

Fifth Street Asset Management Inc.

Consolidated Financial Statements

December 31, 2017

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Report of Independent Auditors

To the Management of Fifth Street Asset Management Inc.

We have audited the accompanying consolidated financial statements of Fifth Street Asset Management Inc. and its subsidiaries, which comprise the consolidated statement of net assets in liquidation as of December 31, 2017, and the related consolidated statement of changes in net assets in liquidation for the period from November 28, 2017 to December 31, 2017.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the net assets in liquidation of Fifth Street Asset Management Inc. and its subsidiaries as of December 31, 2017, and the changes in their net assets in liquidation for the period from November 28, 2017 to December 31, 2017, in accordance with accounting principles generally accepted in the United States of America applied on the bases described in Note 2.

Basis of Accounting

As discussed in Note 2 to the consolidated financial statements, the shareholders of Fifth Street Asset Management Inc. approved a plan of liquidation on November 28, 2017, and the Company determined liquidation is imminent. As a result, the Company changed its basis of accounting on November 28, 2017 from the going concern basis to a liquidation basis. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

March 14, 2018

Fifth Street Asset Management Inc.
Consolidated Statement of Net Assets in Liquidation
December 31, 2017

Assets

Cash and cash equivalents	\$ 24,152,306
Restricted cash	1,023,981
Management fees receivable	1,438,956
Escrows receivable	44,637,391
Investments	63,777,090
Due from affiliates	136,660
Fixed assets	200,000
Income tax receivable	662,636
Other assets	1,714,225
Total assets	\$ 137,743,245

Liabilities

Accounts payable and accrued expenses	\$ 1,285,473
Accrued compensation and benefits	4,104,959
Estimated liability for expenses reimbursable to funds previously managed by the Company	3,732,920
Loans payable	1,974,167
Estimated accrual of net costs incurred during liquidation	16,614,910
Total liabilities	27,712,429

Net assets in liquidation

Net assets in liquidation attributable to Fifth Street Asset Management Inc. (\$2.13 per share of Class A common stock)	43,444,247
Net assets in liquidation attributable to non-controlling interests	66,586,569
Total net assets in liquidation	110,030,816
Total liabilities and net assets in liquidation	\$ 137,743,245

See notes to consolidated financial statements.

Fifth Street Asset Management Inc.
Consolidated Statement of Changes in Net Assets in Liquidation
For the period from November 28, 2017 to December 31, 2017

Total equity, as of November 28, 2017	\$ 279,560,689
Effect of adopting the liquidation basis of accounting:	
Remeasurement of assets	(3,853,545)
Write-off accrued lease abandonment costs	606,197
Write-off deferred rent liability	1,891,142
Accrual of dividend income on BDC common stock investments	1,502,208
Estimated accrual of net costs incurred during liquidation (Note 5)	(25,373,913)
Other adjustments	42,594
Total effects of adopting the liquidation basis of accounting	(25,185,317)
Net assets in liquidation as of November 28, 2017	254,375,372
Changes in assets and liabilities in liquidation	
Distributions to non-controlling interests	(85,875,765)
Distributions to FSAM Class A shareholders (\$2.75 per share)	(56,025,387)
Proceeds from board of directors stock option exercise	135,300
Unrealized loss on investments	(2,524,799)
Remeasurement of assets and liabilities, other than investments	(53,905)
Changes in net assets in liquidation	(144,344,556)
Net assets in liquidation as of December 31, 2017	\$ 110,030,816

See notes to consolidated financial statements.

Note 1. Description of Business

Organization

Prior to the closing of the asset sale to Oaktree Capital Management, L.P. ("Oaktree") on October 17, 2017 (discussed below), Fifth Street Asset Management Inc. ("FSAM" and, together with its consolidated subsidiaries, the "Company"), was an alternative asset management firm headquartered in Greenwich, CT that provided asset management services to its investment funds, which, through October 17, 2017, primarily consisted of Oaktree Specialty Lending Corporation ("OCSL," formerly known as Fifth Street Finance Corp. "FSC") and Oaktree Strategic Income Corporation ("OCSI," formerly known as Fifth Street Senior Floating Rate Corp. "FSFR" and, each of FSC and FSFR, a "BDC" and, together, the "BDCs"), both publicly-traded business development companies regulated under the Investment Company Act of 1940, as amended, and through July 20, 2017, also included funds managed by Fifth Street CLO Management LLC ("CLO Management"). The funds and accounts advised or managed by Fifth Street Management LLC ("FSM") and CLO Management from time to time are collectively referred to as the "Fifth Street Funds."

