The Liquidity Crisis,
Credit Crunch,
&
State of the Leveraged Loan Market

Kellogg Graduate School of Management
May 12, 2008

ARES MANAGEMENT LLC

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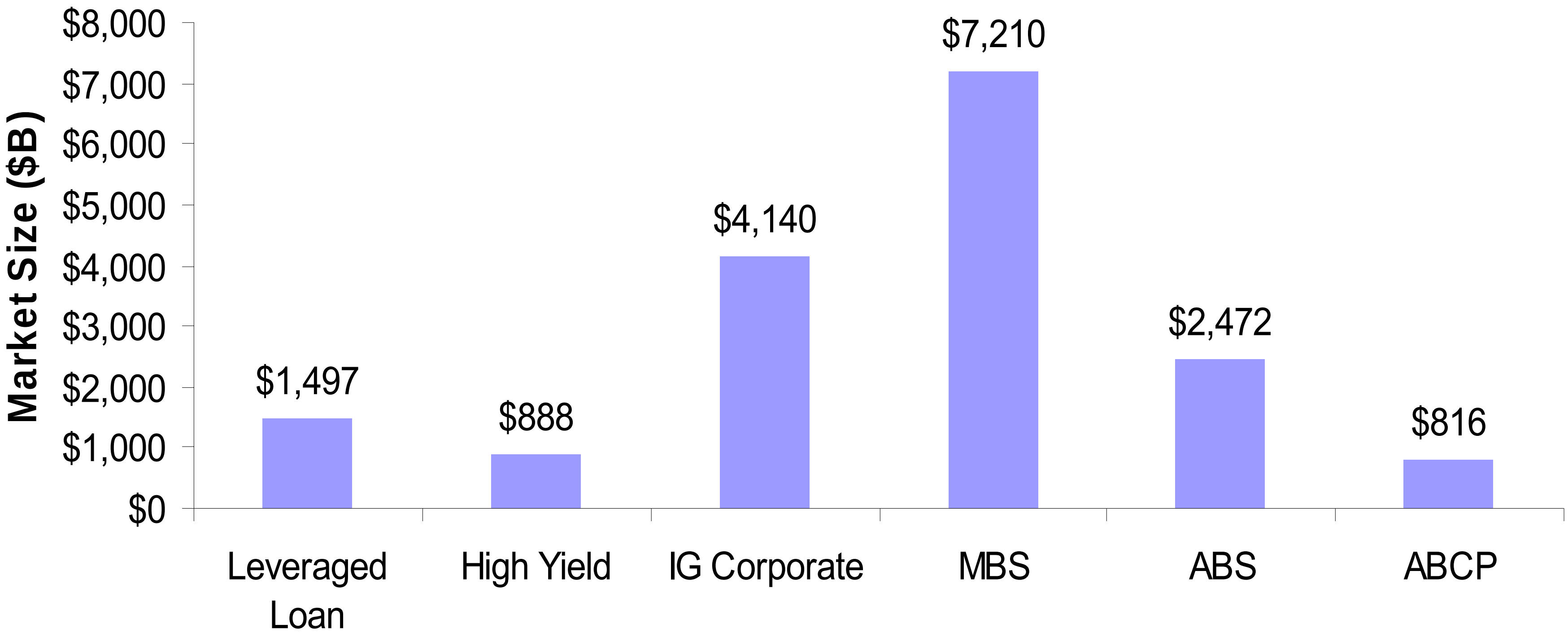
Relative Size of Selected US Debt Markets

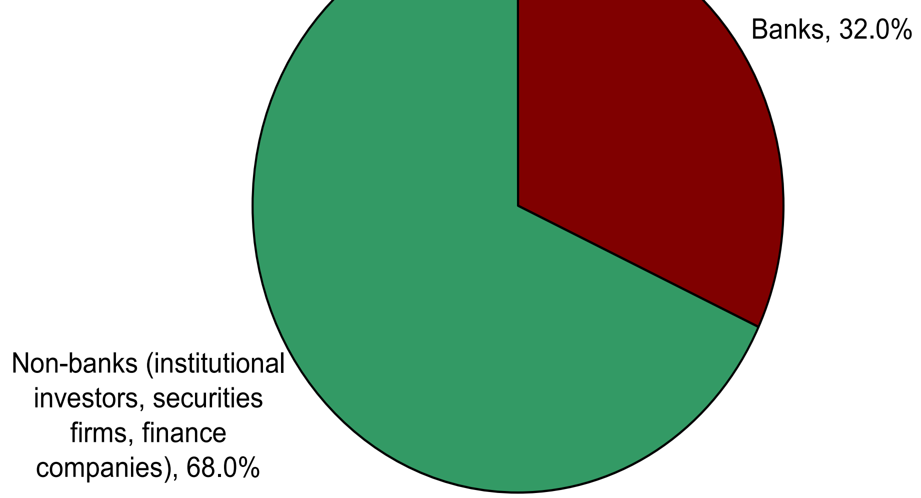


Estimated as of Year End 2007

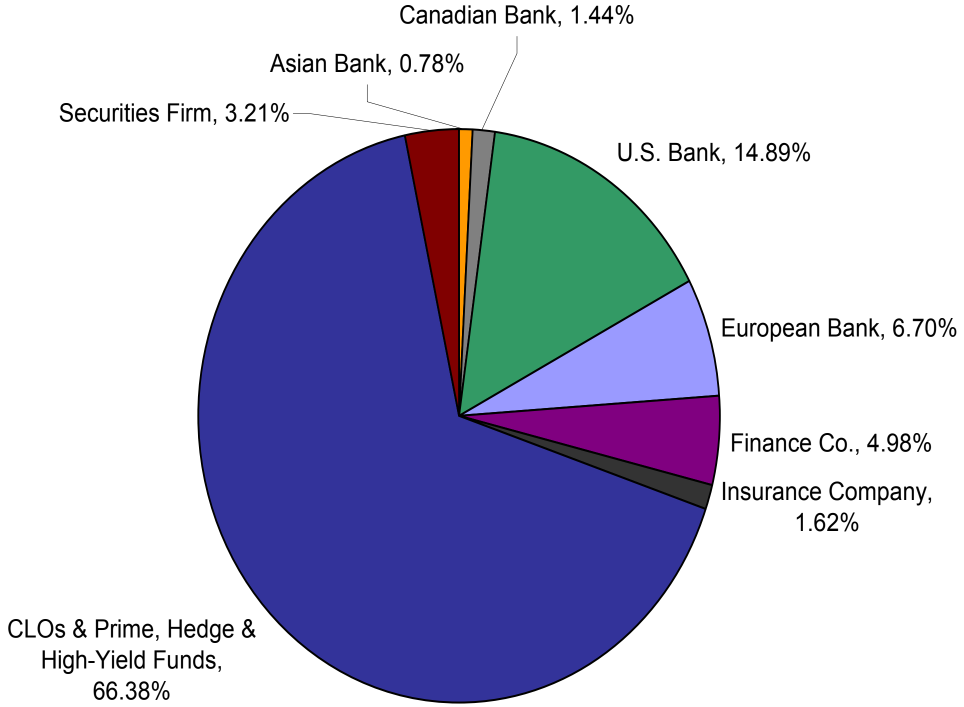
Source: Credit Suisse, SIFMA, JPM Chase

Loan Market - Investors

Primary Market for Highly Leveraged Loans: Banks vs Non-Banks 1Q08 (New Deals)



Primary Market for Highly Leveraged Loans by Investor Type 1Q08 (New Deals)



Non-banks include: institutional investors, insurance companies, finance companies and securities firms
Excludes all left and right agent commitments (including administrative, syndication and documentation agent as well as arranger)
For 1Q08, All Deals includes block sales like TXU while New Deals include only deals launched and structured this year

Source: S&P LCD

Liquidity Crisis – How Did We Get Here?

Leveraged Loan Market:
Minimal capital available to loan market from Hedge Funds, CLOs, Banks

Subprime:
defaults & losses lead to uncertainty & loss of confidence

SIVs & Conduits:
Loss of confidence results in disappearance of short term funding/ABCP market forcing some SIVs holding LT portfolios into default and liquidations

Banks:
Illiquidity and disappearance of lenders leads to overhang of loans on bank books causing markdowns and secondary price decline

CLOs:
Bank warehousing lines frozen, AAA lender disappears, closes ABS market

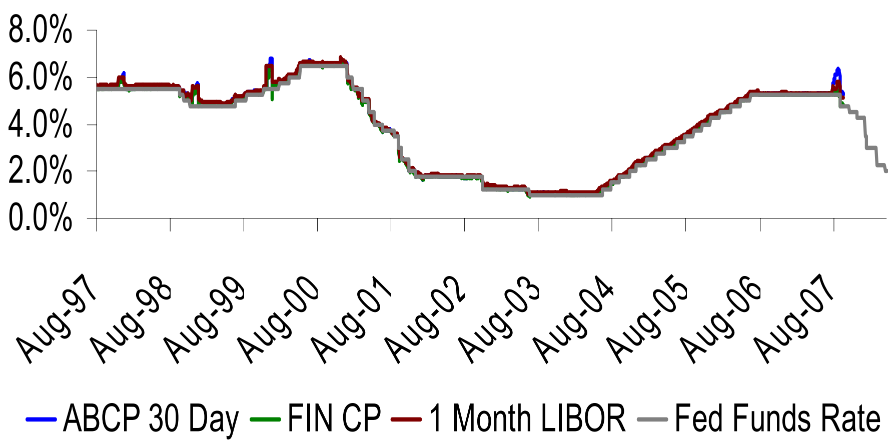
Hedge Funds:
MTM Losses, conditions to leverage from banks, leads to equity withdrawals and liquidations

Liquidity Pressure On SIVs & ABS CP Conduits

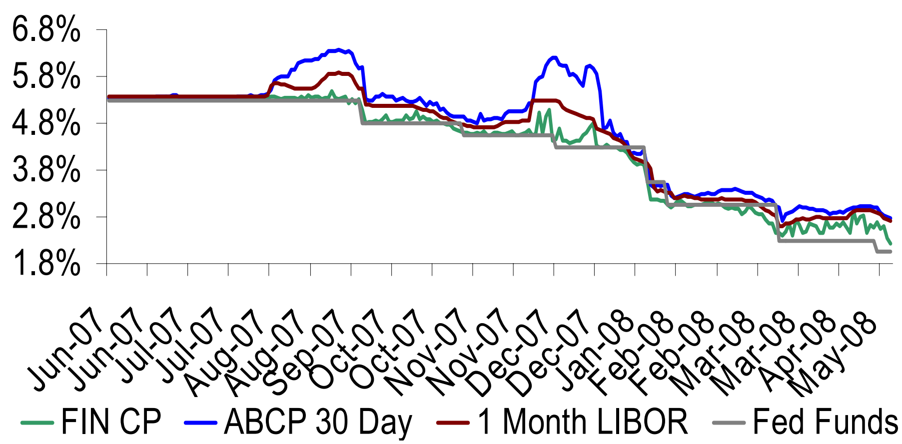
- SIVs historically invested in the top part of the CLO Capital Structure (long-dated AAA/AA) & fund these investments with ABCP
- When SIVs can not roll their ABCP and can not find alternative financing, they are forced to sell assets (SF Securities)

- **LIBOR & CP rates have remained very close over several years until now**
- **Basis risk increased substantially in Summer 2007 and has remained wide to historical**

LIBOR (1M), ABCP (30 Day), Fin. CP (30 day), Fed Funds Rate (1997-2008)



