



ARES EIF MANAGEMENT, LLC

Form ADV Part 2A Firm Brochure

Updated: March 31, 2018

This brochure provides information about the qualifications and business practices of Ares EIF Management, LLC (“Ares EIF,” the “Firm,” “we” or “us”). If you have any questions about the contents of this brochure, please contact us at 202.721.6180 or mkreiger@aresmgmt.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

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

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Item 2. Material Changes

The Firm makes changes throughout its brochure in an effort to improve and clarify the descriptions of its and its affiliates' business practices and compliance policies and procedures or in response to evolving industry and firm practices; however, none of the changes since the last brochure dated September 29, 2017 are material.

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Item 4. Advisory Business

Ares EIF's business was founded in 1987, primarily investing private equity for institutional investors in the U.S. power sector through pooled investment vehicles. Ares EIF, a Delaware limited liability company, is a wholly owned subsidiary of Ares Management LLC ("Ares Management"), an SEC-registered investment adviser and subsidiary of Ares Management, L.P. ("Ares LP"), a publicly traded, leading global alternative asset manager. The indirect principal owner of Ares LP is Antony P. Ressler who, together with certain other members of the senior management team of Ares LP, indirectly holds a majority ownership in Ares LP through intermediate holding companies. In February 2018, Ares LP elected to be taxed as a corporation effective March 1, 2018 such that, among other things, distributions to investors after the effective date will be reflected on Form 1099-DIV. No change was made to Ares LP's governance or to the rights and preferences of investors and Ares LP remains a limited partnership under Delaware state law.

Ares EIF is a discretionary investment manager that specializes in private investment opportunities in the U.S. power sector and advises only pooled investment vehicles that invest in that sector. These funds generally have made, or seek to make, investments in electric generating and transmission facilities, as well as midstream assets, and related energy and energy infrastructure investments (each a "Power Asset" and, collectively, the "Power Assets").

Ares EIF provides investment management services to our advisory clients, which are comprised of various pooled investment vehicles, including private investment funds and joint ventures, separately managed accounts and other institutional clients (collectively, the "Funds" or "Clients"). Funds that were formed primarily to allow certain investors to participate in a co-investment opportunity with another Client are referred to herein as "Co-investment Funds." Ares EIF, or an affiliated entity controlled by Ares EIF, serves as general partner, managing member, investment adviser, sub-adviser or manager of each of its Clients. References to Ares EIF, Ares Management or Ares in this brochure include, as the context requires, affiliates through which Ares EIF provides investment advisory services or that act in any capacity referenced in the previous sentence. The Clients' underlying investors are accredited investors and qualified purchasers (as noted in Item 7 below). These underlying investors are referred to herein as "Underlying Investors." For each Client, the capital commitments made to it are generally fixed – meaning that the Client can no longer accept new capital commitments and the Underlying Investors cannot redeem their interests in the Client (although, Underlying Investors are generally permitted to transfer their interests subject to the terms of the applicable Governing Documents (as defined below)).

We tailor our advisory services to the specific investment objectives and restrictions of each Fund or Client. Clients have investment restrictions that are particular to such Client account or Fund, such as prohibitions on investing in certain types of assets, restrictions on issuer domiciles, and limitations on the percentage a particular type of security can comprise of a Client's or Fund's investment portfolio.

Current and prospective Underlying Investors should refer to the applicable confidential private placement memorandum, limited partnership agreement, investment management agreement and other governing documents (the "Governing Documents") for complete information on the investment objectives, investment restrictions and risks. Prior performance, while illustrative of

Ares Management's investment philosophy and experience, is not indicative of future performance and there is no assurance that any investment objectives will be achieved.

In accordance with common industry practice, Ares EIF or a Fund's general partner, managing member, investment adviser, sub-adviser or manager may enter into "side letters" or similar agreements with certain investors are granted specific rights, benefits, or privileges pursuant to which certain investors are granted specific rights, benefits or privileges (including, without limitation, with respect to management fees, performance allocations, performance hurdles, withdrawals, access to information, minimum investment amounts, reporting obligations, and other rights or terms requested in light of particular investment, legal, regulatory or public policy characteristics of an investor). These rights, benefits or privileges are not generally made available to other investors nor in most cases are they required to be disclosed to all investors in a Fund. The disclosure and extension of any such rights, benefits or privileges are governed by the corresponding Governing Documents.

We do not participate in any wrap fee programs.

We manage all assets on a discretionary basis. As of December 31, 2017, the amount of regulatory assets we managed was approximately \$3,854,100,000.

Item 5. Fees and Compensation

Compensation and Fee Schedules

All Underlying Investors should review the Governing Documents of a Fund for complete information on fees and compensation.

These arrangements generally provide for each Fund to pay management fees to the Firm quarterly in advance, based upon a percentage of committed or invested capital of such Fund. Management fees typically range from 1.00% to 1.75% of committed or invested capital per annum for the Funds and from 0.20% to 0.70% of committed capital per annum for the Co-investment Funds. To the extent described in a Fund's Governing Documents, the following fees are credited towards an offset of such management fees: transaction fees, placement fees, amounts of capital calls to be funded by the Firm, and a percentage of all co-investment management fees. The Governing Documents for certain Funds permit the Firm to agree with the general partner or managing member of such Fund to negotiate different fee arrangements with certain Underlying Investors.

Deduction of Fees; Timing of Payments; Termination

For many of our Clients, we are authorized under the Client's Governing Documents to charge and deduct advisory fees directly from the assets of the Fund or applicable Client account, at the times and in the amounts set forth in the Governing Documents.

Management fees are generally paid by each Client by (i) requiring Underlying Investors in such Client to make capital contributions in respect of such fees, or (ii) withholding the amount of such fees from investment proceeds that would otherwise be distributable to the Underlying Investors in such Client. Management fees are then paid by the applicable Client to the Firm or one of its affiliates. In addition, the Firm often has the ability to cause Clients to borrow money for the

payment of such fees. Ares EIF has the authority to deduct its management fees from any Client account.

Base advisory fees for our Clients are payable in advance, generally on a quarterly basis. Please refer to the applicable Governing Documents for complete information on the timing of advisory fee payments.

Clients have the right to terminate the advisory or investment management agreements in accordance with the terms of such agreements. Our general policy is to repay advisory fees paid in advance in excess of the pro rata portion earned (based on the number of days during the period) through the termination date. Any such refund would be implemented through a wire transfer of funds to the affected Clients upon termination of the investment program.

Other Fees and Expenses

Organizational Expenses. Each Fund, subject to its Governing Documents, will typically pay or otherwise bear (generally up to an agreed amount) all fees, costs, expenses, and other liabilities incurred in connection with the formation and organization of, or sale of interests in, such Fund, its general partner or similar person and/or investment manager, including commissions, costs, and all out-of-pocket legal, accounting, filing, capital raising, printing, electronic database, state and local formation, “blue sky” filings costs of similar non-U.S. filings and distributions, foreign registrations, foreign securities distributors, other related legal and organizational matters, and travel-related expenses (as defined below) in respect of the foregoing (collectively, the “Organizational Expenses”).

Operating Expenses. In addition to the fees payable to Ares EIF, subject to the Governing Documents, Funds may pay or otherwise bear all fees, costs, expenses, and other liabilities arising in connection with its operation, including (but not limited to):

- any sales or other taxes, fees or government charges that may be assessed against the Fund or client or Ares EIF or its affiliates in connection with the activities of such Fund or Client;
- commissions, brokerage fees and similar charges incurred in connection with the purchase or sale of portfolio investments (including any merger fees payable to third parties and whether or not any such purchase or sale is consummated);
- incurred in originating, evaluating, conducting due diligence, investigating, developing, negotiating, structuring, settling, obtaining ratings, monitoring, advising or managing, valuing, holding, and selling or otherwise disposing of portfolio investments, including legal, tax, and accounting expenses in connection therewith (whether or not consummated);
- computer software specific to the affairs of a Fund or client and market data costs and research-related expenses, including, without limitation, news and quotation equipment, software and services;
- capital payments, interest and other expenses in respect of indebtedness for borrowed money and all costs and expenses associated with negotiating, structuring, forming and holding any credit facility with respect to a Fund or Client;
- reporting to the Client’s Underlying Investors, and holding meetings or conferences with Underlying Investors whether individually or as a group;
- related to or in connection with any governmental or other inquiry, investigation, audit, proceeding or regulatory matter, litigation and threatened litigation involving a Fund (including the amount of any judgments, settlements or fines paid in connection therewith);

- indemnification obligations and expenses;
- attributable to administrative, investment banking, commercial banking, accounting, auditing, appraisal, tax advisory, tax preparation, legal, external consulting, custodial and registration services provided to a Fund or a client (including allocated costs of such services that were performed by an Ares Management affiliate, such as an in-house lawyer, loan servicer, accountant, tax advisor, or other professional);
- compliance with any applicable law, rule or directive, including the European Union Alternative Investment Fund Manager Directive (“AIFMD”) or any other regulatory requirement (including regulatory filings, “blue sky” filings and related out-of-pocket or other expenses of such Fund, its general partner or similar person and/or investment advisor, including, but not limited to, FATCA and Form PF filings and any compliance or filings related to such law, regulation or directive);
- premiums related to risk management services and insurance;
- dissolving a Fund or Client’s investment vehicles and liquidation;
- tax and audit services to a Fund or Client;
- preparing financial statements and reports to investors, tax returns and tax reporting;
- of a Fund’s advisory board or committee and its members and its activities attributable to the Fund;
- appraisal and valuation of a Fund’s or Client’s assets;
- services provided by any third-party service provider (such as an administrator, depository, custodian, tax and compliance professionals, independent directors, operating advisors, other consultants or other service providers) to the Funds or their affiliates relating to the activities of such Funds or Clients;
- legal fees, costs and expenses in connection with the foregoing; and
- transportation (which may include the use of private aircraft, including those owned by employees of the Firm, car services, parking, etc.), accommodations, meals, and entertainment related to the foregoing (collectively, “travel-related expenses”);

All travel-related expenses incurred by Ares EIF’s employees are subject to Ares Management’s Travel & Expense Policy and related guidelines.