As of December 31, 2017, the Company had no ongoing business operations other than the liquidation and winding up of the affairs of the Company as discussed below.

Reorganization

In anticipation of its initial public offering ("IPO") that closed on November 4, 2014, FSAM was incorporated in Delaware on May 8, 2014 as a holding company with its primary asset expected to be a limited partnership interest in Fifth Street Holdings L.P. ("Fifth Street Holdings"). Fifth Street Holdings was formed on June 27, 2014 by Leonard M. Tannenbaum and Bernard D. Berman (the "Principals") as a Delaware limited partnership. Prior to the transactions described below, the Principals were the general partners and limited partners of Fifth Street Holdings. Fifth Street Holdings has a single class of limited partnership interests ("Holdings LP Interests"). Immediately prior to the IPO:

- The Principals contributed their general partnership interests in Fifth Street Holdings to FSAM in exchange for 100% of FSAM's Class B Common Stock;
- The members of FSM contributed 100% of their membership interests in FSM to Fifth Street Holdings in exchange for Holdings LP Interests; and
- The members of FSCO GP LLC ("FSCO GP"), a Delaware limited liability company, formed on January 6, 2014 to serve as the general partner of Fifth Street Opportunities Fund, L.P., a private fund managed by FSM ("FSOF"), contributed 100% of their membership interests in FSCO GP to Fifth Street Holdings in exchange for Holdings LP Interests.

These collective actions are referred to herein as the "Reorganization."

Initial Public Offering

On November 4, 2014, FSAM issued 6,000,000 shares of Class A common stock in the IPO at a price of \$17.00 per common share.

Immediately following the Reorganization and the closing of the IPO on November 4, 2014:

- The Principals held 42,856,854 shares of FSAM Class B common stock and 42,856,854 Holdings LP Interests;
- FSAM held 6,000,000 Holdings LP Interests and the former members of FSM and FSCO GP, including the Principals, held 44,000,000 Holdings LP Interests; and

- The Principals, through their holdings of FSAM Class B common stock in the aggregate, had approximately 97.3% of the voting power of FSAM's common stock.

Upon the completion of the Reorganization and the IPO, FSAM became the general partner of Fifth Street Holdings and acquired a 12.0% limited partnership interest in Fifth Street Holdings. Fifth Street Holdings and its wholly-owned subsidiaries (including FSM, CLO Management and FSCO GP) are consolidated by FSAM in its consolidated financial statements. The portion of net assets attributable to the limited partners of Fifth Street Holdings, excluding FSAM, are recorded as non-controlling interest in the Consolidated Statement of Net Assets.

Subject to the restrictions set forth in an exchange agreement and the limited partnership agreement of Fifth Street Holdings, the active, limited partners in Fifth Street Holdings (other than FSAM), which include, among other persons, Leonard M. Tannenbaum and Bernard D. Berman (the "Holdings Limited Partners") may exchange their Holdings LP Interests for shares of FSAM's Class A common stock on a one-for-one basis, subject to certain limitations and customary conversion rate adjustments for stock splits, stock dividends and reclassifications. Upon any such exchange by Mr. Tannenbaum or Mr. Berman, a corresponding number of shares of FSAM Class B Common Stock held by such individual will be automatically retired and cancelled.

As of December 31, 2017, there were 20,372,868 shares of Class A common stock outstanding and FSAM owned 20,372,835 Holdings LP Interests. As of December 31, 2017, there were a total of 51,600,386 Holdings LP Interests outstanding, of which the remainder were held by the Holdings Limited Partners. FSAM's percentage ownership in Fifth Street Holdings may change if Holdings LP Interests are exchanged for Class A common stock of FSAM or when FSAM otherwise repurchases FSAM Class A common stock.

