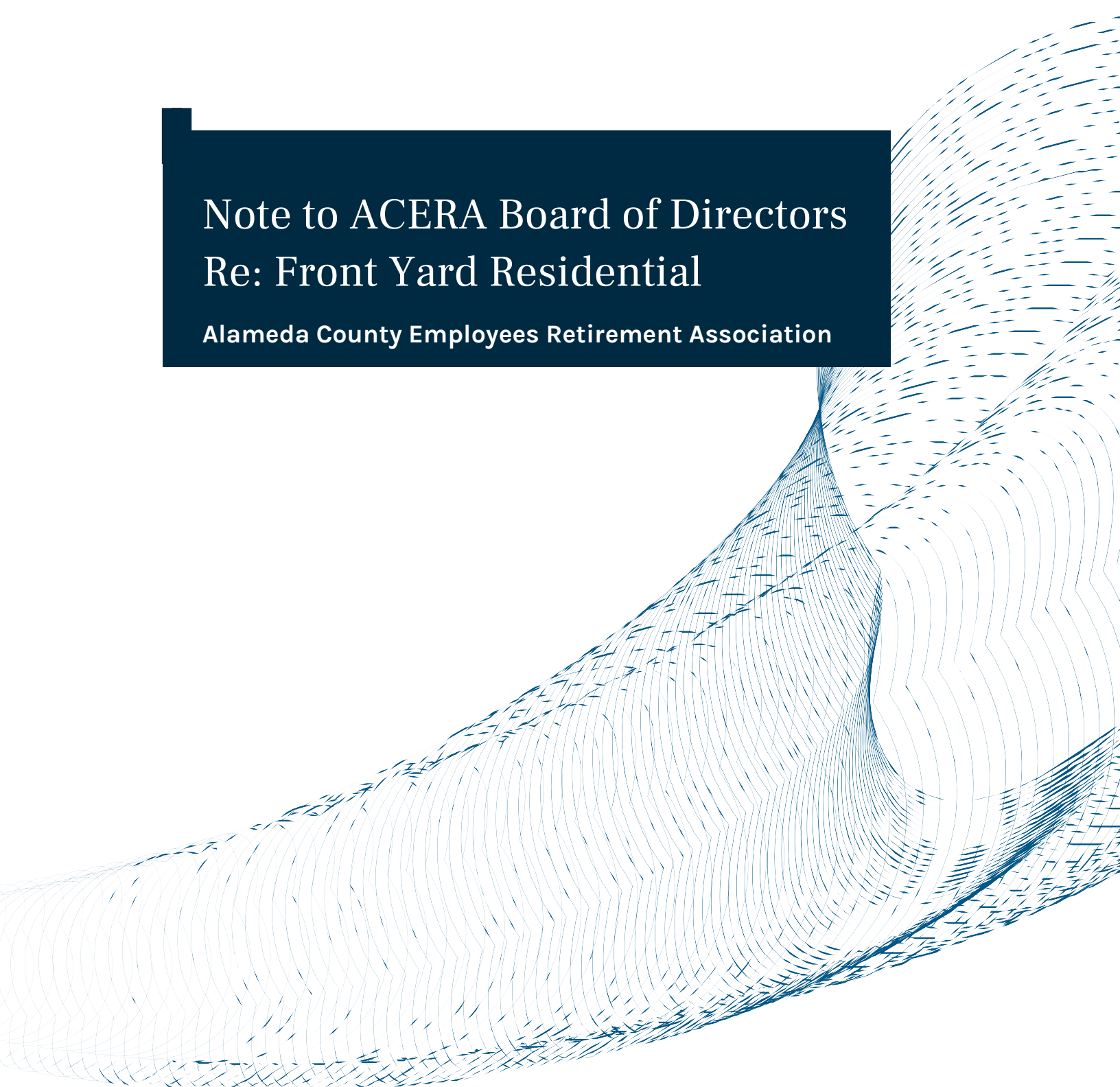




**Note to ACERA Board of Directors  
Re: Front Yard Residential**

**Alameda County Employees Retirement Association**





## Manager Disclaimer

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The outbreak of a novel and highly contagious form of coronavirus (“COVID-19”), which the World Health Organization has declared to constitute a pandemic, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on energy, transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global financial markets and oil prices and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. Any public health emergency, including any outbreak of COVID-19 or other existing or new epidemic diseases, or the threat thereof, and the resulting financial and economic market uncertainty could have a significant adverse impact on the funds, the value of their investments and their portfolio companies. The information herein is as of the dates referenced and not all of the effects, directly or indirectly, resulting from COVID-19 and/or the current market environment may be reflected herein. The full impact of COVID-19 and its ultimate potential effects on portfolio company performance and valuations is particularly uncertain and difficult to predict.

Unless otherwise indicated, the information presented herein is as of the date of this material and subject to change. Neither Ares nor any of its funds, portfolio companies or other affiliates undertakes any duty or obligation to update or revise the information contained herein.

REF: DLUS-01354



September 16, 2021

ACERA Board of Directors,

At your request, we are providing some background information on our investment in Front Yard Residential (“Front Yard” or the “Company”), which we believe will help clarify information surrounding the Company, the industry and Ares. Ares’ shares your values of ensuring that residents are safe and secure in their homes, especially at a time when so many are facing challenges due to the pandemic. We appreciated the opportunity to discuss this matter with your colleagues on September 13<sup>th</sup> and this letter will help summarize the key points.

As background, in January of 2021, funds managed within Ares’ real estate and alternative credit strategies made a minority investment in a joint venture controlled by investment management firm Pretium, which in turn acquired Front Yard Residential. No Ares direct lending funds are invested in Front Yard or Pretium. As part of its investment due diligence, Ares performed its standard ESG risk assessment which included engaging a law firm that specializes in regulatory compliance, and additionally reviewed Pretium’s management practices and ESG policies with respect to Front Yard. Our due diligence findings concluded that Front Yard’s operating practices were consistent with industry practices and no material adverse findings were found with respect to Front Yard’s ESG policies or its eviction policies or procedures.