Please refer to the Governing Documents for complete information on the expenses payable by Clients. Note that some of these expenses are generally not applicable to Co-Investment Funds. Additionally, note that brokerage fees are not typical for the types of investments made by the Clients.

See discussion below in “*Item 12. Brokerage Practices*” for a description of the factors we consider in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

Transaction-Based Compensation

In connection with portfolio investments made by our Clients or the Firm, our affiliates or supervised persons may receive commitment, structuring, monitoring or other transaction fees. The terms of some of these arrangements may in certain instances provide for an acceleration of future fees to be paid to the Firm upon termination. These types of arrangements present potential conflicts of interest and may provide our supervised persons with an incentive to recommend

investments based on compensation received or to be received rather than making an investment decision based solely on the best interests of a Fund or Client. The Firm is prohibited from receiving transactional fees from any portfolio company in which a Fund holds an interest, unless either (i) such fees offset the management fees to be paid by such Fund to the Firm or (ii) such transaction has been approved by such Fund's investor advisory board (comprised entirely of representatives of certain Underlying Investors). Please refer to the Governing Documents of the applicable Fund for more information about additional compensation received by the Firm, our affiliates or supervised persons in connection with services related to portfolio investments and any offsets against advisory fees.

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

Performance-Based Fees

The Firm acts as investment adviser to the Clients, and Ares EIF affiliates typically act as general partners (or managing members) of such Clients. These affiliates are entitled to receive "carried interest" from each Fund, generally equal to 20% of the applicable profits after capital contributions have been returned to such Fund's Underlying Investors and such Fund's Underlying Investors have received their applicable preferred return, if any, each as further described in the applicable Fund's Governing Documents. Such performance-based compensation arrangements comply with Rule 205-3 under the Investment Advisers Act of 1940 (together with all rules and regulations promulgated thereunder, the "Advisers Act"). Any share of profits paid to Ares EIF or its affiliates by the Funds are separate and distinct from the advisory fees charged by Ares EIF for advisory services. Ares EIF, employees, certain business associates and "friends and family" of Ares or its personnel will typically not pay any performance-based compensation with respect to their direct or indirect investments in Funds.

Performance-based compensation and allocation arrangements received by us or our related persons may create incentives for us to recommend investments that may be riskier or more speculative than those that would be recommended under different fee arrangements. Please refer to the Governing Documents of each Fund or other Client for more complete information on the "performance-based compensation" arrangements of each Client.

Additionally, to the extent required by the terms of the applicable Governing Documents, if the Firm determines in good faith that an investment that falls within the scope of the investment focus of a Fund is not an appropriate investment for such Fund at a particular time, and such investment is made by another Ares entity, the Firm reports such determination and the reasons behind such determination to the members of such Fund's investor advisory board (comprised entirely of representatives of certain Underlying Investors) prior to the transaction occurring.

Side-by-Side Management

Ares EIF or its related persons may provide concurrent advisory services to Clients for which the investment mandates, compensation and fee arrangements (including with respect to performance fees and fee offsets) and other circumstances differ from Client to Client. The potential for Ares EIF and its related persons to receive greater fees from certain accounts creates a potential conflict of interest with respect to the allocation of investment opportunities, as Clients that pay higher fees may create incentives to direct investment ideas to, and/or to allocate investments in favor of, such Clients.

From time to time, a Client may subscribe for or otherwise purchase an interest in another Client, provided that the sale or purchase is consistent with such Client's Governing Documents and Ares' fiduciary obligations to each such Client. In such situations, while we endeavor at all times to act in the best interests of all of our Clients, our receipt of compensation from each of the Clients and the contribution of additional capital by a Client to another Client may create potential conflicts of interest. In certain circumstances, we may choose to reduce or offset the advisory fees of a Client investing in another Client by the amount of advisory fees applicable to the Client's investment in such other Client.

To mitigate potential conflicts of interest, allocations of investment opportunities among Clients are determined in accordance with our investment allocation policy and consistent with our fiduciary duties and corresponding investment mandates. It is Ares EIF's policy that all investment opportunities will, to the extent practicable, be allocated among our Clients on a basis that over a period of time is fair and equitable to each advisory client relative to other clients, taking into account the terms of relevant Governing Documents and the relevant facts and circumstances, including but not limited to:

- (i) differences with respect to available capital, size of a Fund, minimum investment amounts and remaining life of a Fund;
- (ii) differences in investment objectives or current investment strategies, such as objectives or strategies:
 - a) regarding current and total return requirements,
 - b) emphasizing or limiting exposure to the security or type of security in question,
 - c) regarding diversification, including industry or company exposure, currency and jurisdiction, or
 - d) regarding rating agency ratings;
- (iii) differences in risk profile at the time an opportunity becomes available;
- (iv) the potential transaction and other costs of allocating an opportunity among various Funds;
- (v) potential conflicts of interest, including whether multiple Funds have an existing investment in the security in question or the issuer of such security;
- (vi) the nature of the security or the transaction including size of investment opportunity, minimum investment amounts and the source of the opportunity;
- (vii) current and anticipated market and general economic conditions;
- (viii) existing positions in an issuer/security; and
- (ix) prior positions in an issuer/security.

Funds should be aware that the foregoing procedures in certain circumstances may:

- adversely affect the price paid or received by the Fund or the size of a position purchased or sold by the Fund, including commission prices;

- preclude the Fund from participating in an investment; or
- limit the rights that the Fund may exercise with respect to an investment.

Allocations within a particular group of Funds are generally determined by the partners or portfolio managers within the applicable group (or among investment groups, if applicable), in good faith and subject to restrictions in the applicable Governing Documents or regulatory restrictions.

One Fund may hold, acquire or dispose of positions in an investment in which another Fund invests or has invested. Such investments and transactions may raise potential conflicts of interest for a Fund, particularly if the Funds invest in different classes or types of securities of the same investment. In that regard, actions may be taken by one Fund may be adverse to another Fund, including, but not limited to, during a restructuring, bankruptcy or other insolvency proceeding or similar matter.

While the above are general principles, all actual allocation decisions are subject to relevant facts and circumstances and the investment objectives of various Funds.

Co-Investment Policy. Ares EIF has adopted a co-investment policy which was designed to ensure fair allocation of co-investment opportunities in the event such opportunities become available. Co-investments can occur in various ways within Ares EIF's business. Certain investments made by more than one Fund are considered to be co-investments if two or more Funds participate in the same investment at the same time. Co-investments can also occur when an investment is shared between a Fund and one or more additional investors, including investors who may be limited partners in our Funds. Ares EIF is under no obligation to provide co-investment opportunities and may offer a co-investment opportunity to one or more of the categories of Co-Investors described below without offering such opportunity to the other categories. Strategic, financial and other institutional investors participating in a transaction generally are not considered "Co-Investors" and generally will not be subject to the Co-investment policy or expense sharing considerations described herein.

Subject to the terms of the Governing Documents of a Fund, Ares EIF may offer co-investment opportunities to more than one Fund or to other co-investors (including investors in Funds, third parties, senior investment professionals and other affiliates or employees of Ares EIF) (such persons invited to participate in a transaction by Ares EIF collectively referred to as "Co-Investors").

In such circumstances, the size of the investment opportunity otherwise available to a Fund may be less than it would otherwise have been. Certain Co-Investors co-investing with a Fund may invest on different (and more favorable) terms than those applicable to the Fund and may have interests or requirements that conflict with and adversely impact the Fund (for example, with respect to their liquidity requirements, available capital, the timing of acquisitions and disposals, or control rights). Ares EIF will generally seek to ensure that the Fund, Ares EIF, and any Co-Investors participate in any co-investment and any related transactions on comparable terms to the extent practicable and share in corresponding investment related expenses. Notwithstanding the foregoing, in certain instances different Funds may participate in different parts of the capital structure of a portfolio investment, and may purchase securities at different times, and such instances are not considered "co-investments" by Ares EIF and are not subject to the policies described herein.

Terms of Co-Investments. Ares EIF or any of its affiliates may in their discretion: (i) receive performance-based compensation, Advisory Fees or other similar fees from Co-Investors, and

Ares EIF or its affiliates may make an investment, or otherwise participate, in any vehicle formed to structure a co- investment to facilitate, among other things, receipt of such performance-based compensation, Advisory Fees or other similar fees; and (ii) collect customary fees in connection with actual or contemplated portfolio investments that are the subject of such co-investment arrangements.

With respect to consummated co-investments, Ares EIF will seek to cause Co-Investors to generally bear their *pro rata* share of fees, costs and expenses related to the discovery, investigation, development, acquisition or consummation, ownership, maintenance, monitoring, hedging and disposition of their co-investments; provided, however, that in determining such amounts, the fees, costs and expenses expended directly by such Co-Investors may be taken into account in allocating aggregate costs on a fair and reasonable basis. With respect to a proposed co-investment that is not consummated, Ares EIF may seek to cause Co-Investors that commit to participate in such proposed co-investment to bear their share of any fees, costs or expenses that were incurred in connection with such proposed co-investment, including breakup fees or broken deal expenses. However, in instances where Co-Investors have not yet committed to a proposed co-investment, any such fees, costs or expenses will generally be considered Operating Expenses and be borne by the (committed or investing) Fund to the extent the applicable Governing Documents of such Fund permit such treatment or where disclosure of such treatment was made to the investors in such Fund prior to their investment therein.