Oaktree Transaction and Liquidation

On July 13, 2017, FSM, Oaktree, FSAM and Fifth Street Holdings entered into an Asset Purchase Agreement (the "Asset Purchase Agreement").

On September 7, 2017, in connection with the transactions contemplated by the Asset Purchase Agreement, the stockholders of each of FSC and FSFR approved the entry of FSC and FSFR, as applicable, into new investment advisory agreements with Oaktree. On October 17, 2017 (the "Closing"), Oaktree entered into new investment advisory agreements with each of FSC and FSFR, and FSM's investment advisory agreements with each of FSC and FSFR were terminated.

At the Closing, FSM sold, conveyed, assigned and transferred to Oaktree and Oaktree purchased, acquired and accepted from FSM all of FSM's right, title and interest in specified business records with respect to FSM's existing investment advisory agreements with each of FSC and FSFR for a purchase price of \$320 million in cash.

Concurrently with the execution of the Asset Purchase Agreement, FSAM and Oaktree entered into a Noncompetition and Nonsolicitation Agreement, dated as of July 13, 2017, pursuant to which, through October 17, 2020, FSAM agreed to specified restrictions on its ability to invest in debt or debt-like preferred equity where the investment opportunity being offered to all offerees exceeds \$5 million (subject to certain exceptions). Additional restrictions apply through October 17, 2027 with respect to investments in business development companies managed by Oaktree or any of its affiliates. FSAM also agreed to restrictions on its ability to solicit for employment any full-time employees of Oaktree or advisors or consultants, who are engaged for a substantial portion of their time by Oaktree, through October 17, 2020.

On October 23, 2017, FSAM's Board of Directors determined that it is advisable and in the best interest of FSAM and its stockholders to dissolve FSAM and wind up its affairs in accordance with the requirements of the General Corporation Law of the State of Delaware (the "DGCL") and the Internal Revenue Code of 1986, as amended (the "Code").

On November 6, 2017, FSAM voluntarily withdrew its Class A common stock from listing and registration on Nasdaq, following which the Class A common stock trades on the OTCQX Market under the symbol "FSAM" (see Note 9).

On November 28, 2017, the FSAM stockholder written consent in lieu of a meeting of stockholders approving (i) the liquidation and dissolution of the Company pursuant to a plan of liquidation (the "Plan of Liquidation") and (ii) the Amendment (as described below) (the "Written Consent") became effective. As a result, liquidation was "imminent" as of November 28, 2017 (the "Effective Date") in accordance with the guidance provided in Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 205-30.

On December 8, 2017, following effectiveness of the Written Consent, FSAM filed an amendment to the Second Amended and Restated Certificate of Incorporation of the Company in order to reduce the authorized capital stock of the Company (the "Amendment") with the Secretary of State of the State of Delaware, following which the authorized shares of the Company were 60,000,000 shares of Class A common stock, par value \$0.01 per share, 32,000,000 shares of Class B common stock, par value \$0.01 per share, and 1,000 shares of preferred stock, par value \$0.01 per share.

On December 11, 2017, the Company filed the Certificate of Dissolution (the "Certificate of Dissolution") with the Secretary of State of Delaware. Pursuant to DGCL, the Company continues to exist for three years after filing of the Certificate of Dissolution or for such longer period as the Delaware Court of Chancery shall direct, or as may be required to resolve any pending litigation matters, for the purpose of prosecuting and defending suits against the Company and enabling the Company to gradually close its business, dispose of its property, discharge its liabilities and distribute to its stockholders any remaining assets which is expected to be by December 11, 2020. During such period, the Company cannot continue the business for which it was organized.