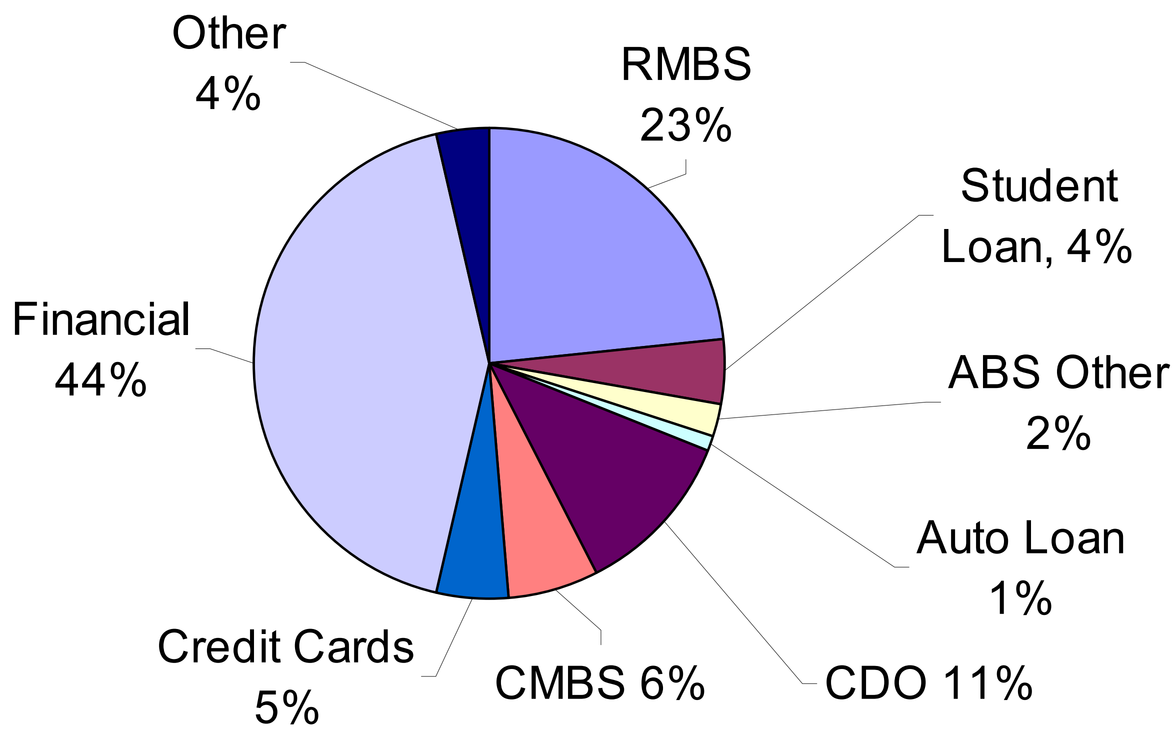
Fin CP (30 day), ABCP (30 day), 1M LIBOR, Fed Funds Rate (6/1/07 - 5/7/08)



Liquidity Pressure On SIVs & ABS CP Conduits

Approx $42 Billion in AAA/AA CDO Paper was held in SIVs[1]

Total SIV Collateral Breakdown ($370 Billion)



[1] As of July 20, 2007

Source: Moody's, Wachovia

Disappearance of Negative Basis Trade

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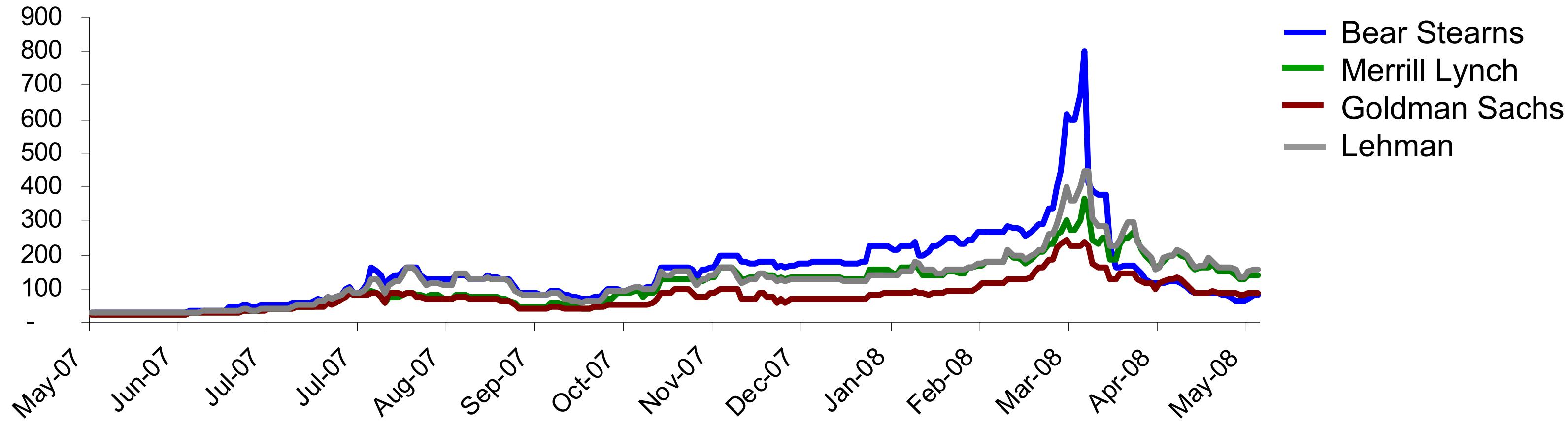
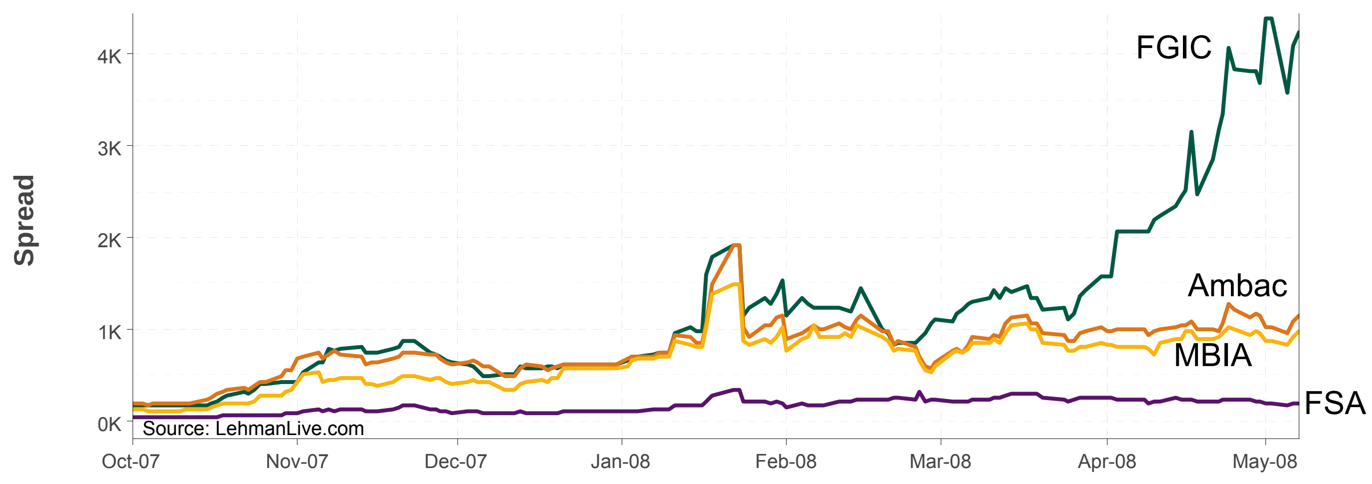
Counterparty risk premiums increase leading to higher funding costs





CLOs / Leveraged Investment Vehicles for Loans

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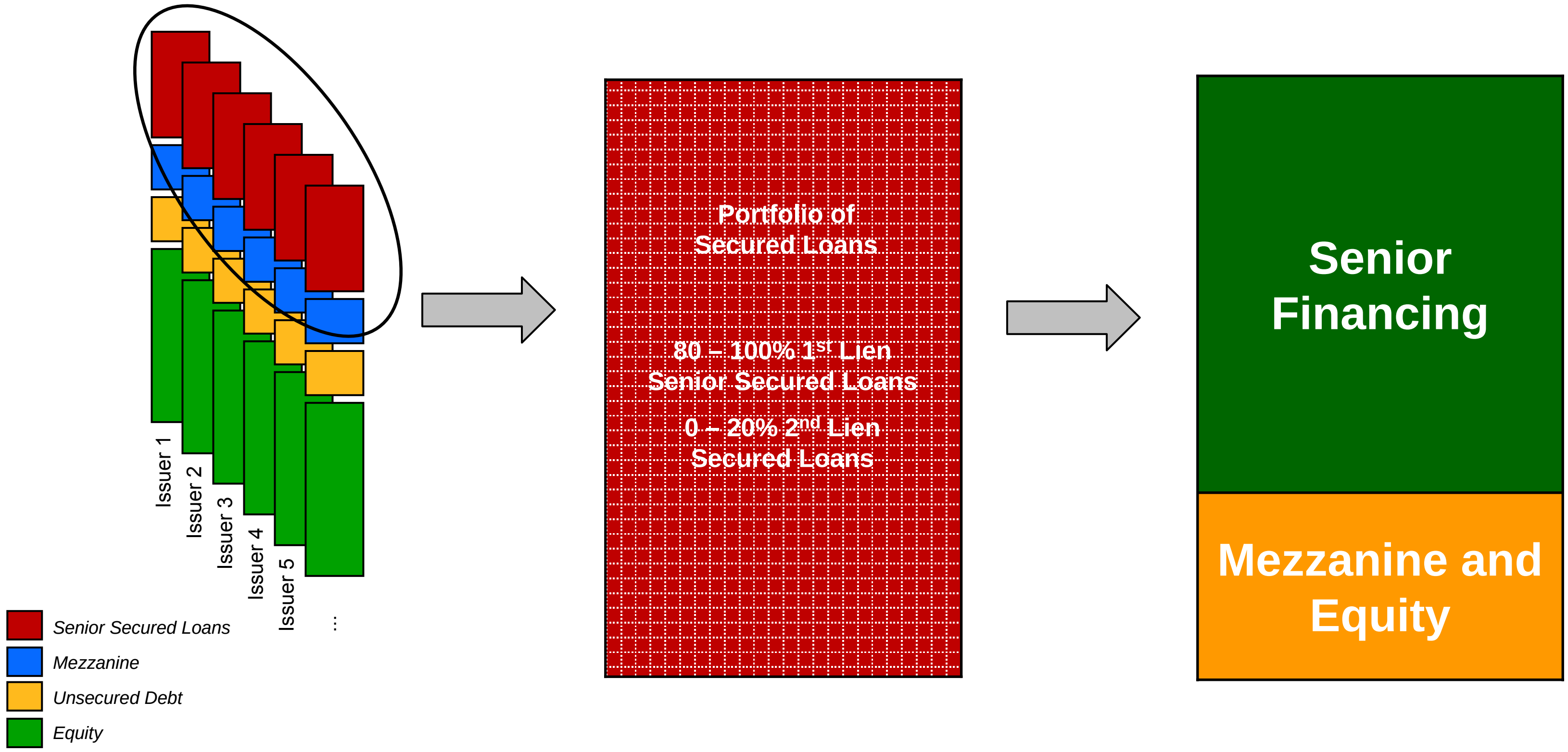
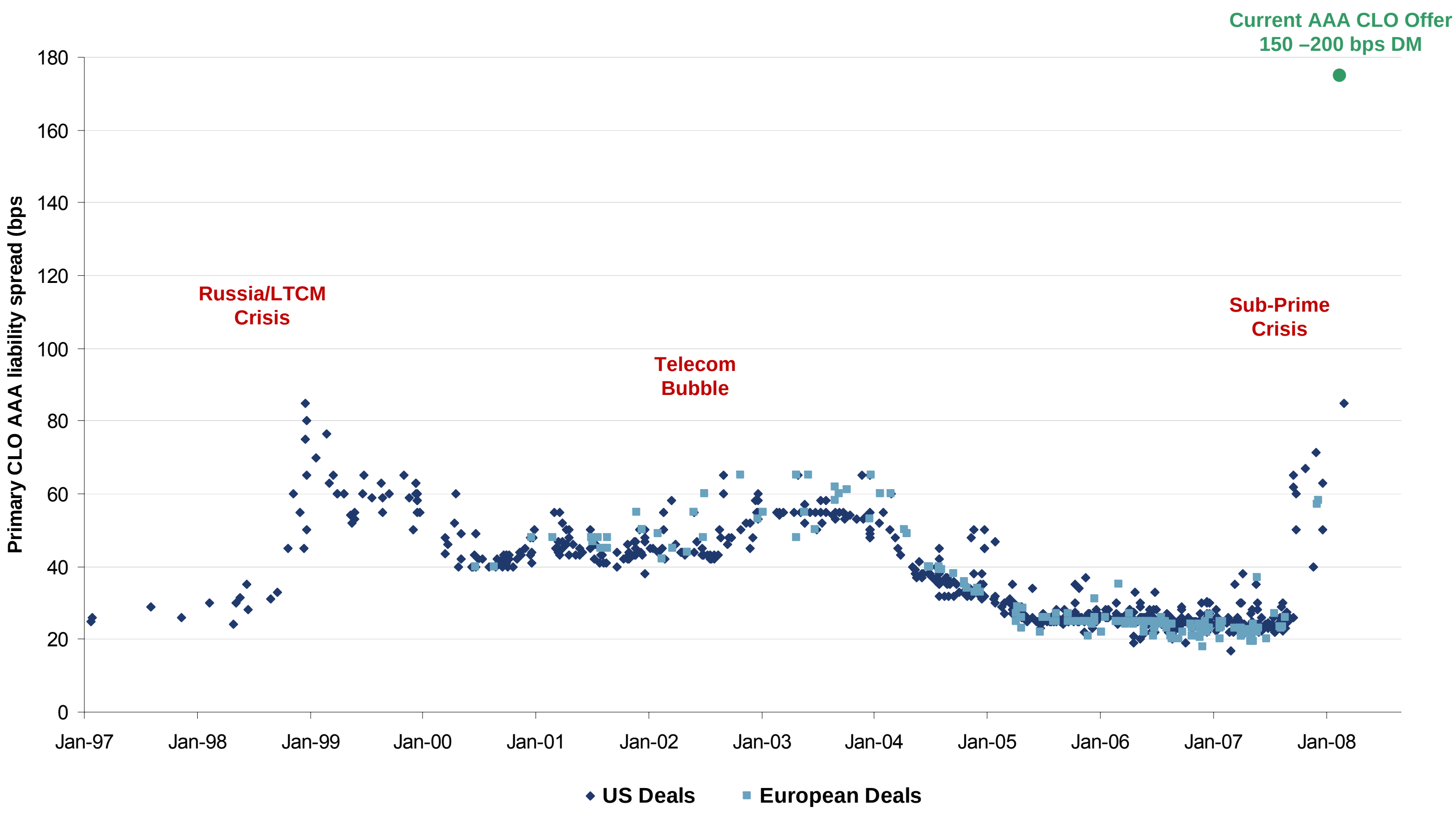
- Leveraged Loans are secured financing for the senior part of the capital structure of companies. Most of the companies are LBOs
- The junior securities in each leveraged company's capital structure provide implicit subordination and credit enhancement to the leveraged fund investors