In the event that Co-Investors participate in a co-investment through one or more Co-investment Funds, they will generally also bear their *pro rata* share of the aggregate Organizational Expenses of all such vehicles. In those circumstances where such Co-Investors include one or more members of a portfolio company's management group, such Co-Investors may receive compensation arrangements relating to the investment, including incentive compensation arrangements. Finally, some of the Co-Investors with whom Funds may co-invest have pre- existing investments with Ares EIF, and the terms of such pre-existing investments may differ from the terms upon which such persons may invest with Funds.

Over-Commitment. To facilitate the acquisition of a portfolio company, Ares EIF may cause one or more Funds to make (or commit to make), an investment in such company that exceeds the desired amount with a view to selling a portion of such investment to Co-Investors or other persons prior to or within a period after the initial commitment or closing of the acquisition. In such event, the applicable Fund(s) will bear the risk that any or all of the excess portion of such investment may not be allocated or sold or may only be allocated or sold on unattractive terms. As a consequence, the applicable Funds may bear the entire portion of any breakup fee or other fees, costs and expenses related to such investment and hold a larger than expected investment in such portfolio company or may realize lower than expected returns from such portion of such investment. While Ares EIF endeavors to address such risks, neither Ares EIF nor any of its affiliates will be deemed to have violated any duty or other obligation to the Funds or any of their respective investors by engaging in such investment and sell- down activities.

In addition, Ares EIF and our principals may co-invest with certain Funds, as permitted and described in applicable Governing Documents. Please see "*Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*" for a discussion of how Ares EIF addresses these matters.

Item 7. Types of Clients

Types of Clients

In order to invest in any of the Funds, an Underlying Investor must be an “accredited investor” as defined by Regulation D under the Securities Act of 1933, as amended, and a “qualified purchaser” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended. The Underlying Investors include a wide array of institutional, financial, and strategic investors (both domestic and foreign), including: banks/financial institutions, bilateral and multilateral government agencies, corporate pension funds, endowments and foundations, family offices, fund-of-funds, insurance companies, money managers, public pensions funds (state, city, county, police & fire), strategic energy and power industry participants, and sovereign wealth funds.

We may establish certain funds (“Feeder Funds”) to address particular tax or regulatory requirements. Each Feeder Fund, if formed, would directly or indirectly be a limited partner of or investor in a Fund and interests in such Feeder Fund would be held by the investors who elect to participate in the Fund through such Feeder Fund. Prospective investors should refer to the Governing Documents of the applicable Fund for complete details on any Feeder Fund established with respect to such Fund.

Minimum Investment Requirements

The minimum investment in each of the Funds, other than the Co-investment Funds, is stated in its Governing Documents and is generally \$10 million. We may waive this minimum at our discretion.

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

Methods of Analysis and Investment Strategies

The Funds make investments in Power Assets typically by either acquiring existing operating facilities or developing and constructing new ones. The Firm’s primarily asset-based investment strategy is grounded in the principle of utilizing long-term contracts or similar structures to generate predictable cash flow streams, regardless of asset type (i.e., the Funds have made investments in natural gas, coal, oil, wind, solar, geothermal, landfill gas, biomass, and hydroelectric power facilities, as well as transmission line investments and pipelines). The Firm typically structures investments to reduce both merchant (non-contracted) exposure by passing on the commodity pricing risks associated with the cost of fuel and the price of electricity to the purchaser of the capacity under the terms of a power purchase agreement, other offtake contract or energy hedge.

Fund portfolios are allocated into two general categories to maximize return and minimize risk while producing current cash distributions. Funds generally (i) deploy substantial equity capital into the acquisition of existing operating assets, and (ii) invest nominal capital in development-stage assets to secure the option of providing larger follow-on equity commitments required during the construction phase of the same project.

The Firm often seeks to identify complex situations where extensive operating skills, commercial experience and regulatory navigation are essential. Whether a Power Asset or a portfolio of Power Assets is acquired on a proprietary basis or even in a limited competitive process, the Firm expects

to create value by executing on multiple operational initiatives, e.g., cost cutting, improving efficiencies, expanding facilities, and renegotiating off-take power contracts and fuel procurement contracts, as well as structuring management services agreements and tax equity partnership agreements.

Upon closing an investment, the Firm's asset management group actively manages and monitors the project's commercial, operational, and financial performance. The Firm draws on the resources of its experienced staff of financial, engineering, and legal professionals, as well as its commercial and regulatory experience, to optimize the value of the Clients' investments. Specifically, the asset management group oversees third party operations, maintenance providers and construction contractors, and works with them to, among other things, negotiate new project contracts and renegotiate existing ones in an effort to garner more advantageous (and often mutually beneficial) terms; monitor compliance and provide detailed reporting analysis on a regular basis; maintain ongoing dialog with lenders and credit rating agencies; and execute refinancings. The asset management group also strives to implement synergies relating to power plant maintenance and emissions strategies across the entire portfolio of assets in which the Clients are invested.

Furthermore, the asset management staff engages in regular and ongoing consultations with project developers and personnel during the construction and operational phases of a Power Asset in an attempt to achieve efficiencies and maximize financial returns to Clients.

The Firm's primary objective for assets in which Clients have invested is typically to establish long-term contracted cash flows with sound underlying operations. Once this objective is achieved, the Firm often seeks a strategic buyer that desires to integrate additional Power Assets into an existing enterprise, or a financial buyer who seeks mature, low risk assets with a predictable cash flow stream. Purchasers of a Client's assets may include private equity and infrastructure funds, financial institutions, publicly-traded utilities or other load serving entities, pension plans with direct investment programs, and independent power producers.

The Clients generally seek to obtain liquidity for their Underlying Investors primarily from one or more of the following five potential sources: (i) asset sales (sales of profitable single operating assets or portfolios of assets); (ii) current cash distributions; (iii) leveraged recapitalizations or securitizations of assets or groups of assets; (iv) disaggregations and sales of integrated companies; and (v) public markets.

For additional details relating to the methods of analysis and investment strategies employed by a client account, please refer to its Governing Documents.

Material Risks

Investing in securities involves a risk of loss that a Fund and investors in a Fund should be prepared to bear. There can be no assurance that any Fund will be able to make and realize any particular investment or generate returns or that such returns will be commensurate with the risks of investing in the types of transactions described in the Governing Documents. Funds and investors in the Funds should carefully consider, among other factors, the following material risks involved with Ares' investment strategies. Past performance is not indicative of future results.

Not all possible risks are described below. Investors in the Funds are requested to refer to the Governing Documents of the applicable Fund for more complete information on investment strategies employed and the corresponding risks associated with such investment strategies.

General Market Risks. Investments made by our Funds are materially affected by conditions in the global financial markets and economic and political conditions throughout the world, such as interest rates, the availability and cost of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to our taxation, taxation of our investors, the possibility of changes to tax laws in either the United States or any non-U.S. jurisdiction and regulations on alternative asset managers), political uncertainty and social unrest, trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts and security operations). These factors are outside of our control and may affect the level and volatility of securities prices and the liquidity and value of investments, and we may not be able to or may choose not to manage our exposure to these conditions, which may result in adverse consequences for our Funds and result in substantial losses to our Funds.

Monetary Policy and Governmental Intervention. As part of the response to the global financial crisis, the U.S. Federal Reserve (the “Federal Reserve”) and global central banks, including the European Central Bank, have, in addition to other governmental actions to stabilize markets and seek to encourage economic growth, acted to hold interest rates to historic lows. It cannot be predicted with certainty when, or how, these policies will change, but actions by the Federal Reserve and other central banks may have a significant effect on interest rates and on the U.S. and world economies generally, which in turn may affect the performance of a Fund’s investments or the ability of a Fund to realize its investment objective.

Enhanced Scrutiny and Regulation of the Private Fund Industry. The advisory business of Ares EIF and its Funds, as well as the financial services industry generally, are subject to extensive regulation, including periodic examinations, by governmental agencies and self-regulatory organizations or exchanges in the U.S. and foreign jurisdictions in which they operate relating to, among other things, antitrust law, anti-money laundering laws, anti-bribery laws, laws relating to foreign officials, privacy laws with respect to client information and the regulatory oversight of the trading and other investment activities of alternative asset management funds and their investment advisers. Each of the regulatory bodies with jurisdiction over Ares EIF and the Funds has the regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities. Any failure to comply with these rules and regulations could expose Ares EIF and the Funds to liability or other risks. The additional legislation, increasing global regulatory oversight of fundraising activities and changes in law relating to the alternative asset management industry has been particularly acute in the aftermath of the global financial crisis in 2008-2009. This additional scrutiny has included, among other things, increased registration, oversight and regulation of alternative asset management firms and disclosure with respect to these firms and the vehicles they sponsor or advise, which could impact Ares EIF and its management activities. Such oversight and regulation may cause a Fund to incur additional expenses, may divert the attention of Ares EIF and its personnel and may result in fines if a Fund is deemed to have violated any regulations. Regulation generally as well as regulation more specifically addressed to the alternative asset management industry, including tax laws and regulation, could increase the cost of acquiring, holding or divesting portfolio investments, the profitability of portfolio companies and the cost of

operating a Fund. There can be no assurance that Ares EIF or its funds will avoid regulatory examination or enforcement actions. Even if an investigation or proceeding does not result in sanctions or fines being imposed against Ares EIF or its affiliates, Ares EIF, its affiliates, and any Funds may be subject to negative publicity in relation to such investigation or proceeding.

Due Diligence of and Conduct at Portfolio Companies. Before making portfolio investments, Ares EIF will typically conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each portfolio investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, engineering, regulatory, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to Ares EIF's reduced control of the functions that are outsourced. When conducting due diligence and making an assessment regarding an investment, Ares EIF will rely on the resources available to it, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that Ares EIF carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the portfolio investment being successful.