Upon filing of the Certificate of Dissolution, FSAM adopted the Plan of Liquidation. The Plan of Liquidation provides that the Company will cease further business activities except to the extent and for the period described above. The Plan of Liquidation provides that, among other actions, the following steps will be completed at such times as the Board of Directors or the officers of the Company implementing the Plan of Liquidation, in their discretion and in accordance with the DGCL, deem necessary, appropriate or advisable in the best interests of the Company and its stockholders:

- Sell all FSC and FSFR common stock held by the Company in accordance with any limitations of the Pledge Agreements and Asset Purchase Agreement;
- Seek collection of the Company's management fees receivable, escrow receivable, due from affiliates and income tax receivable;
- Dispose of all other tangible assets (e.g. fixed assets, artwork and fractional interests in corporate aircrafts) which may include sales to related or unrelated parties or donations to charitable organizations;
- Pay or make provision for the payment of liabilities and outstanding obligations of the Company prior to the date of the Plan of Liquidation or to be incurred after such date, including expenses associated with the liquidation and winding up of the Company's affairs;
- If deemed necessary or appropriate by the Board of Directors of the Company, in its absolute discretion, establish and set aside a contingency reserve to satisfy claims against and any unmatured or contingent

liabilities of the Company and expenses of the sale of the Company's property and assets and the liquidation and dissolution provided for in the Plan of Liquidation;

- Payment of liquidating distributions to stockholders of record of the Company as determined by the Board of Directors the Company;
- Distribution to stockholders of the Company, or the transfer to one or more liquidating trustees for the benefit of stockholders of the Company under a liquidating trust, of the remaining assets of the Company after payment or provision for payment of claims against and obligations of the Company; and
- The taking of any and all other actions permitted or required by the DGCL and any other applicable laws and regulations.

The Board of Directors of the Company may, to the full extent permitted by law, amend the Plan of Liquidation without any further stockholder approval if it determines that such amendment is in the best interest of stockholders of the Company. The Board of Directors of the Company may not amend or modify the Plan of Liquidation under circumstances that would require additional stockholder approval under the DGCL or federal securities laws without complying with such requirements.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

Upon adoption of the Plan of Liquidation, the Company adopted the liquidation basis of accounting as of November 28, 2017. This basis of accounting is considered appropriate when, among other things, liquidation of the entity is imminent, as defined in ASC Topic 205-30 – *Presentation of Financial Statements - Liquidation Basis of Accounting*.

Under the liquidation basis of accounting, all of the Company's assets have been stated at their estimated net realizable value based on current contracts, estimates and other indications of sales value. All liabilities of the Company, including those estimated costs associated with implementing the Plan of Liquidation, have been stated at their estimated settlement amounts. These amounts are presented in the accompanying Consolidated Statement of Net Assets in Liquidation. These estimates will be periodically reviewed and adjusted as appropriate. There can be no assurance that these estimated values will be realized. The actual values and costs associated with carrying out the Plan of Liquidation may materially differ from amounts reflected in the accompanying financial statements. In particular, the estimates of anticipated costs will vary with the length of time necessary to complete the Plan of Liquidation, which is currently anticipated to be completed during 2020. Accordingly, it is not possible to predict with certainty the timing or aggregate amount which may ultimately be distributed to holders of our common shares and no assurance can be given that the distributions will equal or exceed the estimate presented in the accompanying Consolidated Statement of Net Assets in Liquidation.

The Company's assumptions and estimates are based on completing the liquidation during 2020. However, the liquidation may extend beyond 2020 for the purposes of prosecuting and defending suits by or against us or as may be directed by the Delaware Court of Chancery in its discretion. As previously stated, on an ongoing basis, the Company evaluates the estimates and assumptions that can have a significant impact on the reported net assets in liquidation and will update these accordingly for any costs and value associated with a change in the duration of the liquidation.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") and under the liquidation basis of accounting requires us to make estimates and judgments that affect the reported values of assets, liabilities and expenses. These estimates are made and evaluated on an on-going basis using information that is currently available as well as various other assumptions believed to be reasonable under the circumstances. Due to the inherently uncertain nature of estimates and the underlying assumptions, the actual amounts may vary from those estimates, perhaps in materially adverse ways, and those estimates could be different under different assumptions or conditions. Any increases in the amount of expenses incurred or decreases in the estimated realizable value of the Company's assets will reduce the amount that is ultimately distributed to the holders of FSAM stock.

Concentration of Credit Risk

Financial instruments that subject the Company to a concentration of credit risk consist of cash and cash equivalents, restricted cash, investments and escrows receivable balances maintained in financial institutions that are, in part, in excess of Federal Deposit Insurance Corporation ("FDIC") limits.

Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. The Company places its cash and cash equivalents with U.S. financial institutions and, at times, amounts may exceed federally insured limits. The Company monitors the credit standing of these financial institutions. As of December 31, 2017, the Company's cash equivalents consisted of \$17,823,459 in money market accounts.

As of December 31, 2017, included in restricted cash was \$1,023,981 that was held at Morgan Stanley Private Wealth Management. Pursuant to a pledge agreement, the cash is restricted until the certain conditions are satisfied (see Note 3).

Management Fees Receivable

Management fees were generally based on a defined percentage of fair value of assets, total commitments, invested capital, net asset value, net investment income, total assets or principal amount of the investment portfolios managed by the Company. Management fees also included quarterly incentive fees on the net investment income from the BDCs ("Part I Fees"). All management fees were earned from funds affiliated with the Company through the closing of the sale of CLO Management or the Transaction, as applicable.

Due from Affiliates

Due from affiliates consists of amounts due from employees and other affiliates and have been recorded at the amounts expected to be received upon repayment.

Fixed Assets

Fixed assets consist of furniture, fixtures and equipment (including automobiles, computer hardware and purchased software), and leasehold improvements, and have been recorded at the amounts expected to be received upon sale.

Other Assets

At December 31, 2017, other assets primarily consist of artwork (\$125,000), the residual value of the Company's fractional interests in two corporate aircrafts (\$1,437,657) and security deposits (\$107,145) and have been recorded at the amounts expected to be received upon sale or expiration of the related agreements.

Loan Payable

On October 7, 2013, a subsidiary of the Company (FSC CTLLC, the "Subsidiary") borrowed \$4,000,000 from the Department of Economic and Community Development (the "DECD") of the State of Connecticut. The loan bears interest at a fixed rate of 2.5% per annum, matures on November 21, 2023 and required interest-only payments through November 1, 2017, at which point monthly payments of principal and interest are required until maturity or such time that the loan is repaid in full. As security for the loan, the Subsidiary has granted the State of Connecticut a blanket security interest in the Subsidiary's personal property, subject only to prior security interests permitted by the State of Connecticut. The Subsidiary is not entitled to any additional loan forgiveness. As of December 31, 2017, the Company carried its loans payable at the principal balance outstanding which approximates the settlement value.

Income Taxes

Fifth Street Holdings complies with the requirements of the IRC that are applicable to limited partnerships, which allow for the pass-through of taxable income or loss to Fifth Street Holdings' limited partners, including FSAM, who are individually responsible for any federal and state tax consequences. The tax provision includes the income tax obligation related to FSAM's allocated portion of Fifth Street Holdings' income, which is net of any tax incurred at Fifth Street Holdings' subsidiaries that are subject to income tax.

The Company accounts for income taxes under the asset and liability method prescribed by ASC Topic 740, *Income Taxes*. As a result of the Company's acquisition of Holdings LP Interests, the Company may benefit from amortization and other tax deductions reflecting the step-up in tax basis in the acquired assets. Any such deductions will be used by the Company and will be taken into account in determining the Company's taxable income. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Management periodically assesses the recoverability of its deferred tax assets based upon expected future earnings, future deductibility of the asset and changes in applicable tax laws and other factors.

Management has determined that it is more likely than not that the deferred tax asset will not be fully recoverable in the future, and accordingly, a full valuation allowance was established as of December 31, 2017. As a result, the company does not reflect a deferred tax asset on its balance sheet as of this date.

Further, the Company records its income taxes receivable and payable based upon its estimated income tax liability. The Company does not expect to have current or future taxable income. Accordingly, a tax payable has not been recorded. The Company does expect to have a tax receivable which consists of tax overpayment amounts credited on its prior year income tax returns and expected tax receivables associated with Federal and State net operating loss carryback claims.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company does not believe it has any significant uncertain tax positions as of December 31, 2017.