Source: Goldman Sachs
Graph not drawn to scale. For illustrative purposes only

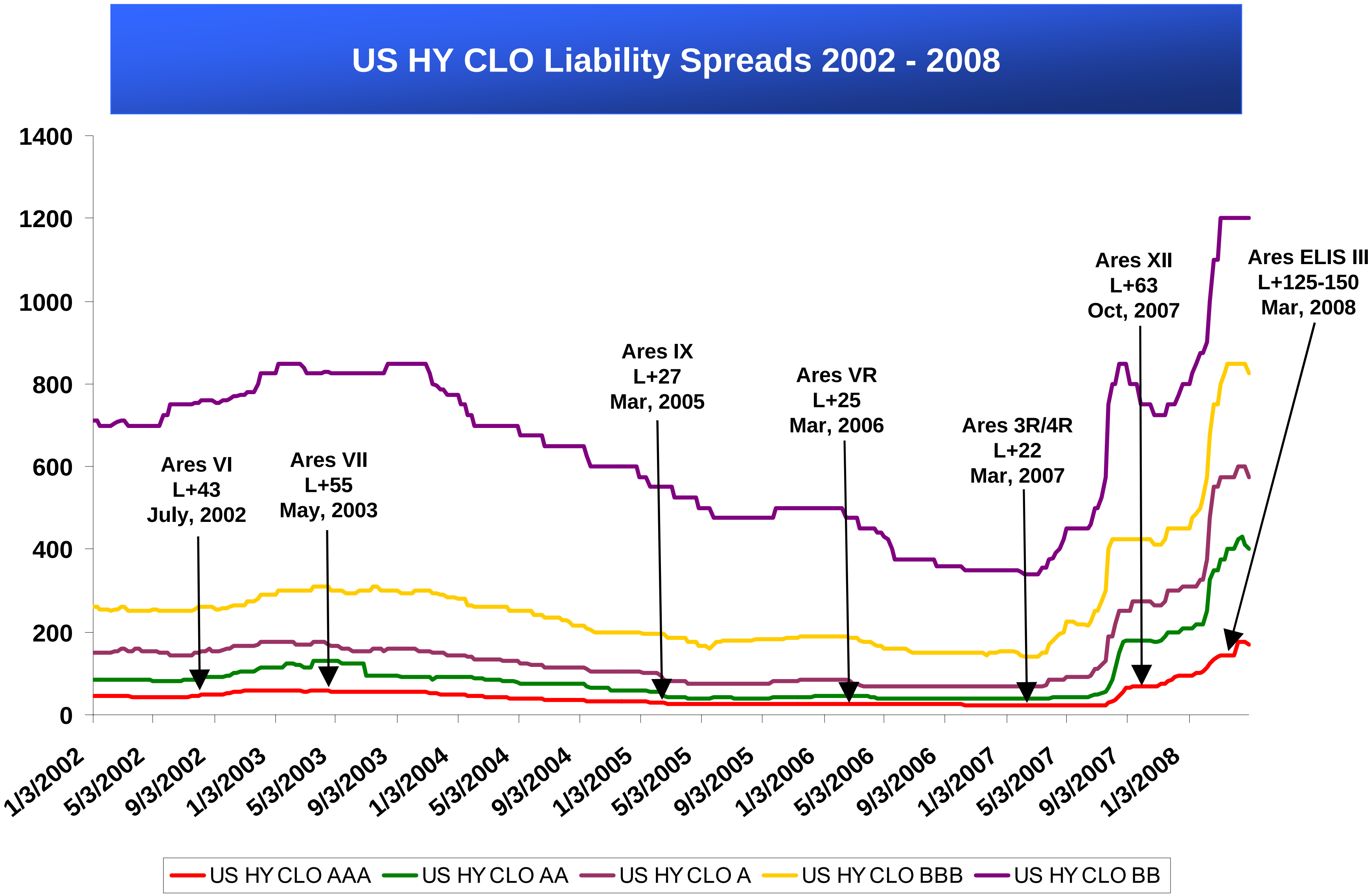
CLO Senior Liability Spreads Driven to an All-Time High

- AAA CLO paper is currently offered at a spread of 150 – 200 bps over Libor in both USD and EUR
  - as much as 2x higher than the historical high during the Russia/LTCM crisis in 1998
  - 6x higher than the level for AAA paper in Q1 2007



Source: INTEX, Goldman Sachs.
Past performance figures are not a reliable indicator of future results.

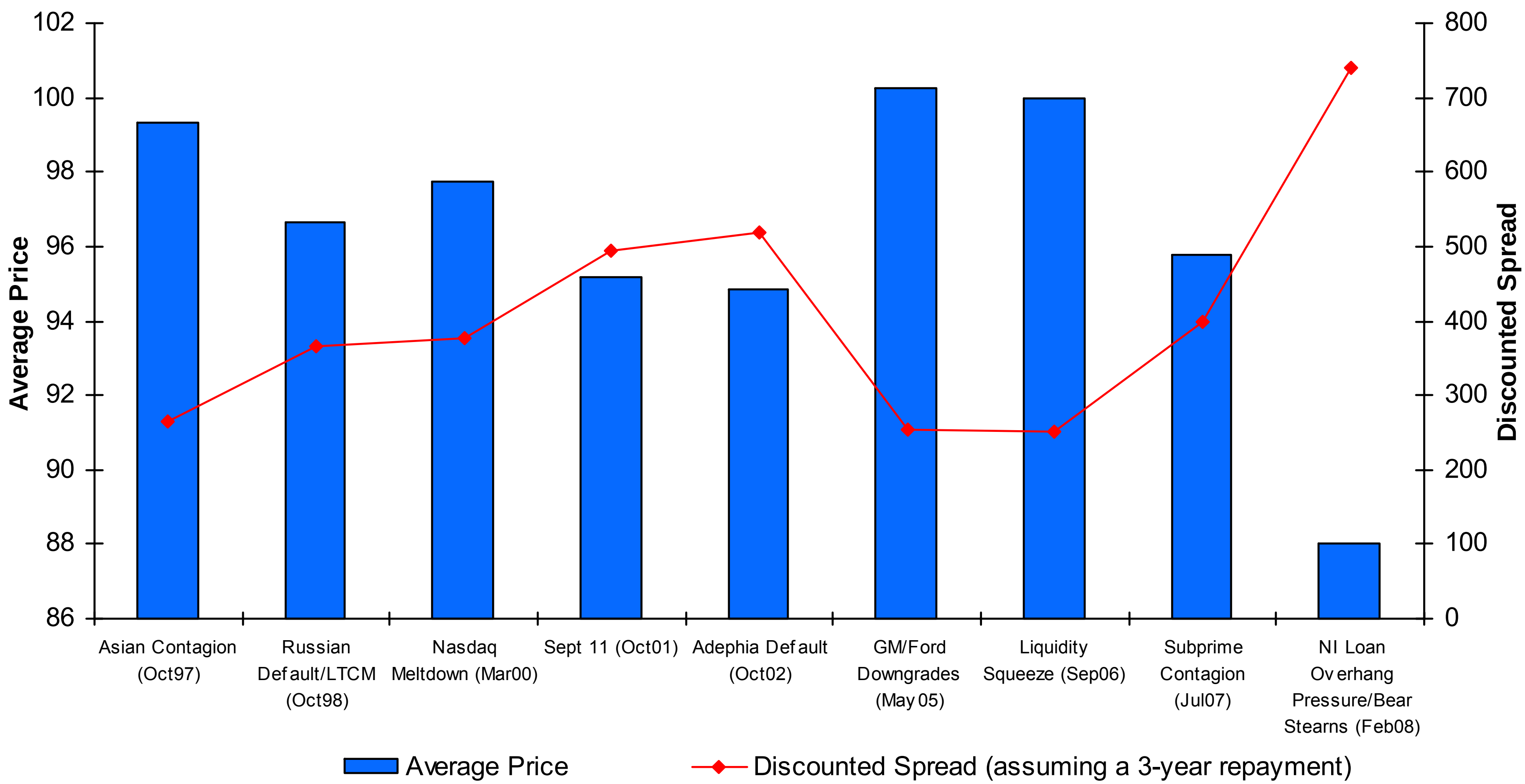
Ares CLO Financing Costs



Source: JPMorgan

Liquidity Crisis Today vs. Previous Crunches

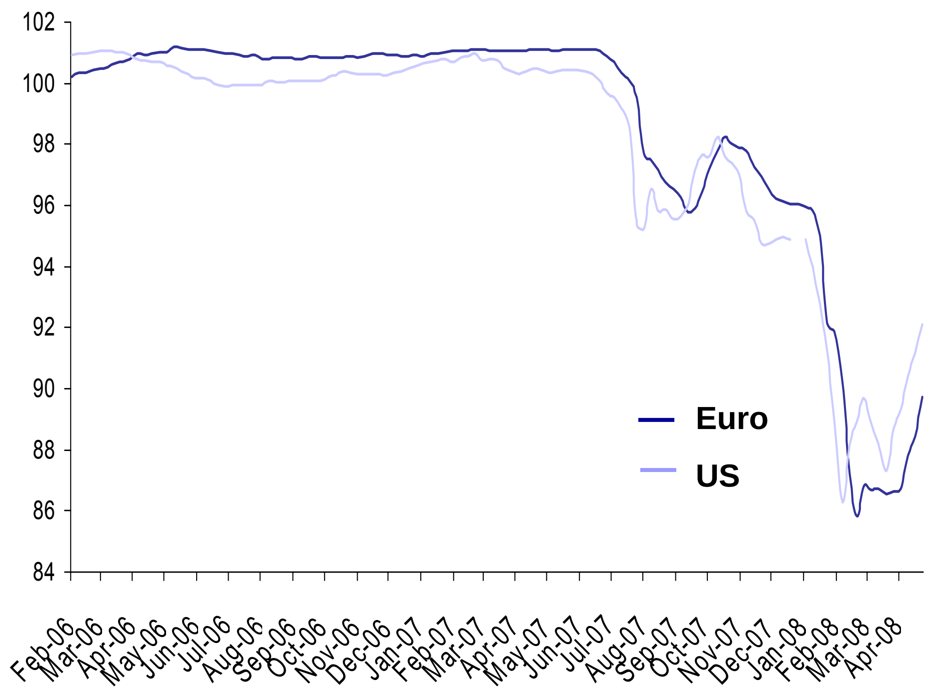
Crunch-Time Market Levels Average Price and Discounted Spread of all Loans in the Leveraged Loan Index Now Versus Prior Liquidity Squeeze



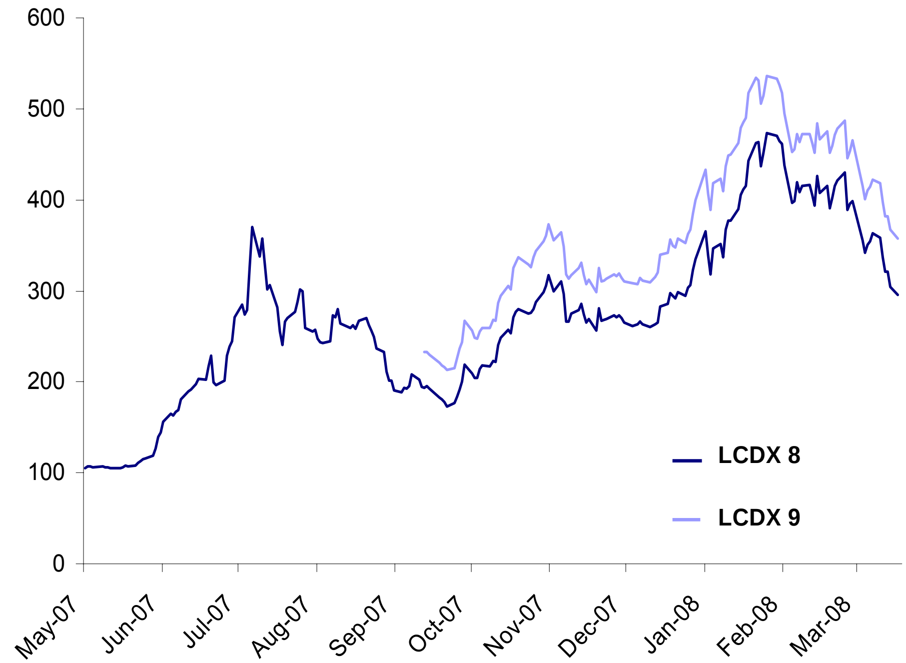
Source: S&P LCD

Market Price Drop

Average Secondary Market Bid Prices Have Dropped Approximately 6-10 Points Over The Last Year