There can be no assurance that attempts to provide downside protection with respect to portfolio investments will achieve their desired effect and potential investors should regard an investment in a Client as speculative and having a high degree of risk. There can be no assurance that a Client will be able to detect or prevent potential or existing problems, such as irregular accounting, employee misconduct or other fraudulent practices, during the due diligence phase or during its efforts to monitor the portfolio investment on an ongoing basis. In the event of fraud by any portfolio company or any of its affiliates, a Client may suffer a partial or total loss of capital invested in that company. A Client will rely upon the accuracy and completeness of representations made by portfolio companies and/or their former owners in the due diligence process, to the extent reasonable, when it makes its investments, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Broken Deal Expenses. Investments in the energy industry often require extensive due diligence activities and regulatory approvals prior to acquisition. Due diligence may include feasibility and technical studies, preliminary engineering and marketing studies, legal, regulatory, and environmental review, any or all of which may entail significant third-party expenses. In the event that an investment is not consummated, a Client may bear some or all of such third party expenses and any termination fees.

Non-Controlling Investments. A Client will seek appropriate rights in negotiating investments in order to protect a Client's investment and the interests of the Underlying Investors. However, a Client may not have the right to participate in the management of some investments. To the extent that a Client does not acquire a controlling interest in a portfolio company, the day-to-day operations of such portfolio company will be the responsibility of such company's management team. In such instances, a Client is subject to the risk that a portfolio company may make business decisions with which Ares EIF disagrees, and the stockholders and management of such company

may take risks or otherwise act in ways that do not serve a Client's interests. As a result, a portfolio company may make decisions that could decrease the value of a Client's investment and, in turn, have a material adverse effect on the value of the Interests.

Exculpation and Indemnification. The Governing Documents will limit the circumstances under which Ares EIF and others can be held liable to a Client or the Underlying Investors. As a result, Underlying Investors may have a more limited right of action in certain cases than they would in the absence of such a limitation. In addition, a Client will be required to indemnify, among others, Ares EIF, any of its respective affiliates or any partner, members, stockholders, officers, directors, trustees, employees or agents of any of the foregoing and members of the Fund's investor advisory board or an Underlying Investor that designated such member for liabilities incurred in connection with the affairs of a Client. Such liabilities may be material. For example, in their capacity as directors of portfolio companies, the partners, or affiliates of Ares EIF may be subject to derivative or other similar claims brought by security holders or creditors of such portfolio companies. The indemnification obligations of a Client would be payable from the assets of a Client, including the unused commitments of the Partners. If the assets of a Client are insufficient to pay such indemnification obligations, the Underlying Investors may be required to return distributions previously made to them to satisfy such obligations.

Confidential Information. The Governing Documents will contain confidentiality provisions intended to protect proprietary and other information relating to a Client's portfolio companies. To the extent that such information is publicly disclosed, competitors of a Client or its portfolio companies may benefit from such information, thereby adversely affecting a Client, its portfolio companies, Ares EIF and the economic interests of the Underlying Investors. The Underlying Investors may include entities that are subject to state public records or similar laws that may compel public disclosure of confidential information regarding a Client, its investments and its investors. There can be no assurance that such information will not be disclosed either publicly or to regulators, or otherwise. To the extent that Ares EIF determines that, as a result of such public records or similar laws, a Underlying Investor or any of its affiliates or agents may be required to disclose information relating to a Client, its affiliates and/or any portfolio company (other than information that Ares EIF has previously consented to in writing that the Underlying Investor may disclose), Ares EIF may, to prevent any such potential disclosure, withhold all or any part of the information otherwise to be provided to such Underlying Investor.

Limited Access to Information. Underlying Investors' rights to information regarding a Client will be specified, and strictly limited, in the Governing Documents. In particular, it is anticipated that Ares EIF will obtain certain types of material information from portfolio investments that will not be disclosed to Underlying Investors because such disclosure is prohibited for contractual, legal or similar obligations outside of Ares EIF's control. Decisions by Ares EIF to withhold information may have adverse consequences for Underlying Investors in a variety of circumstances. For example, an Underlying Investor that seeks to transfer its Interests may have difficulty in determining an appropriate price for such Interests. Decisions to withhold information also may make it difficult for Underlying Investors to monitor Ares EIF and its performance. Additionally, it is expected that Underlying Investors who designate representatives to participate on the applicable Fund's investor advisory board may, by virtue of such participation, have more information about a Client and portfolio investments in certain circumstances than other Underlying Investors generally and may be disseminated information in advance of communication to other Underlying Investors generally.

Early-Stage Companies. A Client may invest in some projects at an early stage of development. These projects involve additional uncertainties, including the possibility that the projects may not be completed, construction or operating licenses may not be obtained or may contain unduly burdensome conditions and limitations, and permanent financing may be unavailable. Further, there is no assurance that these projects will be profitable or generate cash flow sufficient to provide a return on or recovery of amounts invested therein.

Concentration of Investments. Each Client invests in a limited number of portfolio companies. As a result, each Client's investment portfolio will be highly concentrated, and the performance of a few holdings may substantially affect the Client's aggregate return.

In-kind distributions. Although a Client expects to distribute only cash to the Underlying Investors, there can be no assurance that this expectation will be met. Under certain circumstances, the Underlying Investors may receive in kind distributions, if permitted by law and the Governing Documents. Such securities, instruments or other property may not be readily marketable or saleable and may be required to be held by the Underlying Investors for an indefinite period of time, during which depreciations in value may occur.

Reserves. As is customary in the industry, Ares EIF will establish reserves for investments by a Client, operating expenses of a Client, Fund liabilities, and other matters. Estimating the appropriate amount of such reserves is difficult. Inadequate or excessive reserves could impair the investment returns to the Underlying Investors. If reserves are inadequate, a Client may be unable to take advantage of attractive investment opportunities or may not be able to pay its liabilities or expenses as they come due. If reserves for liabilities or expenses are excessive, a Client may decline attractive investment opportunities.

Litigation. A Client's investment activities subject it to the risks of becoming involved in litigation or other disputes with third parties. The expense of prosecuting or defending any such disputes or paying any amounts pursuant to settlements or judgments will be borne by a Client and will reduce amounts available for distribution to the Underlying Investor. Ares EIF and others will be indemnified by a Client in connection with such disputes, subject to certain limitations.

A Client's assets, including any investments made by a Client and any funds held by a Client, are available to satisfy all liabilities and other obligations of a Client, including to Ares EIF. If a Client becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to a Client's assets generally and will not be limited to any particular assets, such as the asset representing the investment giving rise to the liability.

Accordingly, the Underlying Investors could find its Interests adversely affected by a liability arising out of an investment of a Client or otherwise in connection with the affairs of a Client. In addition, the Underlying Investors may be required to return distributions to a Client to satisfy Fund obligations, including obligations to Ares EIF.

Illiquid and Long-Term Investments. Although the Clients' investments may generate current income, the return of capital and the realization of gains, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. Although an investment may be sold at any time, it is not generally expected that this will occur for a number of years after

the investment is made. The limited market for the Clients' investments may cause the value of these investments to be volatile. Periods of economic, regulatory, and political uncertainty may result in substantially greater volatility in the value of the Clients' investments. There can be no assurance that the Clients' investments will not be sold at a price below their acquisition cost. In addition, it is unlikely that there will be a public market for the securities held by the Clients at the time of acquisition of such securities. The Clients will generally not be able to sell securities held by them unless their sale is registered under applicable securities laws (which the issuers of such securities may be under no obligation to effect), or unless an exemption from such registration requirements is available. Certain sales of interests in portfolio investments require pre-consummation regulatory approval, which involves a formal process and some discretion on the part of regulatory agencies.

Ability to Exit Investments. Individual investments in infrastructure assets tend to be large due to the general nature and size of such assets (such as power plants, transmission lines, distribution properties or gas storage and pipeline facilities). Infrastructure assets may have unique geographic and market characteristics (and may be subject to political, regulatory, and public opinion considerations), which could make them highly illiquid. The Clients may acquire portfolios of assets that are not easily separated into individual asset acquisitions or dispositions. Accordingly, the Clients' investments may be quite sizeable. There are limited pools of capital available in the sector that can make sizeable investments and limited numbers of market participants. As a result, the potential exits from these investments may be limited and there can be no assurance that the Clients will be able to realize their investments on favorable terms, in a timely manner or at all. Moreover, the realizable value of a highly illiquid investment may be less than its intrinsic value.

Project Financings. Some of the Clients' investments are structured on a project finance basis. A project finance structure entails the assumption of "project risk" by equity investors such as the Clients, usually without recourse to a project sponsor. Buildings and other structures may be subject to design and construction flaws. It may be difficult to locate customers for power that is generated, and projected markets for power may not materialize. Projects in which the Clients invest may experience shortages of skilled personnel. Operations may depend upon government licenses, franchises, and contracts, which may be subject to termination, revocation or modification. Fund investments may be adversely affected by storms and other natural disasters. Operators of power projects may be adversely affected by sharp increases in fuel prices and in some cases limited availability of fuel. Power producers may also be adversely affected by events that affect the creditworthiness of the electric utilities to which they sell power. Regulatory changes may affect or require substantial modifications to key project documents, including power sales, interconnection, and fuel and power transmission agreements.

Leveraged Portfolio Companies. The Clients may make equity investments in companies whose capital structures may include leverage in significant amounts. While the use of leverage may increase the potential returns on equity, leverage also increases the risk of loss since borrowings represent a prior claim on assets and require fixed payments, regardless of the profitability of particular investments encumbered by such borrowings. In the case of default under any borrowing, some or all of the assets of the borrower could be taken by the lenders in payment of their claims. Moreover, leveraged capital structures are more sensitive to rising investment rates and to increases and decreases in revenues and expenses.