In addition, in June of 2021, a subsidiary of Ares Management Corporation acquired Landmark Partners, LLC. Landmark managed funds had previously completed two investments with Pretium Residential, with an indirect small minority investment in Front Yard.

Below is a summary of the key points from our discussions with you earlier this week:

**A critical part of Ares’ original investment thesis was a commitment to provide residents with high quality, safe and affordable homes.** Front Yard has assured Ares that it shares this commitment and that it views its resident relationships as one of its most valuable assets. As a leading provider of single-family home rentals, Front Yard understands that residents are facing challenges due to the continued and widespread impact of COVID-19 and like Ares is committed to supporting and working with its residents to find solutions during these extraordinary times.

**Front Yard has assured Ares that it has acted in full compliance with the CDC Moratorium and Fair Housing laws and that any allegations stating otherwise are false.** While the CDC Moratorium was in effect, landlords like Front Yard were permitted to exercise their rights to file eviction notices, which are different from actual physical evictions. Front Yard’s policy has always been not to evict any resident covered by a CDC declaration for non-payment of rent, and Front Yard is committed to honoring CDC declarations. Front Yard continues to work diligently to minimize evictions, eviction filings and assist residents in seeking rental assistance from governmental programs, including the more than 1,000 residents it has helped since the beginning of the pandemic.

**Ares regularly speaks with Pretium regarding Front Yard and an outcome of these discussions has been improvements in Front Yard’s eviction policies and procedures and in tenant outcomes.** As part of our ongoing investment and ESG monitoring, we will continue to engage with Pretium to provide our views on further enhancing Front Yard’s eviction policies and procedures and to ensure that Front Yard is taking every practical measure to support its residents. Pretium also provides Ares with weekly eviction data, as well as weekly updates on operations through a Key Performance Indicator (KPI) report which details different aspects of the Front Yard portfolio.