LCDX Spreads Have Gapped Out Since June 2007



Source: S&P LCD, Markit

Some Specific Leveraged Loan Examples –
Implied spreads have expanded meaningfully

Selected U.S. Deal	Size of Tranche	Secured Leverage	Break Date	Contractual Margin (bps)	Opening Trading Level	Opening Implied Spread over LIBOR[1]	Trading Level (3/31/08)	Current Implied Spread over LIBOR[2]	Trading Level (4/30/08)	Current Implied Spread over LIBOR[3]
HCA, Inc. - TLB	$8,800m	4.6x	2/7/07	225	100.99 - 101.26	188 bps	91.96 - 92.43	532 bps	95.02 - 95.42	411 bps
Upc Broadband Holding Bv - M1-M3	€3,600m	3.7x	2/27/07	200	100.13 - 100.50	195 bps	84.47 - 85.66	821 bps	90.72 - 91.64	556 bps
Nuveen Investments Inc - TLB	$2,300m	5.2x	11/2/07	300	99.71 - 99.88	311 bps	90.05 - 91.40	690 bps	95.38 - 96.38	475 bps
Georgia-Pacific Corp. - TLB	$5,200m	3.5x	2/13/06	175	100.90 - 101.23	142 bps	92.78 - 93.58	447 bps	95.85 - 96.38	328 bps
Oshkosh Truck Corp. - TLB	$2,600m	3.8x	11/30/06	175	100.25 - 100.50	166 bps	93.44 - 93.97	421 bps	95.69 - 96.48	334 bps
Seminole Tribe Of Florida TLB1-B3	$1,200m	2.0x	3/6/07	150	100.63 - 100.88	127 bps	94.69 - 95.69	347 bps	97.13 - 98.13	255 bps
Celanese - TLB	$2,500m	2.2x	3/29/07	175	100.05 - 100.48	173 bps	93.03 - 94.03	437 bps	96.77 - 97.55	294 bps

[1] Opening implied spreads computed using the quoted LIBOR rate at each deal's respective break dates, and a three year maturity at Par.
[2] March 31, 2008 implied spreads computed using a quoted LIBOR rate of 2.71%, and a three year maturity at Par.
[3] April 30, 2008 implied spreads computed using a quoted LIBOR rate of 2.70%, and a three year maturity at Par.

Source: Markit Group Limited, Bloomberg

Selected Recent New Issue Loan Offerings

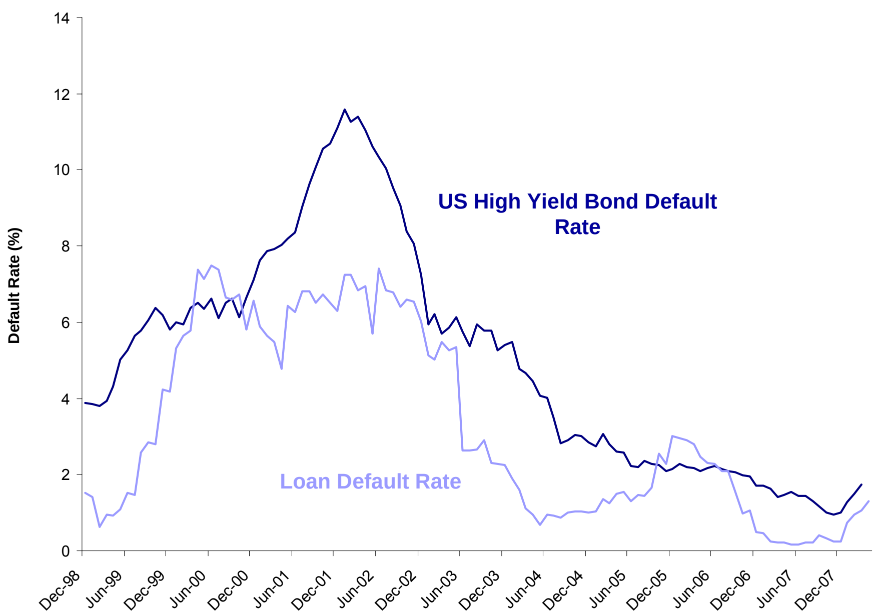
Selected U.S. Deal	Size of Tranche	Tranche Leverage	Total Leverage	Issue Date	Spread	OID	DM to 4 year	DM to Maturity	Maturity	Moody's Facility Rating	Moody's Corporate Family Rating	S&P Issuer Rating	Industry	Current Price	DM to 4 year	DM to Maturity	Libor Floor
Boise Paper (TLB)	$475 mm	3.2x	4.2x	2/7/08	L+350	95.0%	498 bps	454 bps	Feb '14	Ba2	Ba3	BB-	Forest Products	100.00	473 bps	473 bps	4.00%
Boise Paper (2nd Lien)	$261 mm	4.2x	4.2x	2/7/08	L+700	90.0%	1028 bps	914 bps	Feb '15	B2	Ba3	BB-	Forest Products	97.00	1072 bps	1038 bps	5.50%
Goodman Global (TL)	$800 mm	3.4x	5.2x	1/15/08	L+425	96.0%	544 bps	510 bps	Feb '14	Ba3	B1	B+	Manufacturing & Machinery	98.75	463 bps	466 bps	3.25%
Lyondell Basell[1]	$9,450 mm	2.7x	4.8x	na	L+375	93.0%	585 bps	507 bps	Dec '14	Ba2	B1	B+	Chemicals	na	na	na	3.25%
Buhrmann (TL)	$205 mm	2.2x	3.2x	3/28/08	L+350	95.0%	498 bps	454 bps	April '14	Ba2	Ba3	BB-	Retail	99.00	503 bps	495 bps	4.00%
Bright Horizons Family (TLB)[1]	$265 mm	3.3x	6.9x	4/29/08	L+400	96.0%	519 bps	474 bps	April '15	Ba3	B2	NR	Services & Leasing	na	na	na	3.50%
Kinetic Concepts (TLB)	$200 mm	1.9x	3.0x	4/17/08	L+350	98.0%	408 bps	391 bps	April '14	Ba1	Ba2	BB	Healthcare	na	na	na	3.25%
Macrovision (TLB)	$550 mm	2.5x	4.3x	4/9/08	L+375	97.5%	448 bps	435 bps	May '13	Ba1	Ba3	B+	Computers & Electronics	99.75	456 bps	455 bps	3.50%
Local Insight Yellow (TLB)	$335 mm	3.5x	5.5x	4/1/08	L+400	90.0%	708 bps	593 bps	April '15	Ba3	B2	B	Printing & Publishing	95.00	650 bps	595 bps	3.75%
Capella Healthcare (TLB)	$312 mm	3.3x	5.2x	2/14/08	L+350	93.0%	559 bps	480 bps	Feb '15	B1	B2	B	Healthcare	97.00	486 bps	454 bps	3.25%
Capella Healthcare (2nd Lien)	$178 mm	5.2x	5.2x	2/14/08	13%fixed	99.0%	1021 bps[2]	1009 bps[2]	Feb '16	Caa1	B2	B	Healthcare	101.00	997 bps[3]	1010 bps[3]	fixed

Discount Margins computed above assume a flat Libor curve based upon a Libor rate as of the break date for OID calculations and a Libor rate as of 4/30/08 for current prices and break dates that have yet to occur.
'1 Pending.
'2 Implied spread above a Libor rate of 3.12% based upon the instrument issue date.
'3 Implied spread above a Libor rate of 2.70% as of 4/30/08.

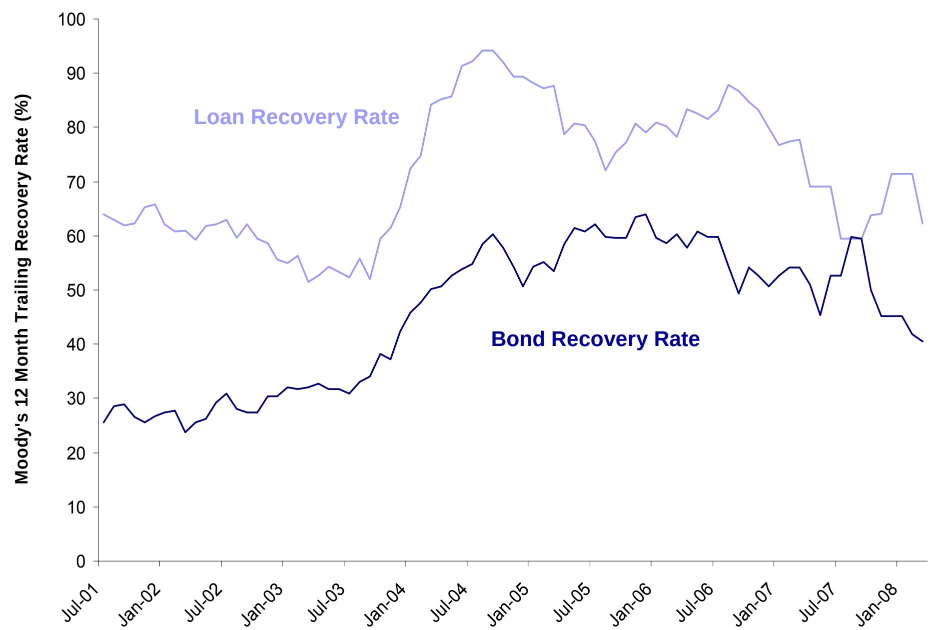
Source: S&P LSTA, Markit Group Limited, Ares

Loans Default Less & Recover More

Historical Defaults



Historical Recoveries



Note: High yield bond default rates are reflective of Moody's US speculative grade issuer default rates through March 31, 2008. Loan default rates are LTM S&P LSTA loan issuer default rates through April 30, 2008. Recovery rates are Moody's trailing twelve month loan and senior unsecured bond recovery rates through March 31, 2008.

Source: S&P LSTA, Moody's

Leveraged Loans vs. High Yield Bonds
Historical U.S. Spread Comparison

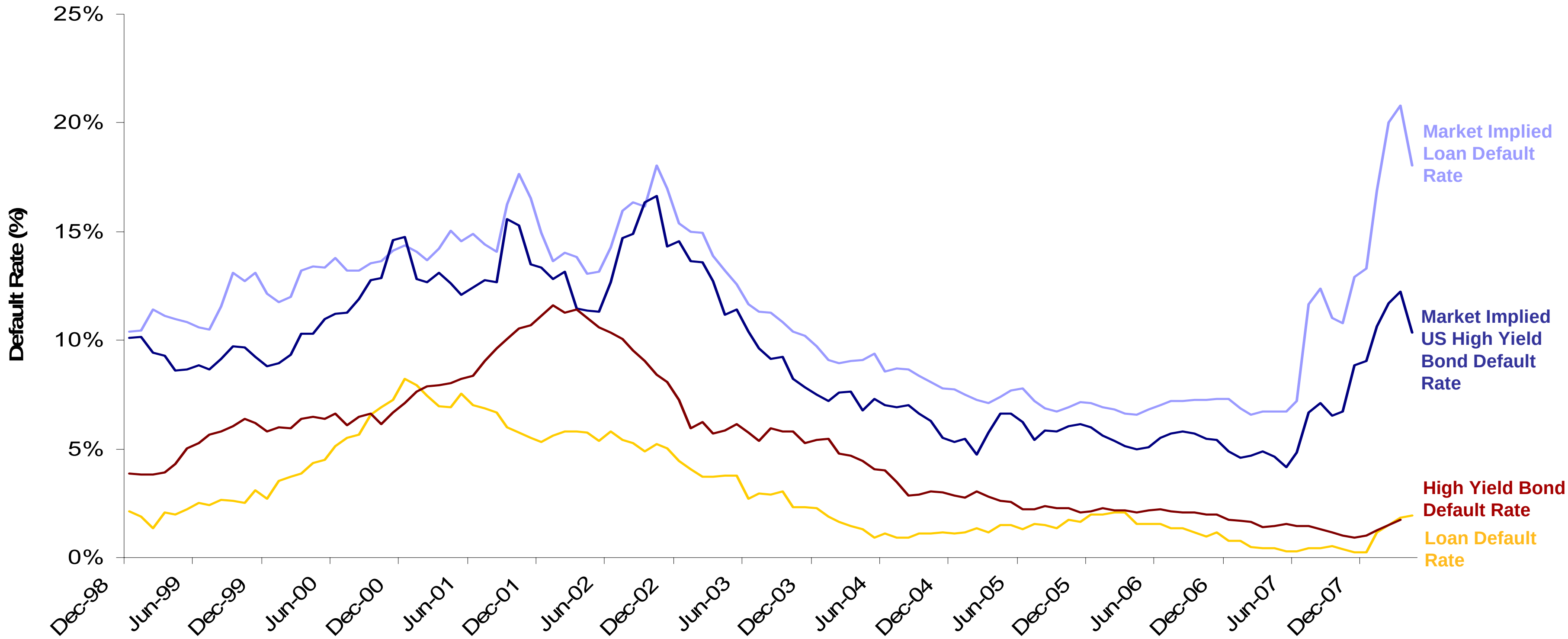
Loans traded at their all-time widest ranges in the first quarter while bonds peaked at 21% inside of their all-time wide during the same period.