Note 3. Escrows Receivable

Escrows receivable consist of the following:

Oaktree purchase price escrow	\$ 32,000,000
Oaktree BDC Net Losses escrow	10,000,000
CLO Management sale escrow	2,600,000
Accrued interest on escrows	37,391
Total	<u>\$ 44,637,391</u>

Oaktree Purchase Price Escrow

From and after the Closing, FSM and Fifth Street Holdings have agreed to indemnify Oaktree, its affiliates and its and their respective representatives (the “Buyer Indemnified Parties”) from liability or losses resulting from (i) buyer specified losses, (ii) the breach of any covenant of FSM, FSAM or Fifth Street Holdings in connection with the Asset Purchase Agreement and (iii) any excluded liability under the Asset Purchase Agreement, subject to a cap of \$32 million and with sole recourse to a \$32 million purchase price escrow. Oaktree may seek indemnification for attorneys’ fees and consequential damages within this cap up to an amount of \$22 million. The Buyer Indemnified Parties’ right to such indemnification survives through December 20, 2019, after which time remaining amounts in the escrow account will be released to FSM.

Oaktree BDC Net Losses Escrow

FSM and Fifth Street Holdings have also agreed to indemnify the BDCs against (i) certain costs and out-of-pocket expenses incurred by the BDCs and their subsidiaries in connection with existing examinations and investigations by the Securities and Exchange Commission (the “SEC”) and (ii) fees, fines, monetary penalties, deductibles and disgorgements ordered by the SEC to be paid by the BDCs in respect of such existing examinations and investigations by the SEC, net of any disgorgements paid by FSM and its affiliates to the BDCs and insurance recoveries received by the BDCs (“BDC Net Losses”). The Asset Purchase Agreement sets forth certain limitations on the amount and sources of such indemnification payments, which sources include a \$10 million cash escrow and the assets held in certain brokerage accounts, which had an aggregate market value of \$41,384,084, as of December 31, 2017, owned by Fifth Street Holdings and pledged pursuant to certain pledge agreements entered at Closing by Fifth Street Holdings to secure any such indemnification obligations of FSM and Fifth Street Holdings (see Note 4). Oaktree’s right to such indemnification survives through the date that is 45 days after all SEC examinations and investigations have been settled or it is confirmed by the SEC that the BDCs are not under investigation (subject to extension for any pending claims against directors and officers of the BDCs where such directors remain entitled to indemnification coverage from the BDCs), after which time remaining amounts in the escrow will be released to FSM and the stock pledges will terminate.

CLO Management Sale Escrow

On July 1, 2017, Fifth Street Holdings entered into a purchase agreement (the “CLO Purchase Agreement”) with NewStar Financial Inc. (“NewStar Financial”). At the closing of the transactions contemplated thereby, on July 20, 2017, NewStar Financial acquired 100% of the limited liability company interests of CLO Management, a wholly-owned subsidiary of Fifth Street Holdings for an aggregate purchase price of \$29.0 million. Of this amount, \$2.6 million was placed in escrow, \$0.8 million and \$1.8 million of which will be released, subject to satisfaction of certain conditions, in July 2018 and January 2019, respectively.

Note 4. Investments

The Company's investments as of December 31, 2017 consist of publicly traded equity securities and United States treasury bills as shown below:

Securities	Shares	Carrying value
Common stock of OCSL	7,961,721	\$ 38,932,816
Common stock of OCSI	2,668,381	22,414,400
United States treasury bills		2,429,874
Total		\$ 63,777,090

The Company uses the unadjusted closing price as of the balance sheet date on the primary market or exchange on which these securities trade.

On October 17, 2017, in connection with the Closing, Fifth Street Holdings entered into pledge agreements (the "Pledge Agreements") with each of OCSL and OCSI with respect to (i) 6,265,665 shares of OCSL common stock owned by Fifth Street Holdings, with an aggregate value of \$35 million and (ii) 1,131,991 shares of OCSI common stock owned by Fifth Street Holdings, with an aggregate value of \$10 million, in each case based on the average closing price of one share of OCSL or OCSI common stock, as applicable, on the Nasdaq over the 5 business days immediately preceding October 17, 2017. Fifth Street Holdings entered into the Pledge Agreements with each of OCSL and OCSI to secure the indemnification obligations of FSM and Fifth Street Holdings under the Asset Purchase Agreement relating to BDC Net Losses.