Operating Risk. The Clients may invest in operating facilities. Operation of such facilities involves certain operational risks, which include: the possibility of performing below expected levels of output, availability or efficiency; interruption in fuel or other necessary supplies; increases in the cost of fuel or other necessary supplies; pipeline disruptions; disruptions in the offtake of steam or electrical energy; power shutdowns; breakdown or failure of equipment or processes; accidental discharges of hazardous materials; labor disputes; changes in law; failure to obtain or maintain necessary governmental permits; or catastrophic events such as fires, earthquakes, lightning, explosions, hurricanes, tornados, floods or similar occurrences affecting a facility owned by the Clients or their power purchasers, steam purchasers, fuel suppliers or fuel transporters.

Construction Risk. The Clients' investments may involve significant construction risk, including the risk of substantial delays or increase in cost due to a number of unforeseen factors, including: political opposition; regulatory and permitting delays; delays in procuring sites; equipment; labor disputes; lawsuits and other disputes; environmental issues; force majeure; or failure by one or more of the infrastructure investment participants to perform in a timely manner (or at all) its or their contractual, financial or other commitments. New facilities have no operating history and may employ recently developed or technologically complex equipment that may take time to operate at peak levels of output and efficiency. A material delay or increase in cost not absorbed by other participants in the transaction could significantly impair the financial viability of an infrastructure investment project and result in a material adverse effect on the Clients' investment therein.

International Investments. A Fund may invest not more than 10% of its committed capital in companies whose principal assets or operations are in Canada, unless such companies have their primary offtake agreements with U.S.-based entities. To the extent one of the Funds makes investments in Canada, those investments are subject to risks and uncertainties relating to the political, social, and economic structures of Canada. Risks related specifically to non-U.S. investments may include risks of expropriation, confiscatory taxation and nationalization, currency exchange and convertibility risks, unreliable governmental subsidies, risks of increased regulation and approvals, and governmental policies limiting returns to foreign investors.

Energy Regulatory Matters. Federal and state energy laws regulate, among other things, the development, ownership, business organization, and operation of generating and transmission facilities, the sales of electricity and gas, and the construction, siting, and operation of hydro power projects and interstate gas pipelines and storage fields. State laws regulate the activities of traditional utilities which serve retail electric and gas customers. The Federal Power Act ("FPA") authorizes the Federal Energy Regulatory Commission ("FERC") to regulate the wholesale sale (any sale for re-sale) of electric energy and the transmission of electric energy in interstate commerce, along with certain electric-sector asset and corporate ownership changes and financings. Under the FPA, FERC also promulgates and enforces market-conduct, anti-fraud, anti-manipulation, and related regulations, and may conduct both confidential and public investigations and formal adjudicatory proceedings, and may impose penalties, fines, requirements to refund revenues and disgorge profits, and other remedies for violations of its regulations. The Public Utility Holding Company Act of 2005 ("PUHCA") provides for accounting, cost-allocation and disclosure regulation of holding companies that are deemed by FERC to control, own or operate facilities for the generation, transmission or distribution of electricity or the distribution of gas, except where specific exemptions apply. The Public Utility Regulatory Policies Act of 1978

("PURPA") was enacted to encourage the development of generating facilities which conserve fossil fuels.

Several of the project investments owned by Clients' are Qualifying Facilities ("QFs") under PURPA. A QF either must produce a certain proportion of its total energy output in the form of thermal energy that is used for a commercial purpose, and its fossil fuel input must be in a certain proportion to its electric and thermal output, or satisfy FERC requirements relating to facility size and fuel use. PURPA requires utilities in some regions of the U.S. and permits utilities in other regions to purchase the electric output of QFs at negotiated rates or rates up to the incremental or "avoided" cost that the utility would have incurred if it produced the electricity itself or purchased it from another source. State public utility commissions must approve the rates, and in some instances, other contract terms, under which utilities purchase electricity from QFs. Since the enactment of the Energy Policy Act of 2005, many utilities have been prospectively excused from PURPA "must-buy" requirements. State public utility commissions are responsible for determining the avoided cost rates for utilities subject to their jurisdiction, although QFs and utilities may negotiate outside of this framework. Some state public utility commissions require utilities to file their agreements under which utilities purchase electricity from QFs. Many QFs also make other wholesale sales of power, subject to FERC regulation and in some states may make retail power sales to direct customers. Under PURPA and FERC regulations, most QFs also are entitled to certain exemptions from the FPA, PUHCA and state utility regulation. A QF that owns or operates a smaller generator of no larger than 20 MW of installed capacity normally does not need to obtain other or further FERC authorizations to sell wholesale electricity.

Each of the project companies owned by the Clients (the "Project Companies") that sells electricity, but is not a QF, has filed rate schedules with FERC in compliance with the FPA and has received FERC authorization to sell electricity at wholesale at market-based or negotiated rates to any unaffiliated purchaser or into a FERC-regulated regional energy market except for projects not yet in or approaching commercial operation. Additionally, certain QFs have obtained power sales approvals from FERC to allow certain non-PURPA sales of power, or when those QFs are too large to hold automatic power sales authority (typically, when the QF is over 20 MW in size). In connection with market-based rate authorizations, companies usually receive a blanket authorization to issue securities or assume liabilities without further FERC pre-approval, and waivers of other FPA regulations which apply to traditional utilities selling electricity at cost-based rates. Each of these companies files quarterly reports providing certain details concerning wholesale power transactions during the prior calendar quarter. The Project Companies that have filed rate schedules with FERC must obtain the prior authorization of FERC for change-of-control transactions and for the sale or other transfer of jurisdictional facilities, including wholesale power sale contracts and interconnection facilities connecting a generating facility to the transmission grid.

Some Project Companies are also Exempt Wholesale Generators ("EWGs") under PUHCA. An EWG may only be in the business of producing and selling power for resale. Unless an EWG is also a QF exhibiting a small output size, typically under 20 MW, an EWG must receive FERC permission to sell power; FERC grants based rate authority only to sellers found to lack market power. To assess whether an entity has market power, FERC has put in place several market power statistical screens, and imposed a variety of technical requirements applicable to sellers' market conduct and continuing disclosure requirements.

PUHCA gives FERC (i) access to the books and records of any holding company or affiliate of an electric or gas utility relevant to the rates of that electric or gas utility or any affiliated natural gas pipeline company subject to FERC's jurisdiction, and (ii) authority to regulate accounting matters and to allocate costs within holding company systems, including where a service company is involved, and state utility regulatory authorities were given similar books and records access rights. At present, Ares EIF and all of the projects owned by its funds are immune from accounting and cost-allocation regulation under PUHCA.

Certain Project Companies also hold economic interests in the independent transmission sector. Various funds managed by Ares EIF hold indirect, passive interests in companies formed to develop, construct, own, and operate independent transmission companies. All investments made by Clients in independent transmission to date have been declared by FERC to be passive in nature, and have not provided Ares EIF with day-to-day control over the independent transmission business.

Certain Project Companies own the indirect interests in a FERC-regulated interstate gas pipeline company, and several associated midstream natural gas assets.

Ares EIF also controls Aria Energy LLC, a partial subsidiary of Aria Energy Corp. ("Aria Corp."), a publicly-traded company. Aria Energy LLC owns a fleet of over 40 landfill gas electric generating companies, each of which is a QF. Co-owners of some of the generating companies own interests ranging up to 50%. Aria Energy LLC also owns interests in certain gas-generating landfills at which no Aria Energy LLC entity produces or sells electricity and that are not regulated by FERC. Most of Aria Corp.'s generating companies require no FERC authorization, other than their QF status, to sell wholesale electricity.

Regulation of Gas Pipeline Systems, Transportation, and Storage. The siting of pipeline systems and transportation and storage of natural gas in interstate commerce is subject to regulation by FERC under the Natural Gas Act of 1938 and under the Natural Gas Policy Act of 1978 and, as such, rates and charges for the transportation of natural gas in interstate commerce, the extension, enlargement or abandonment of jurisdictional facilities, and accounting, among other things, are subject to regulation.

Rates, charges and non-rate service conditions and tariffs for the transportation of natural gas in interstate commerce are subject to regulation by FERC. Generally, rates charged by interstate natural gas companies may not exceed the just and reasonable rates approved by FERC. In addition, interstate natural gas companies are prohibited from granting any undue preference to any person, or maintaining any unreasonable difference in their rates or terms and conditions of service except for any FERC approved negotiated or discounted rate.

The Natural Gas Pipeline Safety Act of 1968 (as amended, the "NGPSA") regulates safety requirements in the design, construction, operation, and maintenance of interstate natural gas transmission facilities. The NGPSA requires any entity that owns or operates pipeline facilities to comply with applicable safety standards, to establish and maintain inspection and maintenance plans, and to comply with such plans. Inspections and tests are performed at prescribed intervals to ensure the integrity of the pipeline system. These inspections, for example, include periodic corrosion surveys, testing of relief and over-pressure devices, and periodic aerial inspections of the rights-of-way.

In 2002, the U.S. Congress enacted the Pipeline Safety Improvement Act (“PSIA”), with final regulations implementing the PSIA issued in December 2003. The PSIA makes numerous changes to pipeline safety law, the most significant of which is the requirement that operators of pipeline facilities implement written integrity management programs. Such programs include a baseline integrity assessment of each facility located in high consequence areas that must be completed within ten years of the enactment of the PSIA. The PSIA and its applicable regulations have increased costs associated with new pipeline inspection and pipeline integrity program requirements.

Under the Clean Air Act, the U.S. Environmental Protection Agency has promulgated regulations addressing emissions from equipment present at typical natural gas compressor stations. These regulations include National Emission Standards for Hazardous Air Pollutants for reciprocating internal combustion engines, stationary turbines, and glycol dehydration equipment in addition to regulations that address regional transport of ozone.