Note: Loan Spreads are spreads to 18-month call if average bid is par or higher, 2 years if average bid is 98 but less than par and 3 years if the average bid is less than 98, HY Spreads are Spread to Worst until 8/12/04, Option-Adjusted Spreads thereafter, reverse swapped. Additionally, the spread calculation has been adjusted to be based off of the bid rather than par (that is assuming that the discounted margin is as a percent of the current market value rather than the par amount of the loan)

Source: Standard & Poor's LCD; Merrill Lynch High Yield Index

Market Implied Default Rates

➢Implied default rates on leveraged loans are higher than the implied default rate on high yield bonds.
➢Today's spreads suggest investors are compensated more for the risk they are taking in loans as compared to bonds.



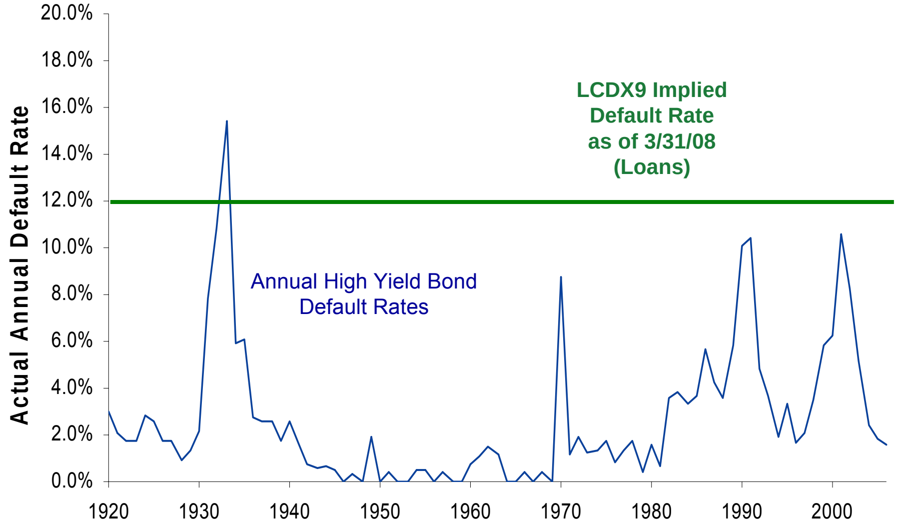
Note: Market Implied Loan Default Rate based on the CS Leveraged Loan Index Discount Margin to 3-year life using a 65% recovery rate through April 30, 2008. Market Implied High Yield Bond Default Rates are based on the CS High Yield Index using a 35% recovery rate through April 30, 2008. High yield bond default rates are reflective of Moody's U.S. speculative grade issuer default rates through March 31, 2008 (latest available). Loan default rates are LTM S&P LSTA loan issuer default rates through April 30, 2008.

Source: Credit Suisse, S&P LSTA, Moody's, Ares

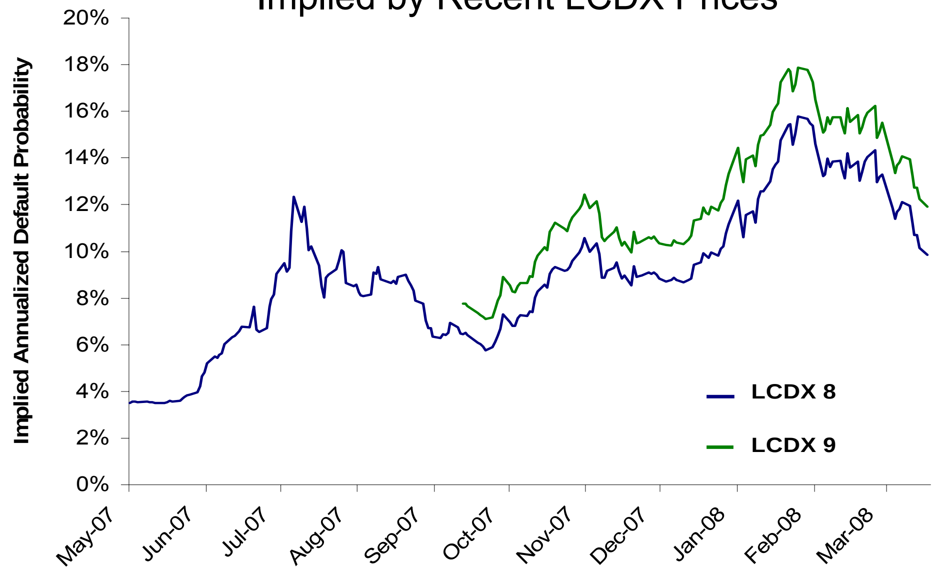
LCDX Implied Default Probability vs Historical Defaults

Market technicals appear to be ahead of credit fundamentals. The LCDX index level implies 5yr bank loan probability of default is higher than actual defaults recorded by high yield bonds during all periods other than the Great Depression.

Historical Annual Default Rates[(1)(2)]



Annualized Default Probability Implied by Recent LCDX Prices



- Due to technical factors, cash loans are trading even wider than the LCDX

(1) Source: *Moody's Default Report – 2007 Annual Default Study*

(2) Speculative Grade Credits were predominantly bonds before the 1990s

Where Do We Go From Here?

Current New Issue Pipeline

Overhang reduced but significant pipeline remains at April 30, 2008

- ➢Approximately $86 billion in Europe
- ➢Approximately $95 billion in US

Re-Pricing of Terms

2002	1H2007	2008
90% deals were < 5x leverage	50% deals were > 7x leverage	expected deals at < 6x leverage

Secondary Market

Loans issued prior to Summer 2007 now trade > 200-300bps wider than when issued

Implications for 2008

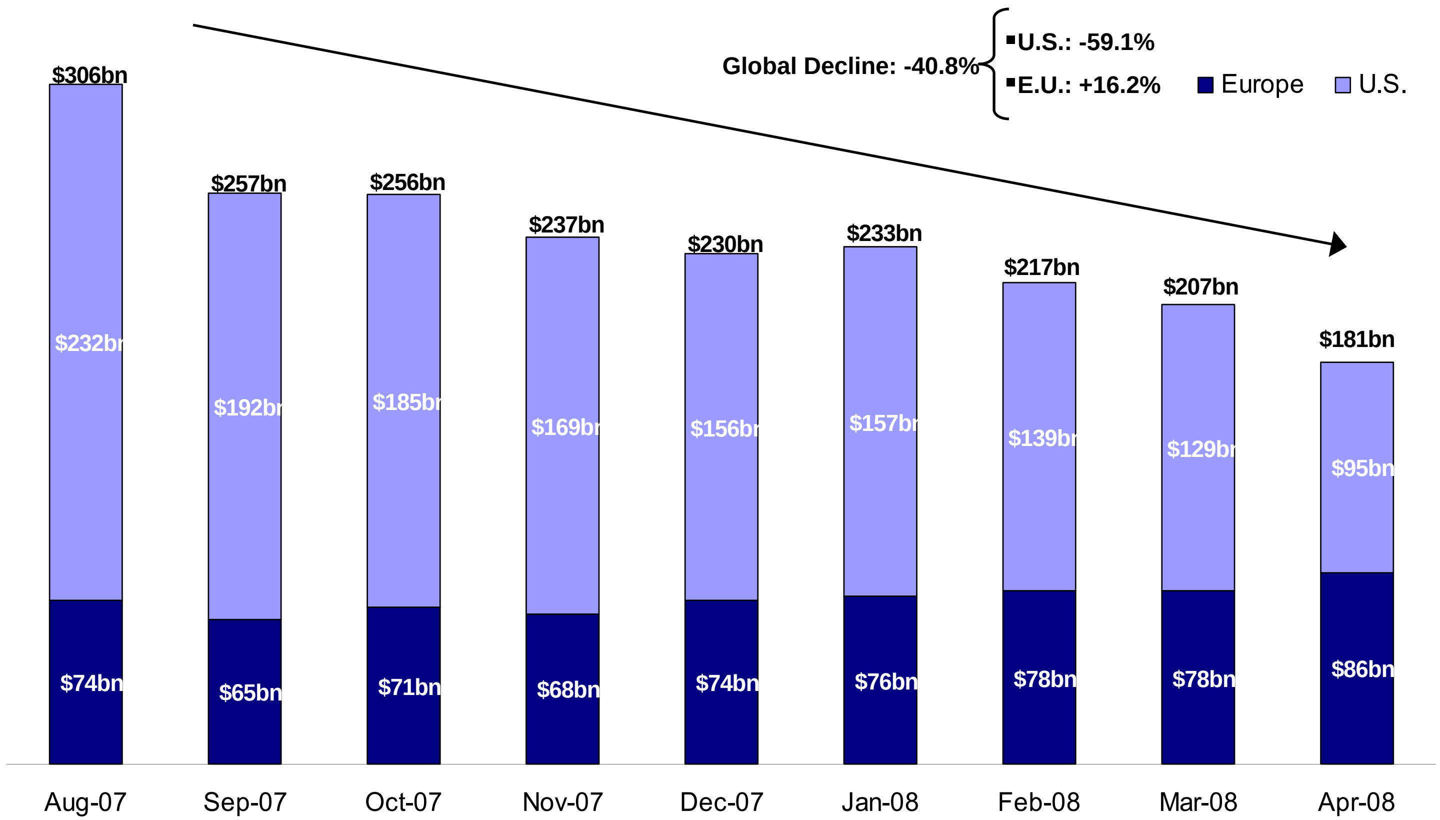
Deals with the following:

- ➢ Higher Spreads
- ➢ Lower Leverage
- ➢ Increased Sub-Debt / Mezzanine
- ➢ Stronger Covenants

Source: Goldman Sachs, S&P LSTA, Ares

Forward Calendar of Institutional Loans

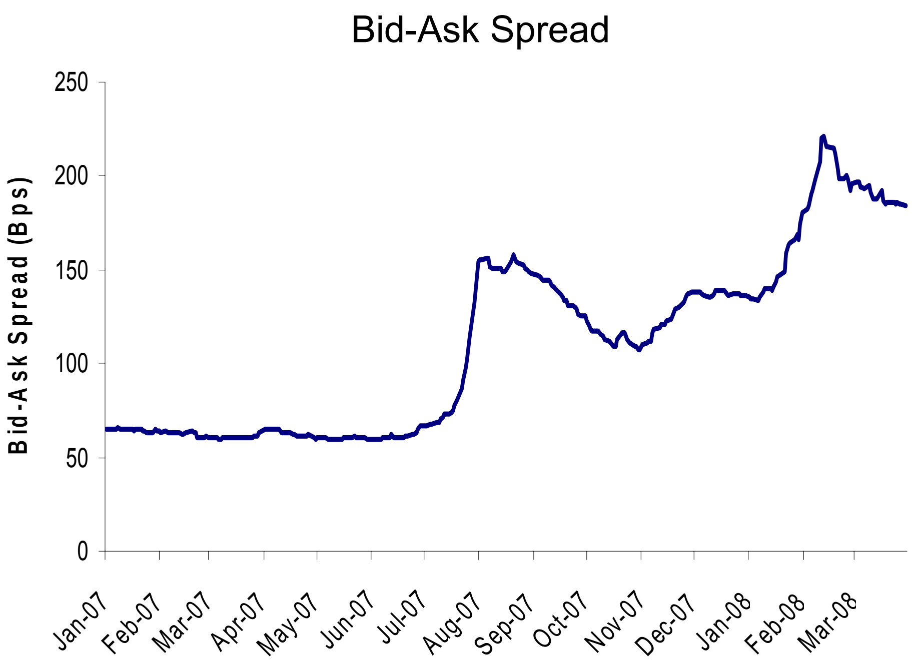
The U.S. Forward Calendar of Institutional Term Loans declined by 59% over the last eight months, while the European pipeline has remained broadly constant.

