecting securities markets generally or particular industries represented in the securities markets. The value of an investment may decline due to general market conditions which are not specifically related to such investment, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry.

Limited Liquidity of Investments
The ACOF IV Funds intend to invest in investments that are not readily marketable. Illiquid investments may trade at a discount from comparable, more liquid investments, and at times there may be no market at all for such investments. Subordinate investments may be less marketable, or in some instances illiquid, because of the absence of registration under federal securities laws, contractual restrictions on transfer, the small size of

the market and the small size of the issue (relative to issues of comparable interests). As a result, the ACOF IV Funds may encounter difficulty in selling its investments.

Counterparty Risk
Some of the markets in which the ACOF IV Funds may effect its transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes the ACOF IV Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the applicable contract (whether or not such dispute is bona fide) or because of a credit or liquidity problem, causing the ACOF IV Funds to suffer a loss. Such "counterparty risk" is accentuated for contract with longer maturities where events may intervene to prevent settlement, or where the ACOF IV Funds have concentrated its transactions with a single or small group of counterparties.

Credit Risk
There are no restrictions on the credit quality of the investments in which the ACOF IV Funds intend to invest. Investments may be deemed by nationally recognized rating agencies to have substantial vulnerability to default in payment of interest and/or principal. Some investments may have low quality ratings or be unrated. Lower rated and unrated investments have major risk exposure to adverse conditions and are considered to be predominantly speculative. Generally, such investments offer a higher return potential than higher rated investments, but involve greater volatility of price and greater risk of loss of income and principal.

In general, the ratings of nationally recognized rating organizations represent the opinions of these agencies as to the quality of the securities they rate. Such ratings, however, are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of the relevant securities. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events. The General Partner may use these ratings as initial criteria for the selection of portfolio assets for the ACOF IV Funds but is not required to utilize them.

9. COMMITMENT AND CONTINGENCIES

Consistent with standard business practices in the normal course of business, the ACOF IV Funds may enter into contracts that contain a variety of indemnifications to affiliates of the General Partner and any person acting on behalf of the General Partner or such affiliate, when they act, in good faith, in the best interest of the ACOF IV Funds. The ACOF IV Funds maximum exposure under these arrangements is unknown. However, the ACOF IV Funds have not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

In April 2017, ACOF IV entered into 2-year Standby Letter of Credit with City National Bank ("CNB LOC"), to support London Square in providing an upfront payment related to contractual sales to a UK housing authority. Under the terms of the Commitment Fee Agreement between London Square and ACOF IV, London Square agrees to pay ACOF IV all expenses relating to the CNB LOC and any incremental proceeds in excess of these expenses paid to CNB are reflected in Other Income.

Unfunded Commitments

The ACOF IV Funds may enter into certain loan commitments, which may include revolving loan, bridge loan, partially unfunded term loan and delayed draw term loan agreements, that have not been funded ("Unfunded Loan Commitments"). The ACOF IV Funds may also enter into equity commitments that have not been funded or are partially funded ("Unfunded Equity Commitments"). As of December 31, 2017, there are Unfunded Loan Commitments and Unfunded Equity Commitments of $162,916,030 and $314,000,000, respectively.

10. FINANCIAL HIGHLIGHTS

The financial highlights are calculated for the Limited Partners as a whole and exclude data for the Schedule I Partners. Due to the different timing of contributions of capital, calculations on an individual Limited Partner basis may yield results that vary from those stated herein. The financial highlights are for the year ended December 31, 2017.

Ratios of net investment income, expenses and carried interest allocation to average partners' capital[1]:

	For the Year Ended December 31, 2017
Net investment income	0.46%
Expenses other than interest expense	0.85%
Interest expense	0.11%
Carried interest allocation	4.84%
Total expenses and carried interest allocation	5.80%
Internal rate of return since inception [2]	
Beginning of year	13.36%
End of year	15.17%

[1] The ratios of net investment income and expenses to average partners' capital represent the annualized net investment income and expenses, as reported in the combined consolidated statement of operations, to the average Limited Partners' capital for each period. For all ratios the average partners' capital has been computed based on quarterly valuations.

[2] The internal rate of return since inception (IRR) was calculated net of all fees and General Partner's carried interest. The IRR was computed based on the actual dates of the cash flows (contributions and distributions net of bridge financing) and the ending partners' capital for the period.

11. SUBSEQUENT EVENTS

The General Partner has evaluated the possibility of additional subsequent events existing in the ACOF IV Funds' combined consolidated financial statements through March 22, 2018, the date when combined consolidated financial statements are available for issuance, and has determined that there are no further material events that would require disclosure in the ACOF IV Funds' combined consolidated financial statements through this date.

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