The U.S. Department of Transportation, through the Pipeline and Hazardous Materials Safety Administration, has adopted regulations that govern all aspects of the design, construction, operation, and maintenance of pipeline facilities. These regulations require, among other things, that pipeline operators engage in a regular program of pipeline integrity testing to assess, evaluate, repair, and validate the integrity of their pipelines within areas of high consequence. Determination of such high consequence areas, for natural gas transmission pipelines, is primarily based on density factors, such as population.

Availability of Natural Gas Supplies. The operating results of a portfolio company that transports natural gas will be dependent upon its customers having access to adequate supplies of natural gas. Such portfolio company will likely depend on having access to multiple sources of gas production so that customers can satisfy their total gas requirements and have the opportunity to source gas at the lowest overall delivered cost. Moreover, such portfolio company will not have the ability to operate its pipeline system at full capacity without access to sufficient gas sources. The ability of producers to maintain production is dependent on the prevailing market price of natural gas, the exploration and production budgets of the major and independent gas companies, the depletion rate of existing sources, the success of new sources, environmental concerns, regulatory initiatives, and other matters beyond the portfolio company’s control. Operational failures on pipelines that deliver gas to such portfolio company’s pipeline system, such as reductions in pressure or volume, or interruptions in service due to maintenance activities or unanticipated emergencies, could result in lower volumes of gas being available to the portfolio company for transportation. There is no guarantee that production or supplies of natural gas will be maintained at sufficient levels to sustain the expected volume of transportation commitments on the pipeline system or that multiple sources of gas will remain available to provide the company’s customers with access to sufficient low cost supplies. If the availability of natural gas supplies decreases, the revenues and results of such a portfolio company’s operations could be adversely affected.

Decreases in Demand for Natural Gas. Demand for the services of a portfolio company that operates gas pipelines depends on the ability and willingness of customers with access to such company’s facilities to store natural gas on, and deliver natural gas through, the company’s system. Demand for natural gas is dependent upon the impact of weather, industrial and economic

conditions, fuel conservation measures, alternative fuel availability and requirements, the market price of gas, fuel taxes, price competition, drilling activity and supply availability, governmental regulation, and technological advances in fuel economy and energy generation devices. The pricing of natural gas can also affect its consumption, in comparison with other fuel sources, and according to the U.S. Department of Energy, gas pricing levels are generally below the 15-year pricing average. As a general matter, natural gas commodity pricing is set by the market, and while FERC can and does regulate gas transportation and business practices, FERC does not directly regulate wholesale gas rates.

Competitive Pressures. The market for Power and Energy Assets is competitive. Other entities could construct new facilities or expand existing facilities that could potentially serve the same markets as one of the Clients' portfolio companies. Any such new facility could offer services that are more desirable to customers because of locations, rates or other factors. These new facilities could charge rates or provide service to locations that could result in savings for shippers and producers and thereby force a portfolio company to lower the rates charged for services on its services in order to extend existing service agreements or to attract new customers. An increase in the availability of competing alternative facilities or services could result in a significant reduction in a portfolio company's revenue.

Additionally, forms of energy compete with each other, including natural gas, electricity, coal, hydroelectric power, nuclear power and fuel oil. The principal elements of competition among alternative forms of energy are based on the existing infrastructure, rates, terms of services, access to supply, emissions and reliability. The impact of competition on a portfolio company could decrease demand for its services in the markets such company serves.

Environmental and Other Regulatory Matters. Investments are subject to federal, state, regional and local laws, regulations, directives, and policies relating to, among other things, trade, imports, currency, energy, labor, and environmental, land use and regulatory matters. Investments may require numerous regulatory approvals, licenses and permits to commence and continue their operations. In addition, projects in certain jurisdictions are required to obtain emissions reduction credits or similar emissions trading credits. Under the cap and trade programs that create these credits, the costs of the credits can be significant and may increase substantially over time. Moreover, these programs can result in limiting the operations of facilities. Failure of projects to obtain required regulatory approvals, permits, and/or credits could adversely affect the Clients. New laws, policies, or regulations, or changes in the interpretation or application of existing laws, policies, and regulations that modify the present regulatory environment, could also have an adverse effect on the Clients' investments. The Clients' investments may be subject to other developing areas of regulation, such as thermal pollution, species impacts, and noise requirements, that are the subject of ongoing legislative and regulatory efforts. These developments have the potential to significantly impact energy related projects. For instance, to the extent that projects use sea water or freshwater as a cooling medium that is not recycled (once through cooling), there is a significant risk that such systems will be regulated out of existence over time. Replacement of existing cooling systems that lack recycling may involve substantial capital investment and regulatory approval risks or may not be technologically feasible.

Compliance with statutes and regulations pertaining to emissions, discharges, releases, exposures, environmental controls or restrictions and the storage, handling, transportation, disposal of hazardous and toxic material, waste, or other substances may be costly and may affect the ongoing

power-generating capacity of a project or facility in which the Clients invest. Failure by a project or facility in which the Clients invest to comply with any such statutes or regulations could, among other things, prevent operation of such project or facility, require expenditure of significant funds to bring the project or facility into compliance, result in substantial investigation and remediation costs, result in cleanup liens and fines, and give rise to civil or criminal liability. Coal-fired power plants have been especially heavily-targeted by regulations focusing on mercury and other emissions. If those regulations are vindicated by the courts, such facilities will likely face substantial costs to comply. The storage and handling of coal waste-ash is subject to safety and disposal requirements that can also give rise to liabilities on the part of coal generation owners.

Power producers, transmitters, and natural gas pipeline and distribution systems are also subject to a wide variety of permitting and regulatory requirements affecting the physical loss, emission or discharge of liquid, particulate, gaseous and other substances associated with their facilities and operations. Some of these requirements involve obtaining advance governmental approvals which are prerequisites for constructing and operating a facility that will have such discharges. Failure to comply with any discharge permitting limits set in such approvals can result in consequences similar to those identified above for failures to comply with statutes or regulations. In addition, the construction and operation of such projects must sometimes avoid impacts to particularly sensitive or protected plant and animal species. Doing so can contribute to increased project and operating costs. Failure to do so can prevent projects from being completed or result in operating restrictions, fines, and civil or criminal liability.

Additionally, the Clients may also invest in portfolio companies that could be subject to the effects of extreme weather. Extreme weather conditions could stress a portfolio company's transmission and distribution system or its generation facilities resulting in increased maintenance and capital expenditures. Extreme weather events, including hurricanes or storms or other natural disasters, could be destructive and result in casualty losses that are not ultimately offset by insurance proceeds or in increased capital expenditures or costs, including supply chain costs. Moreover, an extreme weather event could cause disruption in service to customers due to downed wires and poles or damage to other operating equipment, which could result in the portfolio company foregoing sales of electricity and lost revenue. Similarly, an extreme weather event might affect the availability of generation and transmission capacity, limiting the portfolio company's ability to source or deliver electricity to where it is needed. These conditions, which cannot be reliably predicted, could have an adverse consequence by requiring the portfolio company to seek additional sources of electricity when wholesale markets are tight or to seek to sell excess electricity when those markets are weak.

The physical risks of climate change, such as more frequent or more extreme weather events, changes in sea level, temperature and precipitation patterns, ground and surface water availability, and other related phenomena may exacerbate these risks. Such issues, if experienced at the facilities of a Client's portfolio companies, could adversely impact a Client's and its portfolio companies' revenues, increase costs to repair and maintain certain systems, subject such portfolio companies to potential litigation and/or damage claims and increase the level of oversight of the transmission and generation operations and infrastructure of a Client's portfolio companies. Variations in weather conditions, primarily temperature and humidity, also would be expected to affect the energy needs of customers.

Regulation of Greenhouse Gas Emissions. A growing concern has emerged nationally and internationally about global climate change and how greenhouse gas emissions (“GHGs”), such as CO₂ and methane, contribute to global climate change. For instance, state and regional carbon control initiatives and the potential for future federal, state or regional carbon control legislation could substantially impact power generating facilities as well as natural gas transportation facilities. Several bills addressing climate change have been introduced in Congress or discussed by the Obama administration that are intended to address climate change using different approaches, including a cap on carbon emissions with emitters allowed to trade unused emission allowances (cap-and-trade), a tax on carbon emissions (carbon-tax), incentives for the development of low-carbon technology, and federal renewable portfolio standards. In addition, the United States regularly participates in various international negotiations that could result in commitments to reduce GHGs originating in the United States. In addition, in April 2007, the U.S. Supreme Court issued its decision in *Massachusetts v. US Environmental Protection Agency* holding that CO₂ and other GHG emissions are pollutants subject to regulation under the new motor vehicle provisions of the Clean Air Act. The Environmental Protection Agency has, in turn, begun issuing new regulations designed to limit GHG emissions from a wide variety of stationary industrial sources, including the electricity generation sector and the oil and gas sector. These regulations will affect both newly constructed generating facilities and some existing generating facilities, as well as natural gas midstream assets such as gathering, processing and transportation facilities. Existing facilities may need to implement additional costly control technologies to continue in operation or may require additional permits before modifying future operations. To the extent that the Clients invest in portfolio companies that produce GHG emissions, its financial condition and results of operations could be materially adversely affected by the enactment of any legislation or regulation that mandates a reduction in GHG emissions or that imposes financial penalties, costs or taxes upon those that produce GHG emissions. For example, to the extent a cap-and-trade program is adopted, the portfolio company may be required to incur material costs to reduce its GHG emissions or to procure emission allowances or credits to comply with such program, and may or may not be able to pass these costs through to its electric power purchaser, depending on the terms of the applicable PPA. To the extent a carbon-tax is adopted, the portfolio company could be subject to a material tax liability under such a program and could incur material costs to reduce its GHG emissions in order to reduce such tax liability. In addition, certain GHG and other environmental regulations could affect the costs of certain carbon energy sources used as fuel, also contributing to an increase in operating costs.