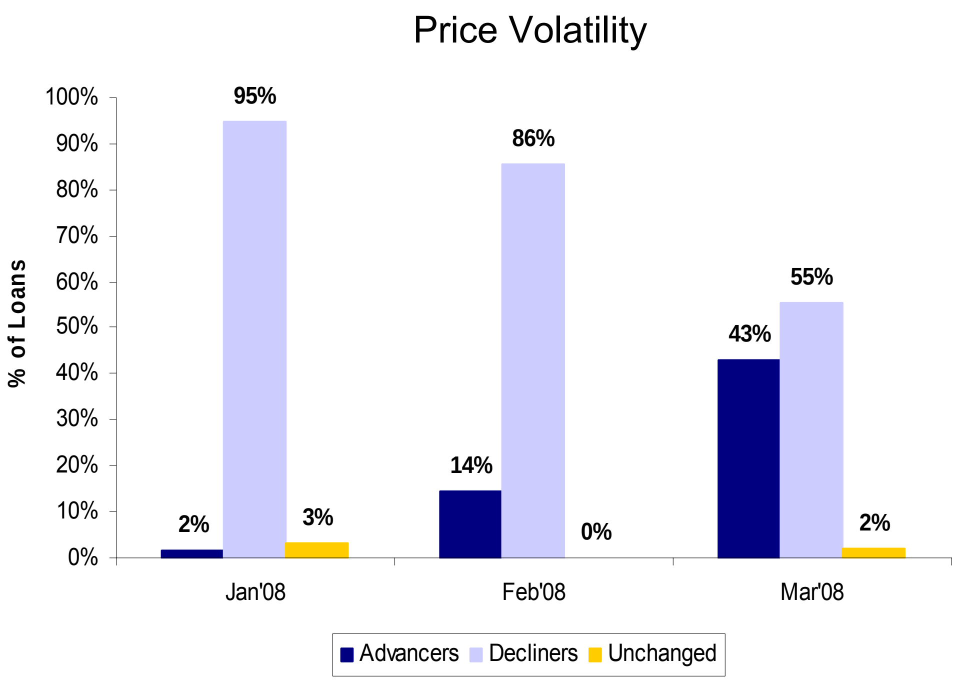


Source: Standard & Poor's Leveraged Commentary & Data

Loan Market Volatility

Some Market Price Action Is Explained By Significant Increase in Bid-Ask Spread





Overview of Ares Management

Ares Overview

Ares Management

- **Ares is an independent investment firm focused on alternative credit-based strategies, private equity and private debt.**
- **Ares is an SEC Registered Investment Advisor.**
- **Approximately $20.0 billion of total committed capital under management(1):**
  - $11.3 billion allocated to leveraged loans
  - $2.2 billion allocated to high yield bonds, mezzanine, distressed securities and special situations
  - $2.8 billion allocated to be invested in private equity
  - $3.6 billion allocated to be invested in private debt
- **98 investment professionals covering 600+ companies and 30+ industries.**
- **Senior principals of Ares have an average of 20 years of leveraged finance industry experience.**
- **Long and successful track record in the credit and private equity markets. Out-performance of both the high yield bond and leveraged loan indices over the past 15 and 10 years, respectively(2).**
- **Ares' success is based on our ability to see most opportunities, access to information and investment discipline.**
- **Ares has the ability to invest across a company's capital structure from senior debt to common equity.**

(1) As of December 2007. Refer to page 25 for details.
(2) For performance information, pleases refer to pages 29-32.

Ares Management Platform

	Ares Private Equity Group	Ares Capital Markets Group ("CMG")			Ares Private Debt Group	
	"ACOF"	Distressed Debt	U.S. Credit Strategies	European Credit Strategies	U.S. "ARCC"	Europe "ACE"
Assets Managed 2007	$2.8 Billion	$500 Million[1]	$11.6 Billion[1]	$1.4 Billion[1]	$2.6 Billion[2]	$1.0 Billion[3]
Strategy/Focus	• Private Equity for Middle Market Companies • Focus on Undercapitalized/ Overleveraged Companies	• Leveraged Loans trading below $90 • High Yield Bonds trading below $80 • Post Reorg Equities • Special Situations	• Leveraged Loans • High Yield Bonds • High Yield CDS • Loan CDS	• Leveraged Loans • High Yield Bonds	• 1st/2nd Lien Non-Syndicated Loans • Mezzanine Investments	• 1st/2nd Lien Non-Syndicated Loans • Mezzanine Investments
Managed Funds 2007	Ares Corporate Opportunities Funds ("ACOF I","ACOF II")	Ares Distressed Securities Fund ("DSF")	Ares I – XII, Ares HY CSO I /II, AELIS I / II / III, ECO, Managed Accounts	Ares Euro CLO I – II	Ares Capital Corporation ("ARCC")	Ares Capital Europe ("ACE")
		Ares Global Leveraged Loan Fund				
Team	21 Inv't Professionals	← 35 Inv't Professionals →			42 Inv't Professionals	

Ares has the ability to invest across a capital structure thus providing our investment professionals with insights into industry trends, access to significant deal flow and the ability to assess relative value

(1) Reflects various investment funds, some of which are currently being marketed and / or warehoused. Although such additional assets are expected, there can be no assurance that such additional capital will be realized.
(2) NASDAQ "ARCC". Subject to ARCC leverage restrictions.
(3) Includes committed debt capital and anticipated capital commitments.

Ares Bank Loan and High Yield Performance Summary

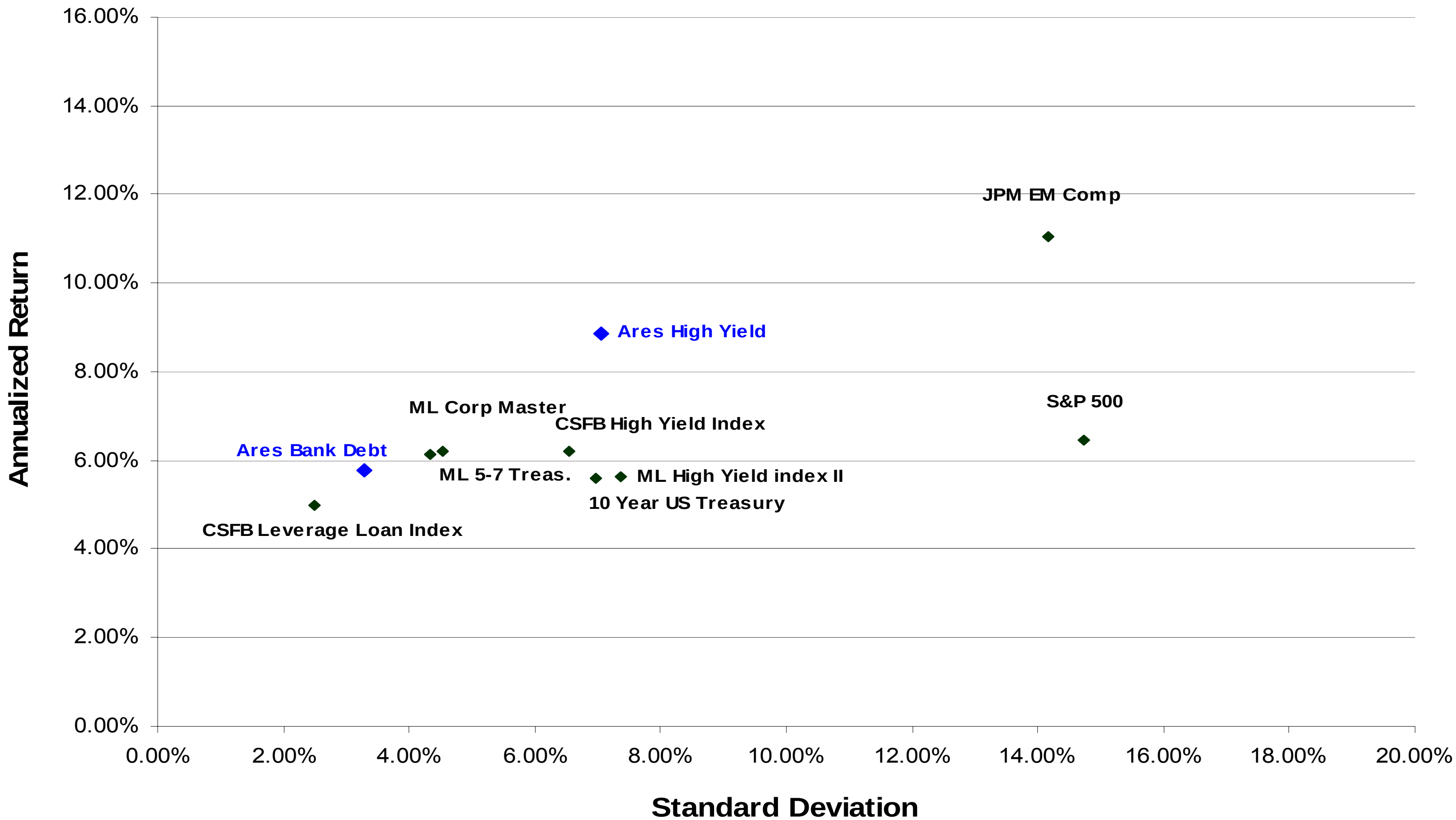
Ares has outperformed the bank loan, high-yield bond and 2nd lien bank loan markets experiencing a fraction of the defaults incurred to the indices.

Asset Category	Ares Performance (Unleveraged)	Index	Index Performance (Unleveraged)	Outperformance
Bank Loans (**Managed since 1997)**				
Total Return[1]	5.78%[2]	Credit Suisse Leveraged Loan Index	5.00%	**0.78%**
Average Default Rate[4]	0.98%[5]	S&P/LSTA Loan Index	3.06%[6]	**2.08%**
2nd Lien Positions (**Managed since 2002)**				
Total Return[1]	11.64%[7, 8]	Credit Suisse Leveraged Loan Index, 2nd Lien Only	8.64%[8]	**3.00%[9]**
High Yield Bonds (**Managed since 1992)**				
Total Return[1]	10.50%[3]	ML HY Master II Index	7.74%	**2.76%**
Average Default Rate[10]	2.13%[11]	Moody's Investor Services	5.18%[12]	**3.05%**

Note: See performance footnotes and disclosures at the end of this document in Appendix A.

Compelling Risk/Return Over Time

Risk/Reward Profile of Ares Leveraged Loan and High Yield Bond Performance From 1997* - 2007



•Ares initiated operations in November 1997. The Ares High Yield Composite and Bank Loan Composite information begins on November 6, 1997 and November 5, 1997, respectively. All comparative index information begins November 1, 1997. Returns and volatility are based on unlevered monthly performance returns before management fees or other expenses. For additional performance information please see pages 29 and 31. Data Sources: Credit Suisse, Bloomberg, Merrill Lynch and JP Morgan. The indices have not been adjusted for management or other fees. The indices include the reinvestment of dividends, interest, and other earnings.

Ares CLO Performance

Summary of Distributions to Preference Share/Subordinated Note Holders

Transaction	Issued	Target Asset Mix	Actual Cumulative Distributions (% of equity tranche)	Initial Estimated IRR[1]	Current Estimated IRR[3]
Ares III CLO Ltd. ("Ares III")	December 1999	65% loans, 35% HY	106.53%	15-20%	2%[4]
Ares IV CLO Ltd. ("Ares IV")	November 2000	75% loans, 25% HY	151.25%	15-20%	15%[5]
Ares V CLO Ltd. ("Ares V")	November 2001	75% loans, 25% HY	175.33%	15-20%	22%[6]
Ares VI CLO Ltd. ("Ares VI")	July 2002	75% loans, 25% HY	180.90%	15-20%	24%[7]
Ares VII CLO Ltd. ("Ares VII")	May 2003	100% loans[2]	55.50%	L+ 500-700bps	L+ 500-700bps
Ares VIII CLO Ltd. ("Ares VIII")	March 2004	90% Loans, 10% HY	63.50%	13-18%	12-16%
Ares Enhanced Loan Investment Strategy ("Ares ELIS I")	November 2004	90% Loans, 10% HY	119.40%	7-10%	8.5%[8]
Ares IX CLO Ltd. ("Ares IX")	March 2005	85% Loans, 15% HY	66.12%	13-18%	12-16%
Ares X CLO Ltd. ("Ares X")	September 2005	90% Loans, 10% HY	45.43%	13-18%	12-16%
Ares IIR CLO Ltd. ("Ares IIR")	October 2005	75% Loans, 25% HY	58.52%	13-18%	14-18%
Ares Enhanced Loan Investment Strategy II ("Ares ELIS II")	January 2006	90% Loans, 10% HY	34.14%	8-12%	10-14%
Ares VR CLO Ltd. ("Ares VR")	March 2006	90% Loans, 10% HY	33.04%	12-14%	12-16%
Ares VIR CLO Ltd. ("Ares VIR")	March 2006	90% Loans, 10% HY	36.40%	13-15%	12-16%
Ares IIIR/IVR CLO Ltd. ("Ares IIIR/IVR")	March 2007	85% Loans, 15% HY	25.56%	13-15%	13-15%
Ares Euro CLO I BV ("Ares Euro I")	April 2007	Primarily European Loans	5.65%	13-15%	13-15%
Ares XI CLO Ltd. ("Ares XI")	July 2007	90% Loans, 10% HY	6.58%	13-15%	13-15%
Ares XII CLO Ltd. ("Ares XII")	September 2007	92.5% Loans, 7.5% HY	N/A	13-15%	13-15%
Ares Euro CLO II BV ("Ares Euro II")	October 2007	Pimarily European Loans	N/A	13-15%	13-15%