**Pretium is committed to working with residents to keep them in their homes.** Pretium has publicly disclosed that it is actively supporting residents across its portfolio during the pandemic, in many cases beyond the requirements of the CDC Moratorium, including<sup>1</sup>:

- Securing more than \$25 million of emergency rental assistance for more than 3,000 residents
- Contributing more than \$25 million in rent forgiveness and other financial assistance
- Providing over 30,000 payment plans
- Quadrupling outreach efforts while expanding modes of communication and proactively informing residents of all available resources
- Hiring 20+ employees dedicated to assisting residents with securing financial and housing resources
- Halting all third-party collections and ensuring no adverse credit reporting
- Voluntarily dismissing filings and suspending evictions for engaging residents
- Voluntarily honoring the CDC Moratorium for residents covered by CDC declarations beyond the stated expiration

**Pretium and Front Yard do not collect racial data and therefore claims of racial targeting of tenants are completely false.** Front Yard has assured Ares that its processes and procedures do not consider or track any data on protected characteristics, including race (as prohibited by the Fair Housing Act). Therefore, claims of targeting eviction filings for tenants and communities of certain demographics are without merit. In addition, Front Yard has advised Ares that based on its analysis of publicly available census block data in the state of Georgia (where racial demographics are publicly available), there is no correlation between race and evictions with respect to Front Yard's homes. **Ares is acutely focused on ensuring an inclusive culture and values system in its business dealings and in the communities in which it operates and we do not tolerate discrimination of any kind.**

**Minnesota State Government's Executive Council Meeting.** In response to the tenant testimonials at the recent meeting of the Minnesota State Government's Executive Council, senior partners of Ares Landmark met multiple times with senior managers at Pretium to discuss the local Minnesota housing quality issues in properties managed by its HavenBrook Homes subsidiary, as well as Pretium's treatment of tenants during the COVID pandemic. This step is a demonstration of how seriously we take these matters and our view that tenants have a right to decent, clean and well-maintained homes. During our due diligence, we identified that improvements would need to be made in this market given the historical underperformance of Front Yard's manager prior to its acquisition by Pretium. In addition to a site visit in Minnesota by the Co-Head of Ares Landmark next week, we continue to focus on ensuring that Pretium has a concrete plan of action and have been advised of the following<sup>1</sup>:

- Pretium is working with its team at HavenBrook to implement an accelerated program for resolving 217 work orders at its properties in Minnesota that were open as of September 2, 2021
- All 217 work orders have been scheduled and/or assigned and Pretium/HavenBrook is working with its technicians and vendors to resolve and close out any open orders
- As part of this effort, Pretium is mobilizing technicians from other regions in its portfolio to support the work effort in Minnesota
- Pretium is also hiring new permanent technicians to augment its Minnesota based team on an ongoing basis
- In addition to changes to the internal staffing at HavenBrook, Pretium is also working with Havenbrook to onboard additional external vendors to cover maintenance items that cannot be addressed by its in-house technicians
- At our suggestion, Pretium has placed an on-the-ground senior operations professional in



Minnesota with responsibility for supervising resolution and closure of any open work items

We would like to reiterate how seriously we take these issues and are committed to continuing dialogue with you on these matters. Our goal is to make good investments for our investors while also helping our communities and treating our stakeholders fairly and respectfully. We are available to further discuss any of the above topics at your convenience. Thank you for your interest in Ares Management.

REF: DLUS-01354

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<sup>i</sup> Pretium Partners Fact Sheet, as of September 9, 2021: <https://pretium.com/wp-content/uploads/2021/07/Pretium-Sets-the-Standard-for-Professional-Single-Family-Rental-Ownership.pdf>. Fact Sheet relates to entire Pretium portfolio of homes, inclusive of Front Yard.