Complying with various environmental regulatory requirements, especially the MATS regulation, has been significant in many projections that existing coal-fired generation will be retired. Should the Supreme Court strike down the EPA’s MATS regulation, that would at least delay and potentially permanently derail the need for older existing power plants to install costly new controls. In turn, that could make certain anticipated coal retirements less likely, or lower in total capacity, resulting in greater competition for natural-gas powered generation.

Volatility in the energy sector. Certain energy companies have been and will be negatively impacted by material declines in energy related commodity prices and are subject to other risks, including among others, supply and demand risk, operational risk, regulatory risk, depletion risk, reserve risk, and catastrophic event risk. Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic production and international production, policies implemented by the Organization of Petroleum Exporting Countries (“OPEC”), energy conservation, domestic and foreign

governmental regulation and taxation and the availability of local intrastate and interstate transportation systems.

Item 9. Disciplinary Information

Neither Ares EIF nor any of its management persons has been the subject of any material legal or disciplinary proceedings that are material to a client's evaluation of our business or the integrity of our management. Ares EIF, its affiliates and certain senior professionals have from time to time been included in certain proceedings relating to portfolio companies. No such proceeding or action of any type has been resolved or otherwise determined in an adverse manner to Ares EIF, or its principals and none of Ares EIF, or any principals have been assessed or paid monetary damages or penalties in connection with any such proceeding. This does not include legal or disciplinary proceedings against companies or projects in which the Funds invest.

Item 10. Other Financial Industry Activities and Affiliations

Registered Broker-Dealers

Ares Investor Services, LLC ("AIS"), a wholly owned subsidiary of Ares Management, the Firm's parent company, is a broker-dealer currently registered with the SEC and the Financial Industry Regulatory Authority to conduct private placements. AIS acts as a placement agent for certain funds sponsored by Ares Management and its affiliates. Certain Ares Management employees who are involved in marketing activities are registered representatives of AIS. Although a fund will not directly pay any compensation to AIS, Ares Management is responsible for paying certain expenses of the operation of AIS.

Relationships with Related Persons

Ares Management LLC, the parent company of Ares EIF and an SEC-registered investment adviser, is also the parent company of:

- (i) Ares Capital Management LLC ("ACM"), an SEC-registered investment adviser and the investment manager of most of Ares' U.S. Direct Lending Funds and institutional accounts, including Ares Capital Corporation ("ARCC"), a closed-end, non-diversified specialty finance company that is regulated as a business development company under the Investment Company Act;
- (ii) Ares Capital Management II, LLC ("ACM II"), an SEC-registered investment adviser, and the investment adviser of Ares Dynamic Credit Allocation Fund, Inc. ("ARDC"; NYSE:ARDC a non-diversified closed-end registered management investment company. ACM II also provides advisory services to certain other registered investment companies;
- (iii) Ares Capital Management III, LLC ("ACM III"), an SEC-registered investment adviser, ACM III provides advisory services primarily to pooled investment vehicles and other institutional accounts;

- (iv) Ares Commercial Real Estate Management LLC (“ACREM”), an SEC-registered investment adviser. ACREM provides advisory services to Ares Commercial Real Estate Corporation (“ACRE”, NYSE: ACRE), a publicly traded commercial mortgage REIT;
- (v) Ares Real Estate Management Holdings LLC (“AREMH”), an SEC-registered investment adviser, AREHM provides advisory services primarily to pooled investment vehicles and other institutional accounts;
- (vi) Ares CLO Management LLC, (“ACLOM”) an SEC-registered investment adviser, primarily advises CLO’s, CDO’s and other structured investment vehicles;
- (vii) CION Ares Management, LLC (“CAM”), an SEC-registered investment adviser and the investment adviser of CION Ares Diversified Credit Fund;
- (viii) Ares Management Limited (“AML”), an entity established in the United Kingdom and authorized and regulated by the UK Financial Conduct Authority. AML also provides advisory services to certain other institutional accounts;
- (ix) Ares Management UK Limited (“AMUKL”), an entity established in the United Kingdom and authorized and regulated by the UK Financial Conduct Authority.. AMUKL also provides advisory services to certain other institutional accounts; and
- (x) Ares European Loan Management LLP (“AELM”), an entity established in the United Kingdom and authorized and regulated by the UK Financial Conduct Authority. AELM also provides advisory services to certain other institutional accounts.

In addition, ARCC directly or indirectly also owns the equity and voting interests of its portfolio company, Ivy Hill Asset Management, L.P. (“Ivy Hill”), an SEC-registered investment adviser.

Ares EIF’s related persons also include affiliates of Ares Management’s that are investment advisers to the various investment management clients managed within the Ares platform, including the Funds, and are the general partners and, in many cases, limited partners of the Funds.

Ares EIF and its related persons are the sponsors and, in certain cases, may also be investors in various collective investment vehicles managed by Ares EIF. Certain Ares EIF personnel may spend substantially all of their business time on one or more of the foregoing collective investment vehicles as required pursuant to the terms of the relevant Governing Documents.

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

Principals, officers and certain employees of Ares EIF, members of their families and related persons of Ares EIF may participate directly or indirectly as investors in the Funds, to the extent

described in a Fund's Governing Documents, which may be privately negotiated transactions at varying prices.

To the extent permitted by the applicable Governing Documents, Ares EIF may recommend to Clients the purchase or sale of securities in which it, or an employee or related person thereof, has a financial interest. In addition, Ares EIF permits its employees to engage in personal securities transactions, subject to compliance with the Firm's Code of Ethics.

For a general discussion of how we address resulting conflicts of interest, see discussion under "*Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*" below.

Selection or Recommendation of Other Advisers

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

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

Statement of Business Ethics and Code of Ethics

Ares Management has adopted an Ethics Policy (the "Code") pursuant to Rule 204A-1 under the Advisers Act that applies to Ares EIF and sets forth standards of business and fiduciary conduct that Ares EIF requires of Covered Persons (as defined in the Code). The Code is reasonably designed to minimize actual or potential conflicts of interest between Covered Persons and the interest of Ares EIF, our Funds or clients and prevent violation of federal securities laws.

The Code provides that no Covered Person may engage directly or indirectly in any business in a manner detrimental to the Funds or other clients or use confidential information gained by reason of his or her employment by or affiliation with Ares in a manner detrimental to the Funds or other clients. The Code includes among other things: a) policies and procedures regarding personal securities transactions; and b) disclosure and reporting obligations of personal securities transactions and holdings.

Any Fund or prospective investor in a Fund may obtain a copy of the Code upon request to:

Ares EIF Management, LLC
Attn: Compliance Department
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067

Participation or Interest in Client Transactions

As general partners, limited partners or investors in certain of the Funds, Ares EIF and our related persons have indirect beneficial interests in the securities owned by such Funds and will share in any profits and losses generated by such Funds' investments. The Code requires that before, or at

the time that, a Covered Person recommends or authorizes the purchase or sale of a covered security by a Fund or a client, he or she must disclose to the Chief Compliance Officer (“CCO”): a) any beneficial ownership in such covered security that he or she has or proposes to acquire; b) any interest he or she has or proposes to acquire in any third party account in which such covered security is held; c) any beneficial interest in any other security that may benefit from such proposed purchase, sale or other action; and d) any interest in or business relationship with the issuer of such covered security that a Covered Person and his or her “covered family members” (as defined in the Code) has or proposes to acquire.

In addition, Ares EIF and our related persons may, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Funds in connection with certain “warehousing” transactions, provided that the sale is consistent with Ares’ fiduciary obligations to such Funds. Such transactions will be fully disclosed in writing, and the written consent of the appropriate Fund (which, in certain circumstances, may be provided by a Fund’s investor advisory board), as applicable, will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act and all other applicable state and federal securities laws.

From time to time, we make investments on our own behalf and on behalf of our affiliates in securities we recommend to a Fund. Such investments may be subject to conflicting investment strategies or objectives. In addition, Ares EIF and our principals may co-invest with certain Funds, as permissible in the applicable Governing Documents. Any such co-investments or related transactions may raise potential conflicts of interest, particularly if a Fund invests in different classes or types of securities of the same portfolio company. In such cases, the interest of one Fund may not always be aligned with the other Fund and may pose an actual or potential conflict of interest, as a Fund may pursue or enforce rights with respect to an investment, and those activities may have an adverse effect on the Fund as prices, liquidity, terms of the investments, and levels of risk may be negatively impacted by such actions.

Principals, officers and certain employees of Ares EIF, members of their families and related persons of Ares EIF may participate directly or indirectly as investors in Ares EIF’s Funds, as described in a Fund’s Governing Documents. Such participation is generally achieved through the creation of a feeder fund that invests on the same terms and conditions as fund investors except that generally these feeder funds are not subject to managements fees or carried interest.

Ares EIF has adopted an allocation policy designed to ensure that all investment opportunities are, to the extent practicable, allocated among our Funds on a basis that over a period of time is fair and equitable to each Fund relative to other Funds as well as a co-investment policy designed to ensure fair allocation of co-investment opportunities amongst the Funds. These policies are described in “*Item 6, Performance-Based Fees and Side-by-Side Management.*”

Personal Trading

The Code covers personal trading policies and procedures of all Covered Persons and their covered family members. Under the Code, Covered Persons and their covered family members are permitted to trade in securities for their own accounts so long as they follow the Code, which contains certain preclearance requirements, reporting requirements and other provisions that restrict trading by Covered Persons. Generally, for “covered securities” transactions in a Covered Person’s or a covered family member’s account, Covered Persons are required to obtain preclearance approval from the Compliance Department. Covered securities purchased by a Covered Person or a covered family member are generally subject to a minimum holding period.