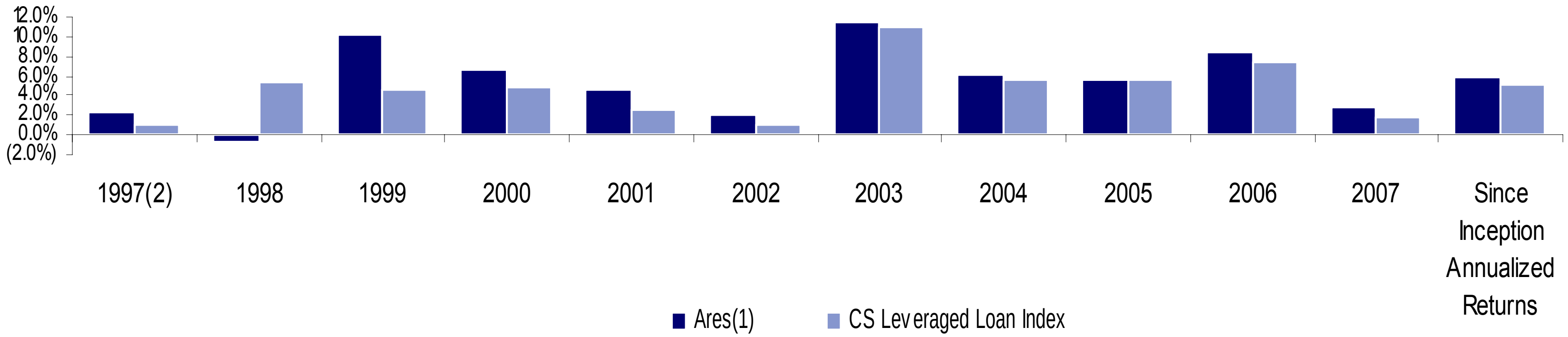
Ares Aggregate CLOs' Average Par Gain/(Loss)

Year	Average par gain/(loss)
2000	0.35%
2001	-1.32%
2002	-1.96%
2003	-0.50%
2004	0.55%
2005	-0.13%
2006	0.51%
2007	0.53%
Since Inception[9]	0.05%

Footnotes are located in appendix. ***Shaded boxes indicate realized returns on transactions that have been redeemed.***

Ares – Bank Loan Track Record (Unleveraged Returns)

Ares has outperformed the Bank Loan Market by approximately 78 basis points, on an annual basis, from November 1997 to December 2007



	1997[2]	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Since Inception Annualized Returns
Ares [1]	2.24%	-0.77%	10.28%	6.60%	4.53%	2.08%	11.42%	6.13%	5.66%	8.31%	2.81%	**5.78%**
Credit Suisse Leveraged Loan Index	1.00%	5.31%	4.69%	4.94%	2.65%	1.12%	11.01%	5.60%	5.69%	7.34%	1.88%	**5.00%**
Ares Average Loan Assets (MMs)[3]	$26.3	$185.3	$458.1	$872.6	$1,138.4	$1,367.5	$1,827.1	$2,439.3	$3,637.0	$4,737.0	$6,342.3[4]	

Actual performance results represent parts of larger managed portfolios/accounts, and are therefore shown gross of fees. Actual performance will be reduced by the advisory fees and any other expenses which may be incurred in the management of an account. For a complete description of Ares investment advisory fees, please see Ares' Form ADV, Part II that is on file with the SEC. Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal.

(1) Results from November 1997 to December 2007 represent all U.S. bank debt assets managed in U.S.-denominated funds by Ares Capital Markets Group subject to composite guidelines. Returns are net of expenses and brokerage commissions but before deducting management and incentive fees. By giving effect to all such fees, actual returns would be lower. These returns include certain bank loan positions purchased at distressed levels which, if excluded, would result in different returns for the periods presented. In addition, Ernst & Young has performed agreed-upon procedures regarding Ares' return calculations as well as the consistency of the Ares methodology.

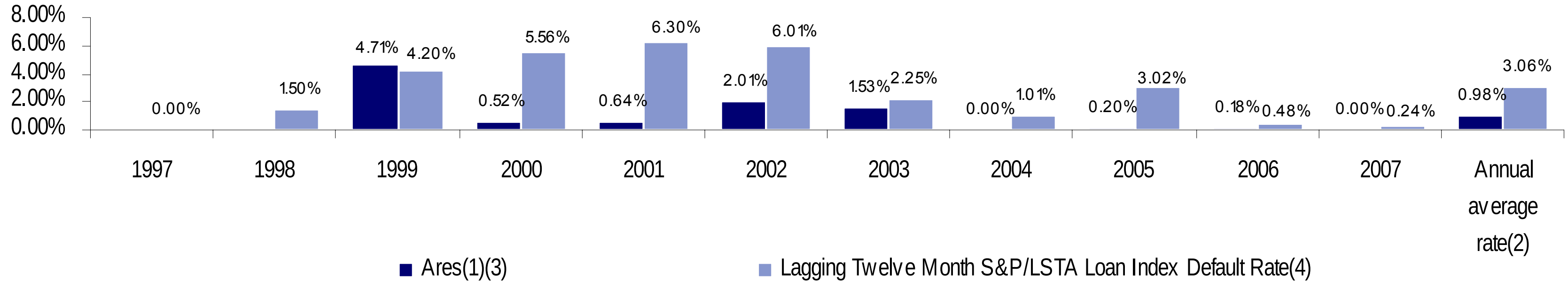
(2) Partial year 11/97 – 12/97. Not annualized.

(3) Ares Average Loan Assets are based on monthly par value of loan assets for the period specified.

(4) 2007 average is the twelve month average through December 2007.

Ares – Bank Loan Default Track Record

- **Ares has had only thirteen par bank loan issuer defaults through 4Q07. For the period from November 1997 through December 2007, Ares had an average annual bank loan default rate of 0.98%.**

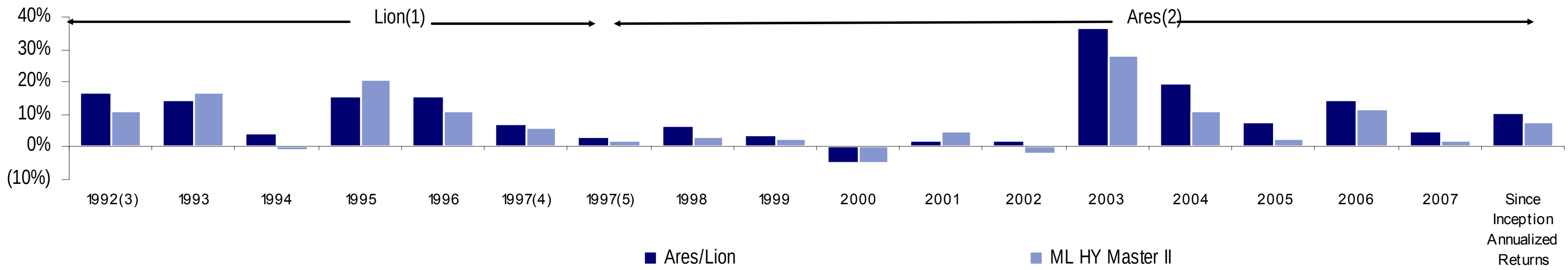


	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Avg Annual Rate[2]
Ares[1][3]	0.00%	0.00%	4.71%	0.52%	0.64%	2.01%	1.53%	0.00%	0.20%	0.18%	0.00%	**0.98%**
Number of Defaults[1]	0.00	0.00	2.00	1.00	1.00	4.00	3.00	0.00	1.00	1.00	0.00	**1.30**
Lagging Twelve Month S&P/LSTA Loan Index Default Rate[4]	N/A	1.50%	4.20%	5.56%	6.30%	6.01%	2.25%	1.01%	3.02%	0.48%	0.24%	**3.06%**
Ares Average Loan Assets (MMs)[5]	$26.3	$185.3	$458.1	$872.6	$1,138.4	$1,367.5	$1,827.1	$2,439.4	$3,637.0	$4,737.0	$6,342.3	

(1) Excludes speculative purchases of bank debt of two issuers that later defaulted.
(2) Calculated for the period from 1998 – LTM 4Q07.
(3) Par value of leveraged loans that defaulted as to payment, expressed as a percentage of average Leveraged Loan assets under management by Ares Capital Markets Group.
(4) Standard & Poors/The Loan Syndications & Trading Association Statistics. Please note that the Lagging Twelve Month S&P/LSTA Loan Default Rate is weighted by principal amount and began in December 1997.
(5) Ares Average Loan Assets are based on monthly par value of loan assets for the period specified.
Past performance is not indicative of future results

Ares – High Yield Track Record (Unleveraged Returns)

Ares/Lion has outperformed the high yield market over the past fifteen years.



	1992[3]	1993	1994	1995	1996	1997[4]	1997[5]	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Since Inception Annualized Returns
Ares/Lion	16.60%	14.50%	4.10%	15.70%	15.60%	6.90%	2.99%	6.29%	3.88%	-4.67%	2.04%	1.71%	36.44%	19.51%	7.76%	14.34%	4.77%	10.50%
ML HY Master II	10.80%	16.70%	-1.00%	20.50%	11.30%	6.00%	1.90%	3.00%	2.50%	-5.10%	4.50%	-1.89%	28.15%	10.87%	2.74%	11.77%	2.19%	7.74%

All performance results represent parts of larger managed portfolios/accounts, and are therefore shown gross of fees. Actual performance will be reduced by the advisory fees and any other expenses which may be incurred in the management of an account. For a complete description of Ares investment advisory fees, please see Ares' Form ADV, Part II that is on file with the SEC. Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal.

(1) Results from 1992 through September 1997 represent returns for high yield assets managed by Lion Advisors, L.P. ("Lion"), which managed a predecessor fund. Returns are net of expenses and brokerage commissions but before management and incentive fees. By giving effect to such fees, actual returns would be lower. Wilshire Associates, one of the leading US independent pension fund and asset management consultants, conducted a review of Lion's historical performance and computed Lion's investment returns in accordance with standard industry calculation methodologies. While every person who managed the Lion high yield bond portfolio is also involved with Ares, several of the principals of Ares did not manage and were not involved with the investment activities of the high yield bond portfolio managed by Lion. In light of such differences as well as differences in investment objectives, the performance of the investment portfolio managed by Lion is not necessarily indicative of the potential performance of Ares.

(2) Results from November 1997 to December 2007 represent all U.S. high yield assets in US-denominated funds managed by Ares Capital Markets Group subject to composite guidelines. Returns are net of expenses and brokerage commissions but before deducting management and incentive fees. By giving effect to such fees, actual returns would be lower. These returns include certain high yield positions purchased at distressed levels which, if excluded, would result in different returns for the periods presented. In addition, Ernst & Young has performed agreed-upon procedures regarding the Ares' return calculations as well as the consistency of the Ares methodology.

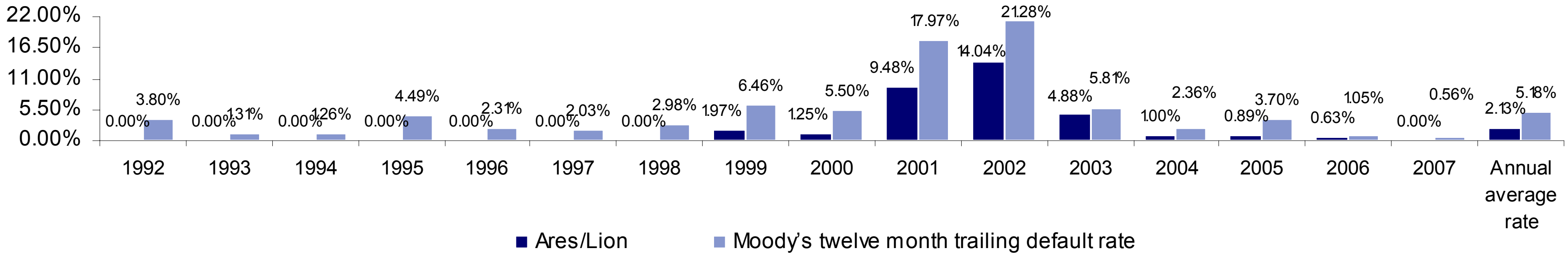
(3) Partial year 3/92 - 12/92. Not annualized.