Note 5. Estimated accrual of net costs incurred during Liquidation

The liquidation basis of accounting requires the Company to estimate net cash flows associated with implementing and completing the Plan of Liquidation. The Company currently estimates that it will incur costs in excess of estimated income during the liquidation period. These amounts can vary significantly due to, among other things, the timing and amounts associated with discharging known and contingent liabilities and the costs associated with the winding up of operations. These costs are estimated and are anticipated to be paid throughout the liquidation period.

Upon transition to the liquidation basis of accounting on November 28, 2017, the Company accrued the income and expenses expected to be earned or incurred during liquidation. The Company accrued dividend income on its common stock investments in the BDCs for dividends that were declared prior to the measurement date.

Fifth Street Asset Management Inc.
Notes to Consolidated Financial Statements

The changes in such liability from November 28, 2017 to December 31, 2017 are as follows:

	November 28, 2017	(Expenditures)/ Remeasurements/ Receipts	December 31, 2017
Assets:			
Interest income on escrow accounts	\$ (459,641)	\$ —	\$ (459,641)
Interest income on Treasury Bills	(1,635,162)	74,970	(1,560,192)
Liabilities:			—
Lease termination costs (see Note 7)	8,050,000	(8,050,000)	—
Compensation and related expenses	8,237,210	(322,361)	7,914,849
Professional fees	5,350,849	(74,794)	5,276,055
Occupancy costs, net of sublease income	1,173,600	(213,871)	959,729
Operating costs relating to fractional interests in corporate aircrafts	1,916,498	(99,498)	1,817,000
Estimated reimbursements to OCSL for SEC related costs (1)	1,000,000	—	1,000,000
Board of director fees	351,500	—	351,500
Other corporate expenses (2)	1,389,059	(73,449)	1,315,610
Estimated accrual of net costs incurred during liquidation	\$ 25,373,913	\$ (8,759,003)	\$ 16,614,910

(1) Represents legal and other costs incurred by OCSL and OCSI which are reimbursable under the Asset Purchase Agreement.

(2) Includes all general and administrative expenses, such as technology and consulting, and estimated final liquidation costs.

Note 6. Commitments and Contingencies

SEC Examination and Investigation

On March 23, 2016, the Division of Enforcement of the SEC sent document subpoenas and document-preservation notices to the Company, FSC, FSCO GP, and FSFR. The subpoenas sought production of documents relating to a variety of issues, including those raised in an ordinary-course examination of FSM by the SEC's Office of Compliance Inspections and Examinations that began in October 2015, and in certain FSC and FSAM securities class actions and FSC derivative actions previously disclosed. The subpoenas were issued pursuant to a formal order of private investigation captioned In the Matter of the Fifth Street Group of Companies, No. HO-12925, dated March 23, 2016, which addresses, among other things, (i) the valuation of FSC's portfolio companies and investments, (ii) the expenses allocated or charged to FSC and FSFR, (iii) FSOF's trading in the securities of publicly traded business development companies, (iv) statements to the board, other representatives of pooled investment vehicles, investors, or prospective investors concerning the fair value of FSC's portfolio companies or investments as well as expenses allocated or charged to FSC and FSFR, (v) various issues relating to adoption and implementation of policies and procedures under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), (vi) statements and/or potential omissions in the entities' SEC filings, (vii) the entities' books, records, and accounts and whether they fairly and accurately reflected the entities' transactions and dispositions of assets, and (viii) several other issues relating to corporate books and records. The formal order cites various provisions of the Securities Act, the Exchange Act, and the Advisers Act, as well as rules promulgated under those Acts, as the bases of the investigation.

The subpoenaed FSAM-affiliated entities are cooperating with the Division of Enforcement investigation, have been producing requested documents, and have been communicating with Division of Enforcement personnel.

In accordance with the provisions of GAAP for contingencies, the Company accrues for a liability related to the loss contingency when it is probable and the amount of the loss can be reasonably estimated. The Company evaluates the status of this matter each quarter to assess whether an estimated loss for contingencies is necessary, and makes adjustments as appropriate, based on management's best judgment after consultation with counsel. As of December 31, 2017, the Company has established an estimated loss for contingencies related to the SEC investigation in the amount of \$3,732,920.