The Code also requires that all covered securities holdings and transaction information in covered securities accounts be disclosed to the Compliance Department. Any transactions by a Covered Person in securities or investments that are held by one or more Funds are generally subject to a blackout period after any Fund has traded in any security of that issuer and may further be restricted further by a Fund's Governing Documents. The Code's personal trading procedures are administered by the Firm's Compliance Department. On a quarterly basis, Covered Persons must report all covered securities transactions, effected by them or their covered family members, including the nature of the transaction, the price of the security and the name of the broker, dealer or bank with or through which the transaction was effected. On an annual basis, Covered Persons must provide a full accounting of covered securities holdings held by them and their covered family members. Covered securities transactions over which the Covered Person or their covered family members had no direct or indirect influence or control are exempt from these reporting requirements. Lastly, Covered Persons are periodically required to certify that they have read and understand the Firm's compliance policies and procedures, including the Code, and certify that they have complied with the provisions of the Code.

Other Potential Conflicts

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

Certain Ares EIF personnel may receive discounts from products and services offered by companies in which a Fund is an advisor or investor or otherwise has interest, similar to what would be given to an employee of a portfolio company. In addition, Ares EIF may engage certain of its Funds' portfolio companies to provide goods and services. In these instances, ARES EIF engages with the portfolio company at arm's length, and the portfolio company provides the same pricing and service levels as it would any comparable client or purchaser. In addition before entering into any business relationship with any Fund's portfolio company, the arrangements are reviewed by Ares Management's Chief Legal Officer or CCO, who must approve each arrangement on a case-by-case basis.

Investors in Funds may have conflicting investment, tax and other interest with respect to Fund investments. As a consequence, conflicts of interest may arise in connection with decisions made by Ares EIF that may be more beneficial for one investor than another investor. The results of a Fund's activities may affect individual investors differently, depending on their different situations. In selecting and structuring investments for a Fund, Ares EIF will consider the investment and tax objectives of the Fund as a whole and not the objectives of any investor individually. However, there can be no assurance that a result will not be more advantageous to some investors than to other investors.

Ares Management also requires certain outside business activities to be reported and monitored to avoid potential or actual conflicts of interest. Such activities require prior written approval from

the CCO and the Covered Person's direct supervisor and may be subject to restrictions or conditions. Such approval is revocable at any time.

Item 12. Brokerage Practices

Subject to the investment objectives, policies and restrictions of each Fund and other client as set forth in their respective Governing Documents, Ares EIF has discretionary authority to determine the type, amount, and price of securities and investments to be bought and sold on behalf of each client or Fund, including the selection of, and commissions paid to, brokers.

Ares EIF's investment strategy does not typically involve public securities. As such, the Firm does not generally select or recommend broker-dealers for Client transactions. However, to meet its fiduciary duties to the Clients, the Firm has adopted written policies to address selection of broker-dealers. In selecting broker-dealers to effect transactions, Ares EIF seeks to obtain best execution by considering various factors in addition to the quantitative factors such as price or spreads/commission rates, including, but not limited to, ability to place trades in difficult market environments, ability to access a variety of market venues, expertise in specific securities, credit quality, financial condition (counterparty risk) and business reputation. While Ares EIF generally seeks reasonably competitive trade execution costs, Funds and other client accounts will not necessarily pay the lowest spread or commission available.

Research and Other Soft Dollar Benefits

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

Trade Aggregation

The Firm's investment strategy of acquiring Power Assets does not typically present opportunities to aggregate the purchase or sale of securities for various Client accounts; however, under Ares EIF's trade aggregation policy, orders for the same investment, including acquisition and disposition transactions, entered on behalf of more than one client may be aggregated (i.e., blocked or bunched), subject to the aggregation being in the best interests of all participating clients. The trade order must indicate the amount or percentage of the trade intended to be allocated to each participating client. If the final allocation differs from the initially indicated allocation or is not allocated on a pro rata basis for partially filled orders, except in the case of de minimis changes in the allocations, a written rationale must be provided in the allocation statement. Please refer to "*Item 6. Side-by-Side Management*" for further information regarding Ares EIF's allocation policy.

Item 13. Review of Accounts

Review of Client Accounts

Ares EIF monitors all portfolio investments on behalf of each Fund and other client on an ongoing basis. Investments are reviewed in the context of each client's (i) adherence to the investment objectives and guidelines as set forth in its Governing Documents and (ii) investment performance.

Subsequent to an initial investment, each position is monitored on an ongoing basis by at least one investment professional. In addition, a client's positions as well as a client's overall performance and adherence to its investment mandates and restrictions are monitored on an ongoing basis by senior investment professionals, including portfolio managers.

Reports to Clients

Ares EIF provides reports to investors in the Funds and to other clients as required by the applicable Governing Documents or otherwise agreed upon with a client or investor. Investors in Funds and clients should refer to the applicable Governing Documents for further information on the reports provided to a particular Fund's investors or to the client.

The Governing Documents of certain Funds and other clients sometimes require quarterly and annual financial statements to be distributed to a Fund's investors or to the client and Ares EIF also typically provides written investor letters with respect to a Fund or other client and its performance. Ares EIF distributes K-1 filings to investors, where applicable, and provides certain other reports and analyses to investors and potential investors upon request.

Investors in each Fund generally receive quarterly written reports which include, among other things: summary financial information; financial statements; a general discussion of the business and affairs of each portfolio company and of any material developments with respect thereto (all subject to legal or contractual restrictions); and the fair value of each of the Fund's investments. In addition, Underlying Investors may receive specific reports regarding their accounts upon request.

Finally, Ares EIF holds annual investor meetings, annual investor advisory board meetings, and may conduct periodic calls as appropriate for certain of the Funds or other clients.

Item 14. Client Referrals and Other Compensation

Economic Benefits Received from Third Parties

In connection with investments made by certain Funds or other clients, Ares EIF or its related persons may receive commitment, structuring, monitoring or other transaction fees from portfolio investments in which one or more of the Funds or other clients may invest or propose to invest. The potential for Ares EIF and its related persons to receive such economic benefits may create conflicts of interest as Ares EIF and its related persons may have economic incentives to invest in portfolio investments that provide such benefits. To mitigate potential conflicts, such benefits received by Ares EIF in connection with its services related to portfolio companies or transactions are generally offset against advisory fees payable by the related Fund or client, however in certain instances Ares EIF may retain a portion of such fees without a corresponding management fee offset.

Third Party Compensation for Referrals

Any of the Funds may incur sales charges to compensate broker-dealers who assist in obtaining subscriptions. The sales charge may be payable by investors, one or more of the Funds, the general partner of a Fund, Ares EIF or a combination thereof. In addition, Ares EIF may compensate third parties who refer prospective investors to any of its Funds or new clients to Ares EIF.

Certain of the solicitors or placement agents utilized to market Ares EIF's Funds, as well as individuals employed by such solicitors or placement agents, may invest in the Funds and may not pay, or may pay reduced, advisory fees with respect to their investment(s) in the Funds. In addition, Ares EIF may transact client orders through broker-dealers that also act as solicitors or placement agents for its Funds.

Ares EIF endeavors at all times to put the interests of its clients, including the Funds, first as part of Ares EIF's fiduciary duty. Nevertheless, the receipt of compensation by placement agents and the potential receipt of brokerage commissions by broker-dealers create potential conflicts of interest and may affect the judgment of placement agents and broker-dealers when making referrals to Ares EIF and the Funds. Moreover, potential conflicts of interest may arise between the interests of clients in obtaining best price and execution and Ares EIF's interest in receiving future referrals to the Funds from certain broker-dealers. Ares EIF addresses these potential conflicts of interest by seeking to obtain best execution by considering factors set forth in "*Item 12. Brokerage Practices*" above.

Item 15. Custody

It is Ares EIF's general policy not to have physical custody of any client assets. However, Ares EIF may be deemed to have custody of the assets of certain Funds and other clients because of the authority it or a related party has over such clients or their assets. It is Ares EIF's policy generally to cause each Fund with assets over which Ares EIF is deemed to have "custody" to be audited annually and to distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 120 days after the end of each fiscal year (180 days if the client is a "fund of funds"). In addition, upon the final liquidation of any such Fund, Ares EIF will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit.

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

Item 16. Investment Discretion

Ares EIF has discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Fund and client accounts, including the selection of, and commissions paid to, broker-dealers. This discretionary authority is subject to the investment objectives, policies and restrictions as set forth in the Governing Documents of each such Fund or client account. For Ares EIF to assume such discretionary authority, each investor or client must complete the appropriate Fund subscription documents or an investment advisory agreement prior to the establishment of an advisory relationship granting such authority.

Item 17. Voting Client Securities

In instances where a client owns equity securities in which it has the right to vote via shareholder proxy (each a “Voting Security”), Ares EIF generally retains proxy voting authority with respect to these Voting Securities. Ares EIF has adopted and implemented written Proxy Voting Policies and Guidelines (“Proxy Voting Guidelines”) that are designed to reasonably ensure that Ares EIF votes proxies in the best interests of its advisory clients for whom Ares EIF has voting authority.

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

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

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

Some examples of potential conflicts can include;

- Ares EIF provides investment advice to an officer or director of an issuer and Ares EIF receives a proxy solicitation from that issuer;
- an issuer or some other third party offers Ares EIF or an employee, officer, director, partner or member of Ares Management (an “Associate”) compensation in exchange for voting a proxy in a particular way;
- an Associate or a member of an Associate’s household has a personal or business relationship with an issuer;
- an Associate has a beneficial interest contrary to the position held by Ares EIF on behalf of its clients;
- Ares EIF holds various classes and types of equity and debt securities of the same issuer contemporaneously in different client portfolios; and
- any other circumstance where Ares EIF’s duty to service its clients’ interest could be compromised.

Ares EIF will not delegate its voting authority to any third party, although it may retain an outside service to provide voting recommendations and to assist in analyzing votes.

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

Item 18. Financial Information

Not Applicable.