(4) Partial year 1/97 - 6/97. Not annualized.

(5) Partial year 11/97 - 12/97. Not annualized.

Ares/Lion – High Yield Default Track Record

- **Ares has successfully managed its portfolio to minimize default risk, a skill that its principals believe to be a prerequisite for superior long-term performance.**



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Annual Average Rate[3]
Ares/Lion[1]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.97%	1.25%	9.48%	14.04%	4.88%	1.00%	0.89%	0.63%	0.00%	**2.13 %**
Moody's LTM default rate[2]	3.80%	1.31%	1.26%	4.49%	2.31%	2.03%	2.98%	6.46%	5.50%	17.97%	21.28%	5.81%	2.36%	3.70%	1.05%	0.56%	**5.18 %**

(1) Par value of high yield securities that defaulted as to payment, expressed as a percentage of average high yield assets managed by Ares Capital Markets Group. Results for March 1992 through June 1997 reflects investment activities by Lion. Results from November 1997 to December 2007 reflects investment activities by Ares. Excludes speculative purchases. While every person who managed the Lion high yield bond portfolios are also involved with Ares, several of the principals of Ares did not manage and were not involved with the investment activities of the high yield bond portfolios managed by Lion. In light of such differences as well as differences in investment objectives, the performance of the investment portfolios managed by Lion is not necessarily indicative of the potential performance of the Issuer. Does not include any unfunded synthetic credits that have had defaults (i.e. CDS) to date which amounts to $3.7 million notional.

(2) Par default rate as a percentage of total global speculative grade securities. Source: Moody's Investors Service.

(3) Calculated for the period from 1992 – LTM 4Q07.

Past performance is not indicative of future results.

Ares Private Equity Snapshot

ARES MANAGEMENT LLC

- **Ares Corporate Opportunities Fund, LP ("ACOF I")**
  - $751 million of committed capital
    - ✓ Investment activity commenced in 2003
  - $779 million of invested capital(1)
    - ✓ Investments in 19 companies
    - ✓ 9 full and partial realizations
- **Ares Corporate Opportunities Fund, II LP ("ACOF II")**
  - $2.065 billion fund focused on deploying capital to catalyze growth in target portfolio companies
    - ✓ Investment activity commenced in January 2006
  - Continuation of the successful investment strategy of ACOF I
    - ✓ 7 platform companies primarily from proprietary channels
    - ✓ Expect to be fully invested by mid 2008

(1) Amount is above original committed capital of $751 million due to the provisions allowing capital to be called from previous realizations.

Ares Private Equity Strategy

- **The Ares Private Equity Group ("ACOF") deploys capital to catalyze growth in target portfolio companies**
  - Target "check size" of between $100 million and $400 million and equity accounts up to $500 million
  - Focused on unlocking value through balance sheet deleveraging or providing growth capital
  - Flexible capital allows us to invest in majority control and shared control situations
  - Systematic approach to driving EBITDA growth post-acquisition

- **Present Ares Capital Markets and Private Debt Group as Distinct Competitive Advantages to Management and the Finance Community**
  - Expansion of capital markets and private debt assets increases market presence
    - ✓ Investments in 1,000+ companies since inception in 1997
    - ✓ Coverage of 30+ industries
    - ✓ Breadth and strength of deal flow and diligence synergies
  - Capital Markets assists in identifying undercapitalized platforms for investment (e.g., Hanger)
  - Capital Markets recognition with bank and bond buyers facilitates superior execution for ACOF
  - Private Debt Group relationships with growing companies and other private equity funds creates opportunities (e.g., WCA Waste)

Ares Private Equity Value Creation Cycle

- **We systematically approach adding value to our companies**
  - Create value on the “Buy” through elimination of causes of undercapitalization
  - Refocus management away from balance sheet and towards growth

Stage	**-Stage 1- Capitalize Balance Sheet for Growth**	**-Stage 2- Focus on Operational Excellence**	**-Stage 3- Execute on Growth Strategy**	**-Stage 4- Position Company for Exit**
ACOF Action Plan	**Inject equity capital Facilitate balance sheet restructuring if required Reduce near-term debt maturities and increase liquidity**	**Augment management team as appropriate Formalize process improvement practices Develop long-term strategic plan in order to maximize value of business model**	**Invest in growth capital projects to enhance capabilities Opportunistically pursue acquisitions Inject additional equity to meet growth objectives**	**Integrate acquisitions and realize synergies Develop investment thesis for next owner Actively explore strategic sale opportunities and other exit alternatives**
Measurable Objective	**Maximize Liquidity to Pursue Growth**	**Expand EBITDA Margins**	**Grow Top Line Revenues**	**Maximize Free Cash Flow**

ACOF Portfolio Companies

ARES MANAGEMENT LLC

AQ amerigual Group, LLC

maidenform

anchorblue

Hanger ORTHOPEDIC GROUP INC.

MARIETTA WORLD CLASS. WORLDWIDE.

AspenDental

Serta

WCA

EXCO

GNC LiveWell

TINNERMAN connection engineering

SandRidge ENERGY

CELERITY

OSH Orchard Supply Hardware

KINETICS

WHITE ENERGY CLEAN ENERGY FOR A CLEAN FUTURE.

Ares Private Debt Snapshot

- Ares Capital Corporation (“ARCC”) is managed by Ares Private Debt Group.
- ARCC is a specialty finance company focused on the diverse financing needs of middle market private companies.
  - Approximately $2.6 billion of total committed capital[(1)].
  - Publicly traded on the NASDAQ: ARCC.
- Structured as a Business Development Company (“BDC”).
  - Structural and tax advantages.
- Flexible capital with the ability to invest at each level of the balance sheet.
  - Rigorous focus on asset selectivity, credit, risk-adjusted return and relative value.
- Ability to leverage off the broader Ares Management platform.
  - Significant deal flow, due diligence and infrastructure benefits.

(1) As of December 2007. Subject to ARCC leverage restrictions.

Ares Private Debt Strategy

ARES
MANAGEMENT LLC

- ARCC focuses primarily on investments in leveraged finance transactions of middle market companies (EBITDA of $5 to $50 million).
  - Financing competitors in this segment typically focus on providing a single product to the larger borrowers in this market rather than an integrated financing solution.

- ARCC pursues a differentiated investment strategy.
  - Middle market focus yields less efficient pricing and higher potential returns.
  - Multi-channel origination strategy uncovers the best and broadest set of opportunities.
  - Provide efficient and flexible capital opportunistically across the capital structure.
  - Deliver appropriate risk adjusted returns through a combination of current yield and the potential for capital appreciation through warrant positions, direct equity investments and discounted purchases.

- ARCC believes in creating strong and lasting partnerships with other middle market debt providers, investment firms, and private equity sponsors to build its presence in the market and to diversify the portfolio.

Ares Private Debt Value Proposition

- Integrated “one stop” financing.
- Creative and flexible capital structure.
- Experienced and user-friendly deal teams with single point of contact and senior level attention.
- Ability to support growth, acquisitions and changing needs of portfolio companies.
- Access to broad relationship network and experienced base of professionals.

Exhibit A

Performance Footnotes

Ares Bank Loan and High Yield Performance Summary (footnotes)

All performance results represent parts of larger managed portfolios/accounts, and are therefore shown gross of fees. Actual performance will be reduced by the advisory fees and any other expenses which may be incurred in the management of an account. For a complete description of Ares Investment advisory fees, please see Ares' Form ADV, Part II that is on file with the SEC. Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. For additional performance details, please see Ares bank loan and high yield track record which are included as part of this presentation.

1. Since inception return is calculated using basic time average return on investment without taking into effect the weight of market value year over year.
2. Results from November 1997 to December 2007 represent all U.S. bank debt assets managed in U.S.-denominated funds by Ares Capital Markets Group subject to composite guidelines. Returns are net of expenses and brokerage commissions but before deducting management and incentive fees. By giving effect to all such fees, actual returns would be lower. These returns include certain bank loan positions purchased at distressed levels which, if excluded, would result in different returns for the periods presented. In addition, Ernst & Young has performed agreed-upon procedures regarding Ares' return calculations as well as the consistency of the Ares methodology.
3. Results from 1992 through June 1997 represent returns for high yield assets managed by Lion Advisors, L.P. ("Lion"), which managed certain institutional investment portfolios prior to the establishment of Ares. Returns are net of expenses and brokerage commissions but before management and incentive fees. By giving effect to such fees, actual returns would be lower. Wilshire Associates, one of the leading US independent pension fund and asset management consultants, conducted a review of Lion's historical performance and computed Lion's investment returns in accordance with standard industry calculation methodologies. While every person who managed the Lion high yield bond portfolio is also involved with Ares, several of the principals of Ares did not manage and were not involved with the investment activities of the high yield bond portfolio managed by Lion. In light of such differences as well as differences in investment objectives, the performance of the investment portfolio managed by Lion is not necessarily indicative of the potential performance of Ares. Results from November 1997 to December 2007 represent all U.S. high yield assets in US-denominated funds managed by Ares Capital Markets Group subject to composite guidelines. Returns are net of expenses and brokerage commissions but before deducting management and incentive fees. By giving effect to such fees, actual returns would be lower. These returns include certain high yield positions purchased at distressed levels which, if excluded, would result in different returns for the periods presented. In addition, Ernst & Young has performed agreed-upon procedures regarding the Ares' return calculations as well as the consistency of the Ares methodology.
4. Par value of bank loans that defaulted as to payment, expressed as a percentage of average bank loan assets under management by Ares Capital Markets Group.
5. Calculated for the period from 1998 to LTM 4Q07. Excludes speculative purchases of bank debt of two issuers that later defaulted.
6. Index reflects the twelve-month trailing S&P/LSTA Loan index default rate.
7. Returns are calculated using Modified Dietz method which divides (A) (a) ending net asset value minus (b) beginning net asset value, minus (c) cash flow, by (B) (a) beginning net asset value plus (b) weighted cash flow. Returns are net of expenses and brokerage fees, but before deducting management fees.
8. Returns are annualized geometrically, by taking geometric mean returns expressed on an annual basis.
9. Performance results presented herein is for the period from 10/1/2002 through 12/31/2007. Ares made its first investment in second lien bank loan in May 2002. However, we have excluded results between May 2002 and September 2002 as we believe that the number of second lien observations in the Credit Suisse Leveraged Loan Index during that time period is limited and may not constitute a sufficient sample size to represent a relevant comparative benchmark. In four of the five months between May 2002 and September 2002, the second lien portion of the Credit Suisse Leveraged Loan Index shows significant monthly losses (in excess of 9.0% each month). Had the period from May 2002 through December 2007 been presented, the returns would be 8.32% and -1.27% for Ares and Credit Suisse, respectively.
10. Par value of high yield securities that defaulted as to payment, expressed as a percentage of average high yield assets under management by Ares Capital Markets Group subject to composite guidelines.
11. Calculated for the period from 1992 to LTM 4Q07. Excludes speculative purchases.
12. Par default rate as a percentage of total global speculative grade securities. Source: Moody's Investor Service. Index reflects the twelve-month trailing Moody's default rate for global speculative grade securities.

Ares CLO Performance Summary (footnotes)

(1) Original underwriter projections. Assumes a 2% annual default rate beginning at the end of year 1 for Ares III-V, ELIS I, Ares IIR,ELIS II, Ares XII, Euro I and Euro II, beginning at the end of 6 months for Ares IX, beginning at the end of 9 months for Ares VI-VII and Ares X, and beginning at the end of the 17 months for Ares VIII.

(2) Loans or other senior secured obligations.

(3) The IRR calculation is based on quarterly cash flows using the XIRR function in EXCEL and is shown net of fees.

(4) On the January 12, 2007 Payment Date, the Ares III transaction was redeemed. Since the redemption date, nominal distributions have been made to the Ares III fund for an IRR of approximately 2%.

(5) On the December 22, 2006 Payment Date, the Ares IV transaction was redeemed. Since the redemption date, nominal distributions have been made to the Ares IV fund for an IRR of approximately 15%.

(6) On the February 24, 2006 Payment Date, the Ares V transaction was redeemed. In addition, on August 26, 2006, Ares V distributed its final payment of over $2.8 million to the equity which gave the Ares V fund an IRR of approximately 22%.

(7) On the March 13, 2006 Payment Date, the Ares VI transaction was redeemed. In addition, on November 20, 2006, Ares VI distributed its final payment of approximately $0.95 million to the equity which gave the Ares VI fund an IRR of approximately 24%.

(8) On the March 19, 2007 Payment Date, the Ares ELIS transaction was redeemed. Based on the distributions the Class C Noteholders received through that date, an approximate annual IRR of approximately 8.5% had been earned.

(9) Calculated as follows: the sum of average par gain/(loss) for years 2000 through 2007 divided by the average of monthly beginning par for years 2000 through 2007

Past performance is no guarantee, prediction or indication of future results

Shaded boxes indicate realized returns on transactions that have been redeemed.