In view of the inherent difficulty of predicting the outcome of this matter, the Company cannot state with confidence what will be the eventual outcome of the currently pending matter, the timing of its ultimate resolution or the eventual losses, fines, penalties or consequences related to this matter. Such estimates are subject to uncertainties and contingencies, and any actual loss could be less than or greater than the amount accrued by the Company as of December 31, 2017. It is possible that the SEC investigation could have a material adverse effect on the Company's Consolidated Statement of Net Assets and the level of future liquidating distributions.

DECD Loan

As a result of the Company achieving certain job creation milestones, on May 19, 2016, the DECD granted FSC CT LLC a loan forgiveness credit of \$2.0 million. The Subsidiary continues to have obligations, including a Connecticut residency requirement, through 2026. The Company does not believe the Subsidiary will be required to repay the \$2.0 million which was forgiven, but there can be no assurance that there will not be additional amounts due or incurred in connection with the above matter.

Indemnifications

From and after the Closing, Oaktree will indemnify FSM, FSAM, Fifth Street Holdings and their respective affiliates and representatives (collectively, the "Seller Indemnified Parties") from liability or losses arising out of or resulting from (i) any losses in connection with the costs and expenses incurred by the Seller Indemnified Parties in defending against claims arising after the Closing that relate to the investment advisory business acquired by Oaktree and (ii) the breach of any representation, warranty and covenant of Oaktree that is to be performed prior to the Closing.

There is a high degree of uncertainty over future legal and other expenses related to the SEC investigation, the matters described in Note 6 and other potential matters, including future claims that could be brought against the Company. Accordingly, such expenses could ultimately be greater than or less than the amounts currently accrued.

Note 7. Related Party Transactions

On July 22, 2013, the Company entered into a lease agreement for office space for its headquarters in Greenwich, CT. The landlord of such property is 777 West Putnam Avenue LLC (the "Landlord"), an entity controlled by Leonard M. Tannenbaum, the Company's chairman and chief executive officer. In December 2017, the Company entered into a lease termination agreement with the Landlord pursuant to which the Company paid the Landlord a termination fee of approximately \$8.0 million and agreed to terminate the lease for a portion of the square footage of the office space previously utilized by the Company. The Board of Directors reviewed and considered a report prepared by a nationally recognized firm with real estate expertise which served as the basis for the lease termination amount paid by the Company. Pursuant to the lease termination agreement, the Company has retained such portion of the office space it currently uses at a reduced monthly rental payments, which are currently estimated to be

approximately \$0.2 million for 2018, provided, that the Company retains the option to surrender additional portions of the office space as and when the Company determines appropriate and, upon such surrender, the monthly rental payments to the Landlord would be proportionately reduced.

In December 2017, the Company sold two vehicles to Leonard M. Tannenbaum, the Company's chief executive officer, for an aggregate price of \$84,205. The fair market value of the vehicles were calculated as the higher of the private sale value or trade-in value per Kelley Blue Book on the date of sale.

Note 8. Net Assets

On October 23, 2017, FSAM declared a contingent distribution of \$2.75 per share which was paid on December 26, 2017 to the stockholders of record of its Class A common stock as of December 15, 2017, which distribution was contingent upon FSAM filing the Certificate of Dissolution with the Secretary of State of the State of Delaware, on or prior to December 11, 2017. The Certificate of Dissolution was filed on December 11, 2017.

Note 9. Subsequent Events

The Company's management evaluated subsequent events through March 14, 2018, the date of issuance of the Consolidated Financial Statements. There have been no subsequent events that occurred during such period that would require disclosure in, or would be required to be recognized in, the Consolidated Financial Statements, except as discussed below:

In February 2018, the Board of Directors of FSAM determined that it was advisable and in the best interest of the Company and its stockholders to voluntarily move its Class A common stock from the OTCQX US Market, operated by OTC Markets, Inc., and to take the steps necessary to list the FSAM Class A common stock for trading on the Pink Market, operated by OTC Markets, Inc. FSAM currently expects that its Class A common stock will be quoted for trading in the Pink Market under the trading symbol "FSAM" on or about March 26, 2018.